Economic Update

May 9, 2024

Initial Jobless Claims Jumped by 22K in early May and Continuing Claims Rose By 17K in Late-April. This Looks More Like Noise than Signal But Bears Watching.

- **Initial claims for unemployment insurance jumped by 22,000 to 231,000 in the week ending May 4. The four-week moving rose by 5,000 to 215,000.**
- **Continuing claims rose by 17,000 to 1.785 million in the week ending April 27 but the four-week moving average fell by 6,000 to 1.781 million.**

Initial Unemployment Insurance (UI) claims jumped by 22,000 to 231,000 in the week ending May 4, their highest level this year. The four-week moving average of claims, which smooths out some of the weekly volatility in this data rose by 5,000 to 215,000, also the highest level this year. UI Claims had remained unusually steady and low by historical standards signally that the labor market remains strong, so this one week jump may be more noise than signal. The 200,000 mark appears to be a solid floor for the Initial Claims measure, with the weekly results having bouncing upward from that level once reached throughout the second half of 2023 and again in the first four months of 2024.

Continuing claims jumped by 17,000 to 1.785 million in the week ending April 27 from a downward revised 1.768 million in the previous week (was 1.774 million). The four-week moving average of continuing claims, which smooths out some of the weekly volatility in this data set, edged down by 6,000 to 1.781 million from a downward revised 1.787 million in previous week (was 1.789 million). This still very low level of continuing claims is further evidence that the big jump in initial claims in early May is not the start of a persistent rise in laid-off workers, but bears close watching.

While UI Claims are still at healthy levels in an historical context, the labor market is becoming better balanced between demand for and supply of workers which will help moderate upward wages pressures, especially as legal immigration has risen by over 1 million in each of the past two years. This is a theme that Chair Powell discussed at his post May 1 FOMC meeting press conference. The 0.2% rise in April average hourly earnings pulling the year-over-year rise down to 3.9% is important evidence of moderation in wage gains but still outpacing inflation in the past year. PNC thinks this will pave the way or rate cuts starting in the third quarter. We expect the first 25 bps funds rate cut at the July 31 FOMC meeting and a second cut at the November meeting.

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