

U.S. Payrolls Preview: Aug 2025

MNI View: An Early Test Of Latest Powell Patience

Jul 31, 2025 - By Chris Harrison

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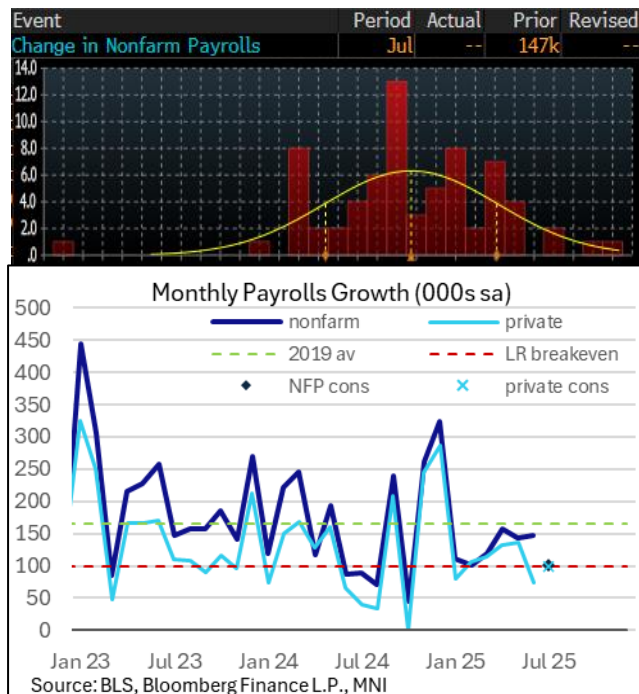
Executive Summary

- Nonfarm payrolls growth is seen at 104k in July (sa) per the broad Bloomberg survey after 147k in June.
- The median primary dealer analyst eyes 100k whilst the Bloomberg whisper currently sits at 115k after little net reaction to the stronger than expected ADP report for July.
- Government payroll growth is expected to be much softer after a surprise 73k surge in June, which we think was more likely down to seasonal adjustment quirks. There's a wide range of primary dealer estimates for public payrolls growth in July, from +20k to -55k.
- Consensus sees private sector payrolls rising 100k after a disappointing 74k in June and the breadth of gains should again be watched. 59k of this came from the cyclically insensitive health & social assistance category, whilst roughly as many of the 250 industries increased on the month as those that decreased.
- Payrolls growth should continue to be viewed against long-run breakeven estimates of around the 100k mark although some, such as Deutsche Bank, see this potentially being as low as 50k owing to continued immigration curbs.
- The unemployment rate is widely expected to tick up a tenth to 4.2% after a surprisingly low 4.11% in June as it pulled back from a cycle high of 4.244% in May. A faster-than-expected deterioration will be required for the final six months of the year to reach the FOMC's June Q4 median projection of 4.5%.
- We highlight FOMC discussions on QCEW data pointing to softer payrolls growth, with Powell citing the unemployment rate as suggesting labor demand and supply are cooling in tandem.
- We expect two-sided risks but with greater sensitivity to a dovish report after a hawkish shift on a patient Powell at Wednesday's FOMC presser. There is 11.5bp of cuts priced for Sept and 36bp for end-2025.
- We're still to get the Aug NFP report, preliminary benchmark revision estimates and two CPI reports before the Sept 16-17 FOMC meeting.

Extent Of Government Payback In Question

Nonfarm payrolls growth is expected at 104k in July per the broad Bloomberg consensus after a stronger than expected 147k in June that was also accompanied by a rare two-month upward revision of 16k. The Bloomberg Whisper currently stands at 115k with little movement after Wednesday's better than expected ADP report. Last month's payrolls report did however see a return of unusually large positive government job creation, masking more disappointing private sector job creation of 74k (cons 100k) and a two-month downward revision of -16k. There is expected to be some payback this month from government payrolls, with the private sector seen almost entirely driving the increase with Bloomberg consensus of 100k. This is something we find when looking at a subset of just analysts at primary dealer institutions, with a median of 100k for both nonfarm and private payrolls. There is a wide range of implied estimates for public sector employment of the 14 primary dealer analysts who specify estimates for both, from -55k to +20k.

Aside from this potential softer government figure (of which we go into more below in a section on seasonality), attention from the payrolls data should be on the breadth, or lack thereof, in private sector job creation. Of the 74k increase, 59k came from the large and cyclically insensitive health & social assistance category. The



ADP measure of private employment has been weaker than BLS private payrolls for a few months now, although did at least surprise higher in July with 104k (cons 76k) as it bounced from an upward revised but still unusually weak -23k (initial -33k) in June. There were sequential improvements across the board in this ADP July report although “education & health” remains a particularly weak sector at -38k after -48k. This sector remains a major outlier when comparing with BLS payroll industries, with the BLS equivalent increasing a strong 51k in June prior to any upcoming revisions. An alternate way of capturing the weaker backdrop of industry back in June, roughly as many of the 250 private sector industries saw increases as decreases on the month. Whilst this diffusion index of 49.6% in June was up from 48% in April, that was the lowest since Jul 2024 on short-lived weakness prior to which it was last lower in two months of the pandemic and 2010. One area that remains in the spotlight for trade policy impacts is “trade, transportation and utilities, with the ADP version seeing an 18k increase in July after 13k in June vs what has been a tepid run for the BLS equivalent with 4k in June. The latter has been prone to sizeable revisions but currently shows a pronounced run higher in Dec/Jan (increasing a seasonally adjusted 81k and 54k respectively) after the election into Trump’s inauguration before largely flat lining since then.

Mixed Seasonality Implications Again

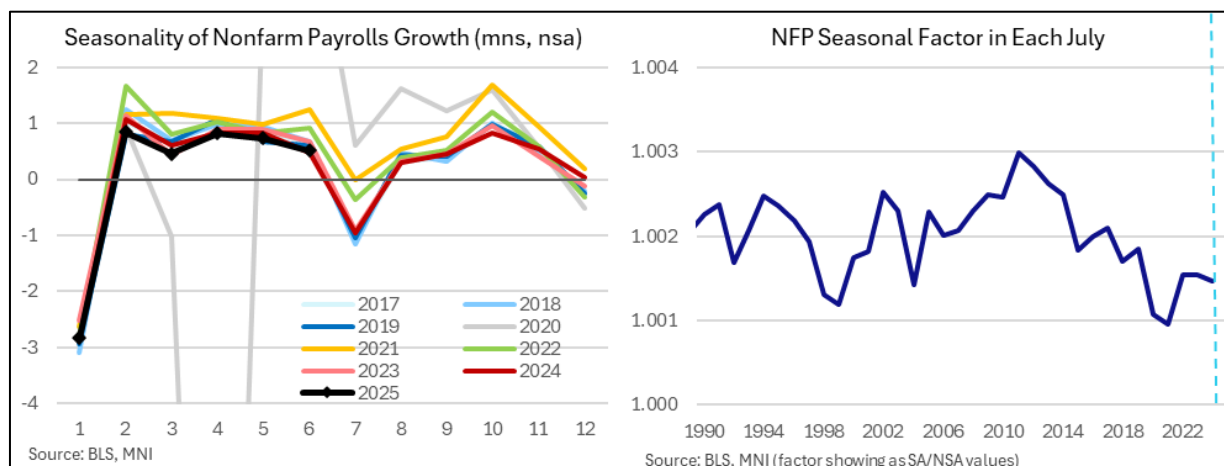
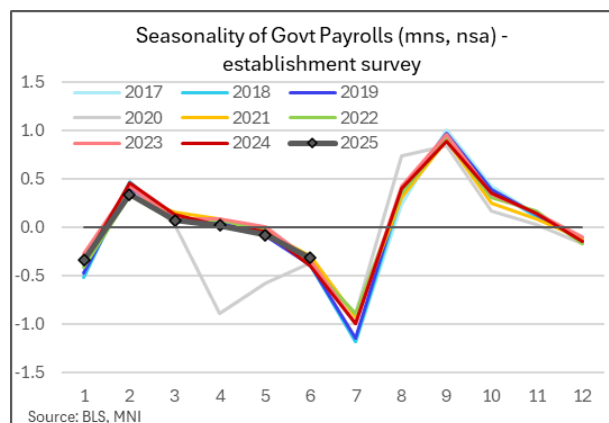
Last month’s June report provided a reminder of the distortions that seasonality can have, when government payrolls surprisingly surged a seasonally adjusted 73k (strongest since Mar 2024). It was driven by a smaller than typical decline in public sector education roles in June, possibly due to a later start to school holidays. There is expected to be some payback here in July, adding to what is likely to be larger non-seasonally adjusted declines – see chart.

Looking more broadly, the typical seasonal profile has mixed implications for this month’s release. July ordinarily sees large declines in non-seasonally adjusted levels of employment for the start of the summer holiday, second only to January’s post-holidays slump. With initial jobless claims still very much consistent with the first half of the “low firing, low hiring” characterization of the labor market, this would imply an upward bias to the seasonally adjusted level of payrolls in July. However, some unusually low levels of outright job losses in the recovery from the pandemic remain in the seasonal adjustment look-back period and could provide an offsetting bias. For context, an average of 937k payrolled jobs were lost in July 2023/24, compared to just 186k in 2021/22 and ~1050k in the five years ahead of the pandemic. On a related note, seasonal factors have become less favorable (i.e. a factor that trims the NSA level of payrolls by larger amounts) in recent years although by less extent than was the case in 2020/21.

Recent Payrolls Surprises vs Revisions (000s)

	Outturn	Cons.	Surprise	2-mth Rev.	Net
Jan	143	175	-32	100	68
Feb	151	160	-9	-2	-11
Mar	228	140	88	-48	40
Apr	177	138	39	-58	-19
May	139	126	13	-95	-82
Jun	147	106	41	16	57

Outturn and two-month revision showing for at the time of release
Source: BLS, Bloomberg, MNI



QCEW Back And Forth On The FOMC

Nonfarm payrolls growth was exaggerated last year before unusually large downward benchmark revisions after accounting for differences in more comprehensive QCEW data. This quarterly report, for which data is currently available only to 4Q25 points to further downward revisions ahead. The difference is largest when it comes to private sector payrolls, in the latest vintage seen rising 1.2% Y/Y back in December. There has been little sign of moderation since, still at 1.1% Y/Y having plateaued at this level since early 2024. However, private employment in the QCEW survey sat at a softer 0.6% Y/Y. We'll have a better idea of potential revision sizes with the Sept 9 QCEW release for Q1, which forms the preliminary benchmark revision ahead of the actual benchmark revision due in February for the Jan 2026 payrolls report. A word of warning here, last year saw a preliminary estimate of -818k/-819k for nonfarm/private payrolls vs the -598k/-635k in the benchmark revision. Much has been made of this continued potential exaggeration of the monthly payrolls data, not least on the FOMC. Governor Waller, a leading dove now and dissenter at Wednesday's meeting, extrapolates this very early QCEW signal and suggests monthly private sector employment gains in June were closer to zero. Chair Powell meanwhile points to the significant reduction in labor supply, moving in tandem with softer labor demand.

Fed Governor Waller in his speech on "The Case For Cutting Now" – July 17, 2025:

"And there is another reason to cite the slowdown in private-sector hiring. A pattern in data revisions in recent years tells us that the private payroll data are being overestimated and will be revised down significantly when the benchmark revision occurs in early 2026. Accounting for the anticipated revision to the level of employment in March 2025 and extrapolating forward, private-sector employment gains last month were much closer to zero⁴. This is why I say private-sector payroll gains are near stall speed and flashing red."

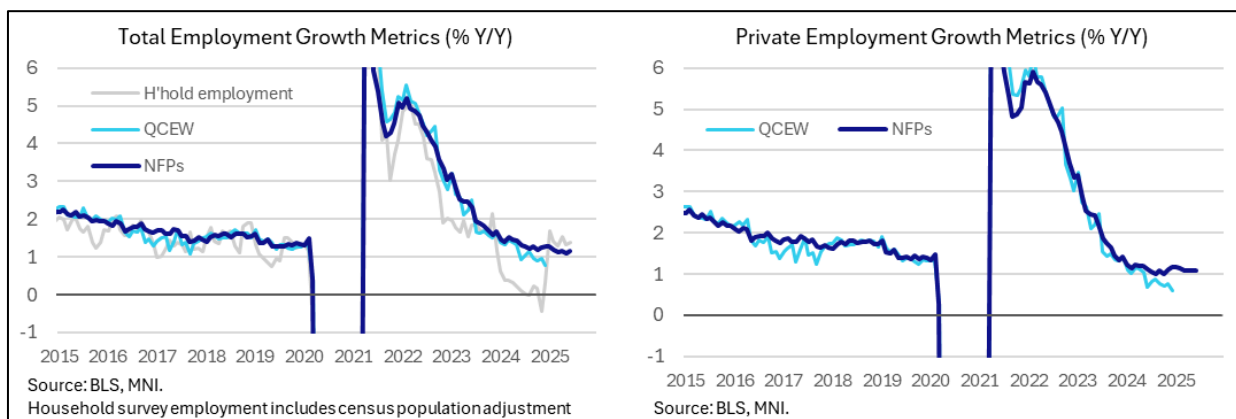
⁴ *My estimate of the anticipated revision is based on the difference between the currently published level of payroll employment and the count of employment from the Quarterly Census of Employment and Wages (QCEW), which is used to benchmark the payroll employment figures. The QCEW data, which are currently available through 2024:Q4, suggest that the monthly change in payroll employment has been overstated by roughly 60,000 per month since March 2024."*

Fed Chair Powell in Wednesday's FOMC press conference (from the MNI rough transcript) – July 30, 2025:

"So, I'm not going to talk about any individuals, you know, any individual's comments, I wouldn't do that. But look, I think what we know is that private sector job creation, certainly in the last report, we will see on Friday, but had come down a bit. And if you take the QCEW adjustment seriously, it may be close to zero, but the unemployment rate is still -- was still low. So, what that is telling you is that, you know, demand for workers is slowing but so is the supply. So, that's -- it's in balance, oddly enough. You have got a very low unemployment rate and it's kind of been there for a year as job creation has moved down, but also we know that, you know, because of immigration policy really, the flow into our labor force is just a great deal slower and those two things have slowed more or less in tandem."

If you look for things, like I mentioned quits, look at wages, wages are gradually cooling. I look at vacancies to unemployment. Those things have been pretty stable for -- they haven't really moved a lot in a full year. So, I think if you take the totality of the labor market data, you have got a solid labor market."

But I think you have to see that there are downside risks. It's not -- you don't see weakening in the labor market, but I think you have got downside risks in a world where unemployment is being held down because both demand and supply are declining. I think that's -- it's worth paying close attention to it and we are."



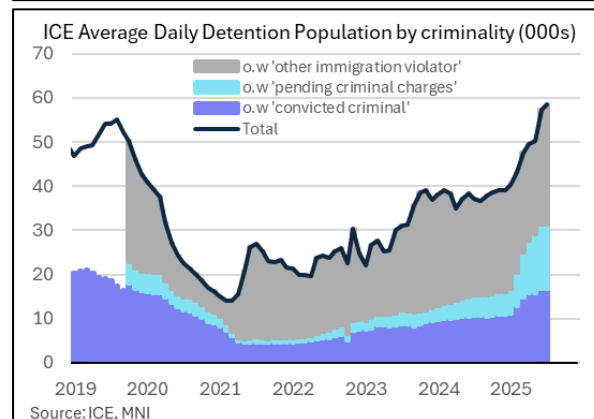
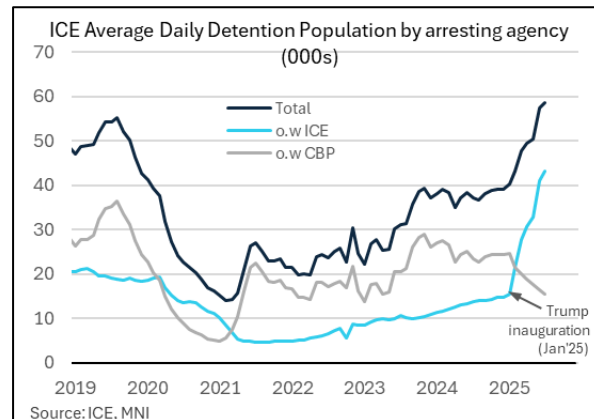
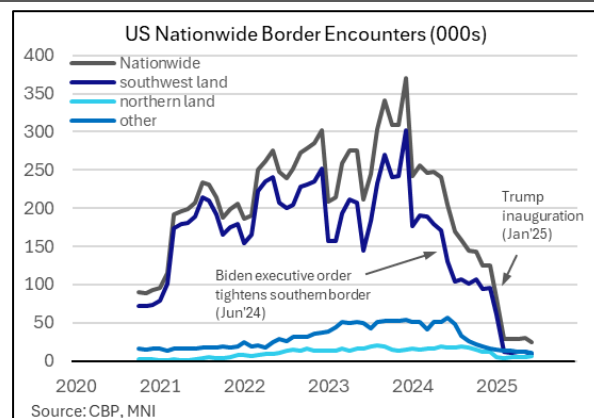
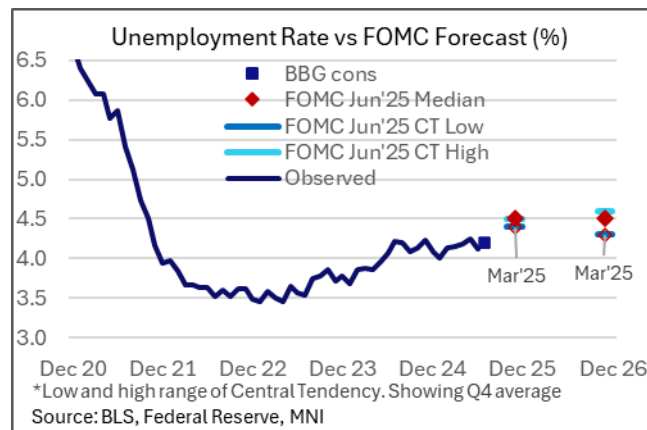
U/E Rate Seen At High End Of Narrow Recent Range Again After Surprise Dip

As such, the household survey's unemployment rate will continue to be watched closely as a barometer of broad labor market tightness amidst significant immigration curbs. Bloomberg consensus currently looks for 4.2% as it continues to broadly plateau in the 4.0-4.25% range seen ever since last July. June's release surprised lower at 4.11% for a notable pullback from the recent high of 4.244% in May. As things stand, a faster-than-expected deterioration will be required for the final six months of the year to reach the FOMC's June Q4 median projection of 4.5%.

Within the details, we'll watch whether there was a rebound in the labor force after it contracted for the second consecutive month (-130k after -625k) for a 4-month low. It saw the participation rate fall to a 31-month unrounded low 62.28% (62.37% prior), and its seen holding at this 62.3% in July. The overall employment to population ratio fell very slightly but nonetheless at 59.71% is at a 41-month low. There were mixed drivers behind participation rate changes however, with the prime-age rate ticking a tenth higher to 83.5% to halfway reverse June's decline in contrast to the 55+ group seeing participation fall -0.2pp to 38.0% for its lowest since Jan 2007. This implies the latest drop in participation was more driven by retirements rather than immigration flows, although the latter is likely to become increasingly important.

Border encounters have plateaued in recent months after tumbling at the start of the second Trump administration in January. They have held in the 25-30k range through Feb-Jul vs 81k in January, 124k in Dec 2024 and 370k in Dec 2023 for context. As a reminder, tighter immigration policy had already been in train towards the end of the Biden administration, with border encounters averaging 144k per month in 2H24 after a June executive order tightening the southern border followed an average 240k in 1H24. Nevertheless, the decline at the start of this year was particularly abrupt and will continue to see reduced numbers of entrants to the labor force with a lag. This will be accelerated by the Supreme Court earlier in the year allowing the White House to revoke Temporary Protected Status (TPS) of ~350k Venezuelans – we saw analyst estimates citing this as dragging as much as 25k from June payrolls growth but with lags unclear. Further, the Supreme Court also allowed the government to move forward with terminating parole granted to ~530k people under the CHNV program.

On top of this, ICE detainees have swollen in number, most recently to an average 58.5k in July vs 57.4k in June, 40k in January and an average 38k in 2025. This adds an additional 20k of people that could be deported, although depending on criteria for deportation this could be smaller with those defined as convicted criminals standing at 16.7k in July. With estimates of the long-run breakeven pace of payroll gains thought to be in the 100k region, shorter-term measures could possibly start to dip below this. Deutsche Bank on the matter (who also see it currently at 100k per month at present): "The Trump Administration's immigration policies are likely to slow net immigration flows, and potentially could lead to an outright decrease in the foreign-born population. Correspondingly, the breakeven rate of payroll gains could be even lower, closer to 50k per month. As such, even modest payroll gains could have the effect of tightening the labor market."



Moderation In Earnings Growth Expected To Pause

Average hourly earnings (AHE) growth is expected at 0.3% M/M in July after surprising in either direction in the previous two months, with 0.22% M/M in June and 0.39% M/M in May. That dovish surprise in June was built on by surprisingly soft hours worked, which fell a tenth to 34.2 (mechanically biasing AHE of salaried employees higher). There's once again broad consensus for a 0.3% M/M increase in AHE in July with a faint dovish skew from three primary dealer analysts calling for 0.2% and one for 0.4%. Year-ago AHE growth has been gradually cooling in recent months but this could stop in July, with consensus for 3.8% Y/Y after 3.71% following seven consecutive unrounded monthly declines. When it comes to earnings growth, Thursday's Q2 Employment Cost Index will likely carry more weight than monthly AHE for the FOMC.

Average hours worked meanwhile are expected to hold the decline to 34.2 in July but it's a close call, with the broader Bloomberg survey showing 14 at 34.2 and 11 at 34.3. Downside surprises here should carry some dovish weight as we're starting from an already low base compared to a pre-pandemic range primarily at 34.4-34.5 with a few 34.3 and 34.6 readings. January's 34.1 was particularly low although is likely linked to unusually adverse weather. There have been a few 34.2 readings over the past year or so, but not back-to-back. Somewhat arbitrarily taking Dec 2024 as a starting point to compare changes since President Trump's inauguration, average hours worked for all industries are back to where they were. Declines have been led by retail – off its January lows on likely that adverse weather disruption but still with a sizeable decline – and wholesale trade. Transportation & warehousing average hours worked have cooled since April but are leading net increases along with professional & business roles.

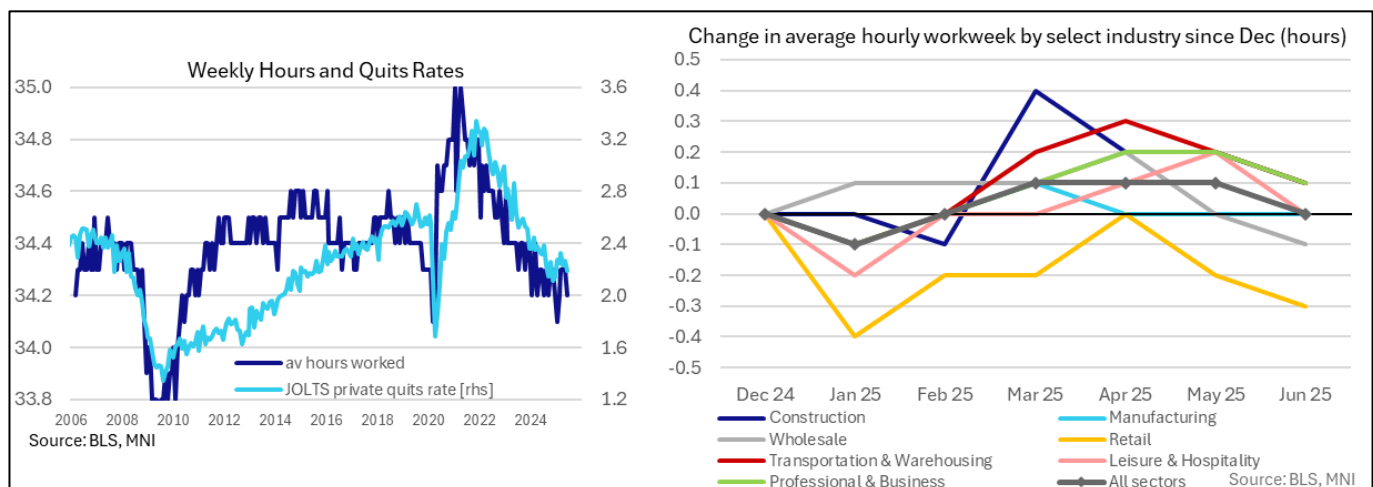
Primary Dealers Mildly Hawkish on U/E, Dovish On AHE

	Payrolls	U/E (%)	AHE (M/M)
Santander	0	4.2	0.3
Barclays	75	4.2	0.3
Deutsche Bank	75	4.2	0.3
BofA	85	4.2	0.3
TD Securities	90	4.2	0.2
UBS	95	4.2	0.3
Citi	100	4.2	0.3
Goldman Sachs	100	4.2	0.3
J.P.Morgan	100	4.2	0.3
Morgan Stanley	100	4.2	0.3
NatWest	100	4.2	0.3
RBC	101	4.1	0.3
Wells Fargo	110	4.2	0.2
BMO	114	4.2	0.3
Nomura	120	4.2	0.2
Jefferies	125	4.2	0.3
BNP Paribas	130	4.1	0.3
HSBC	130	4.2	0.3
Mizuho	140	4.2	0.4
Scotiabank	150	4.0	0.3
Median	100	4.2	0.3

Entered in Bloomberg Finance L.P. survey or seen by MNI.

Red denotes tighter than consensus, blue looser

*SocGen write that 110k median (at the time) is too pessimistic



STIR: Two-Sided Risks But Arguably Greater To A Dovish Report

Coming just two days after Wednesday's July FOMC decision, this will be the first of two payrolls reports before the next FOMC meeting on Sept 16-17. The BLS is also set to release the preliminary benchmark revision for payrolls on Sept 9 and there will be two CPI releases for the FOMC to assess, all of which will feed into the fresh economic forecasts and dot plot published with the September. As such, there is a lot of information still to come simply from these major releases, even before latest indicators of consumer health (something Powell is watching closely) or any further government policy changes. That could in theory dampen reaction specifically for September rate cut prospects, but that's not to say reaction will be small with markets still highly sensitive to any surprises.

Rate markets saw a hawkish jolt from Powell's press conference on Wednesday with his general tone of further patience required. He downplayed the two dovish dissents from Bowman and Waller as part of a healthy discussion, sees modestly restrictive policy as appropriate, said the Fed has made no decisions about the September meeting and that it's really hard to say whether it will have seen enough information to cut then. Reiterating this patient rhetoric, we said we're still a ways from seeing where things settle down whilst later on implying a fairly extended timeline for tariff clarity.

The near-term rate path for 2025 meetings is at its most hawkish since February, with 11.5bp of cuts for the next meeting in September before a cumulative 20bp for October and 36bp for year-end. Markets still see it as a question of when not if we see deeper rate cuts though, with the SOFR implied terminal yield of 3.21% in the Mar 2027 contract implying at least four cuts from current levels. That's firmly within the 3.1-3.3% range seen in July to date and comfortably at the low end of the range for the past eighteen months.

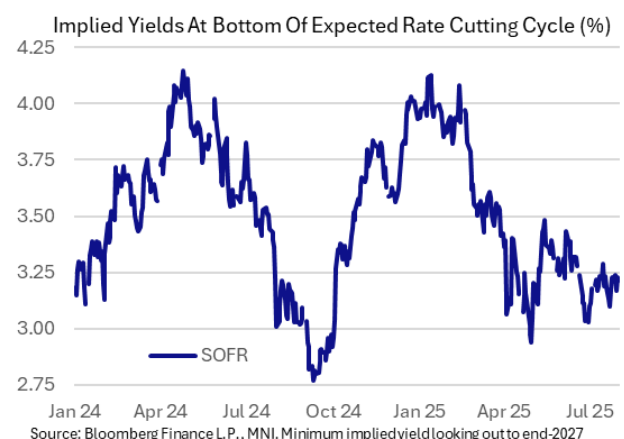
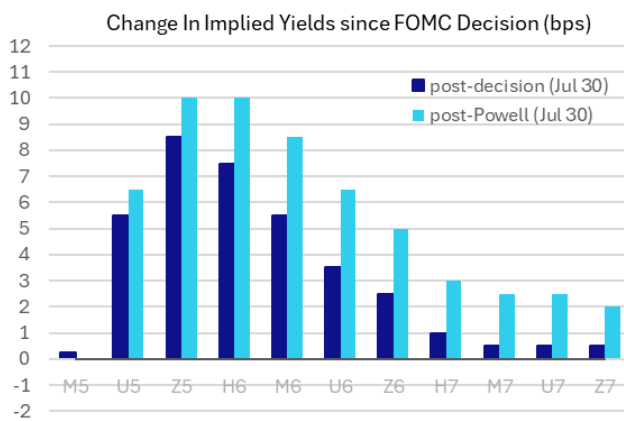
We suspect risks are skewed to a dovish report following Wednesday's hawkish shift. The unemployment rate increasing in tandem with a soft payrolls report of sub 50k growth (barring any particularly large government surprises) could see a rise in September cut odds and a larger build in year-end cut odds. The reaction would likely be more contained if there is no surprise in the u/e rate. There is however another caveat to consider and that's the surprise spike in the u/e rate back in July 2024 (at the time from 4.05% to 4.25%, since revised to show from 4.08% to 4.22%), which appeared to play a large role in the aggressive start to the Fed's easing cycle in Sep 2024 with a 50bp cut. That was followed by 25bp cuts in November and December after which it has been on hold with a target range of 4.25-4.50%. The Fed and markets will be cautious about over-reacting to a single release, although it could lend support to Gov. Waller's call for cutting in July based on trying to get ahead of upcoming labor market weakness.

We don't want to downplay sensitivity to a stronger report though. A hawkish surprise can still see further reductions in 2025 cut expectations, pushing closer to just one cut by year-end. Recall of course that seven dots in the June SEP pencilled in zero cuts for what's left of 2025, in what's a particularly divided FOMC.

FOMC-dated Fed Funds futures implied rates

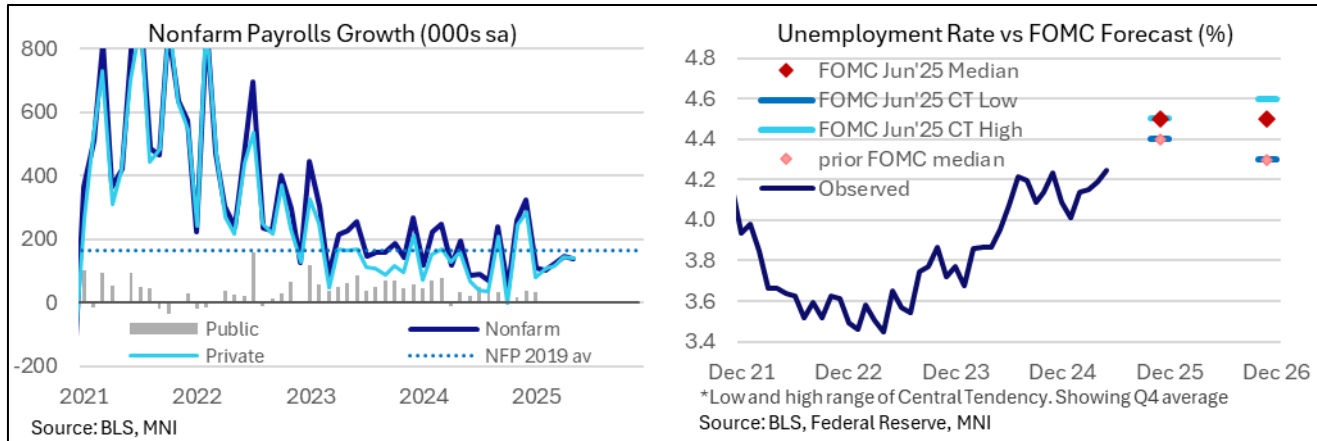
Meeting	Latest			pre Powell (Jul 30)			chg in rate bp	pre FOMC decision (Jul 30)			chg in rate bp
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)		%	step (bp)	cum. (bp)	
Effective	4.33			4.33				4.33			
Sep'25	4.22	-10.5	-11.4	4.17	-15	-16.1	4.7	4.18	-14	-15.3	3.9
Oct'25	4.13	-8.8	-20.2	4.05	-12	-28.2	8.0	4.06	-12	-27	7.1
Dec'25	3.97	-16.0	-36.2	3.88	-17	-45.3	9.1	3.89	-17	-44	7.9
Jan'26	3.88	-9.0	-45.2	3.78	-9	-54.7	9.5	3.80	-9	-53	7.5
Mar'26	3.75	-12.4	-57.6	3.66	-12	-66.8	9.2	3.68	-12	-65	7.2

Source: Bloomberg Finance L.P., MNI.



Recent Labor Market Developments

Last month's payrolls recap on how a resilience report, albeit one with weak spots under the surface, was seen as keeping the Fed on the sidelines ([link here](#)).

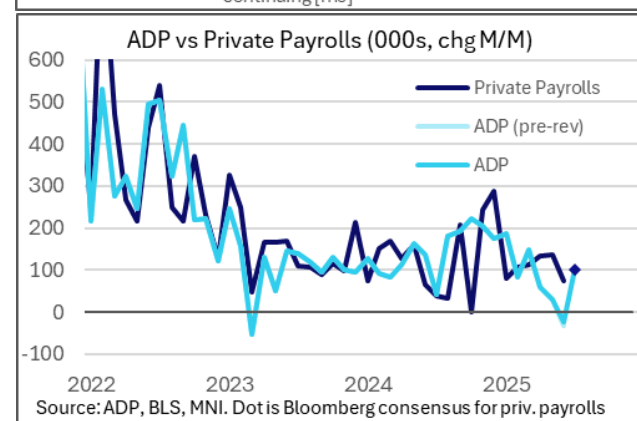
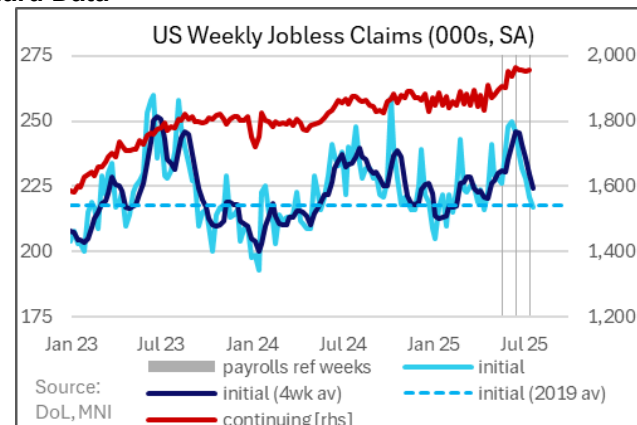


Labor indicators since last NFP report: Beats For More Timely Hard Data

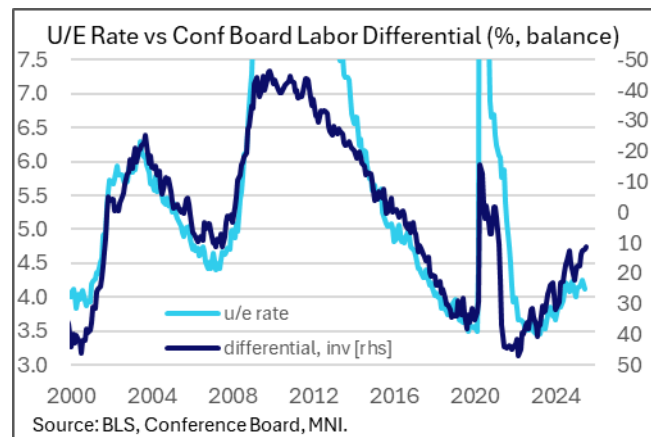
Upside: Initial jobless claims have impressed recently, falling to 221k in the payrolls reference period for July after 246k in June and 226k in May equivalent weeks. It's back closer to the 218k averaged in 2019 as an easy comparison with another tight labor market. Continuing claims also improved although to less extent, at 1955k in the July reference period (subject to a revision in Thursday's update) after what's currently seen as a fresh series high of 1964k in June. Whilst an improvement from recent highs, it's still elevated compared to 1907k in May and 1833k in April in signs that re-hiring is on a slowing trend.

ADP private employment was stronger than expected in July, increasing 104k (cons 76k) after an upward revised but still unusually weak -23k (initial -33k) in June. There were sequential improvements across nearly all industries after that particularly weak June print.

- Service-providing jobs increased 74k and goods-producing jobs increased 31k.
- Within services, there were sequential improvements almost across the board. "Education & health" does however still lag significantly, which continues to strangely weak compared to its BLS payrolls counterpart.
- The largest sequential improvement came for "professional and business" at 9k after a particularly heavy -57k and "financial activities" at 28k after a rare -12k.
- "Education & health" continued to buck the trend, falling -38k after -48k for a fifth monthly decline across the past six months. Highlighting just how weak this has been relative to payrolls, it averaged -31k in Q2 and 4k in Q1 compared to 73k and 64k for education & health private payrolls.
- Smallest businesses (1-19 employees) had come under most pressure with -31k in June but somewhat bounced back with 22k in July.
- ADP's Nela Richardson on the report: "Our hiring and pay data are broadly indicative of a healthy economy. Employers have grown more optimistic that consumers, the backbone of the economy, will remain resilient."
- From the separate Pay Insights report: "ADP Pay insights: "Year-over-year pay growth in July was 4.4 percent for job-stayers and 7 percent for job-changers. Gains have held steady for the past four months."

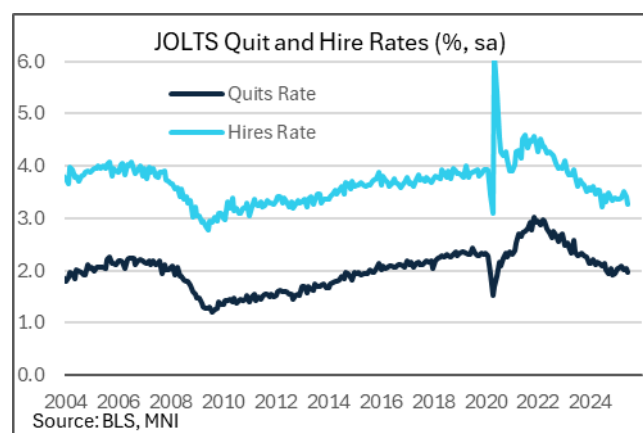
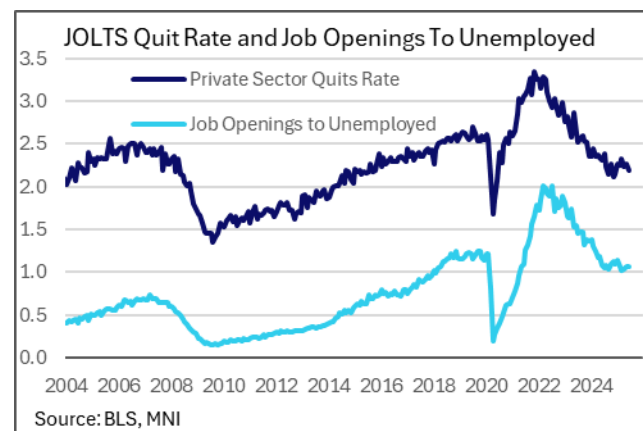


- **Downside:** The labor differential within the Conference Board consumer survey eased to 11.3 in June from an upward revised 12.2 (initial 11.1) in June. That's a new recent low, after that revision, having last been lower in Mar 2021 and it comes after seven consecutive monthly declines. Interestingly, the latest deterioration came despite a higher share of those finding jobs to be plentiful (up from 29.4% to 30.2%, but still only highest since May). Instead, those finding jobs hard to get also increased from 17.2% to 18.9% for the highest since Feb 2021. Whilst this differential shouldn't be used too heavily to estimate month to month moves in the unemployment rate, it nevertheless points to a further trend increase.



The **JOLTS** report for June was soft across the board. The ratio of openings to unemployed continued to show signs of stabilization rather than deterioration, broadly holding levels seen for the past year, but hire rates in particular cooled further. The latter leaves susceptibility to any slowdown in economic activity.

- Job openings were a little lower than expected in June at 7437k (sa, cons 7,500k) after an unrevised 7769k in May.
- That decline on the month meant that the ratio of openings to unemployed was broadly unchanged at 1.06 after an unrevised 1.07 despite the already known 222k decline in unemployment in last month's payrolls report.
- It remains close to the recent low of 1.02 in March and represents continued recent stability rather than any further moderation, having averaged 1.07 since Jun 2024. For context, it averaged 1.2 in 2019 and 1.0 in 2017-18.
- The quit rate eased to 1.97% from a marginally downward revised 2.049% that was exacerbated by rounding having initially reported at 2.06%. This is the lowest quit rate since December after some surprise increases which helped see a recent high of 2.10% in March.
- There's a similar story for the private sector quits rate, at 2.19% after 2.27% for also its lowest since December. Whilst a small portion of the labor market, the federal quit rate dipped back to 0.5% but remains unchanged from the 2024 average prior to DOGE efforts.
- Hire rates are the most dovish aspect of the release in our minds, falling to 3.26% from 3.42% (revised down from 3.45%). This is the lowest since Jun 2024, Apr 2020 and before that 2013, whilst it compares with pre-pandemic averages in the 3.8-3.9% range for other periods of labor market tightness.
- Fed Chair Powell has in the past warned that whilst the labor market remains resilient, any downturn could see a faster deterioration in the labor market considering the already low nature of hire rates.



Beige Book: Hiring Looking Solid Despite Lingering Uncertainty

The July Beige Book characterizes the labor market in fairly mixed fashion, though generally stable to slightly-positive across most Fed Districts compared with the June beige book. Arguably this is the most solid Beige Book on the employment front since the start of the year, though businesses continued to report holding off on hiring plans "until uncertainty diminished". Wages were seen as flat-to-moderate.

- The biggest shift is that 7 of 12 Districts are now reporting employment increases (Boston, NY, Cleveland, Richmond, Chicago, Minneapolis, Kansas City), vs 3 in June's report; the number reporting flat/unchanged fell to 3 (Atlanta, St Louis, Dallas) from 7; the number seeing decreases remained at 2 (Philadelphia, San Francisco).
- Labor market conditions were overall seen mixed-to-looser in some respects, with tighter immigration policy and skilled worker shortages reducing supply, but on the other hand availability improving "for many employers" amid reduced worker turnover.
- Per the report: "Hiring remained generally cautious, which many contacts attributed to ongoing economic and policy uncertainty. Labor availability improved for many employers, with further reductions in turnover rates and increased job applications. A growing number of Districts cited labor shortages in the skilled trades. Several Districts also mentioned reduced availability of foreign-born workers, attributed to changes in immigration policy. Employers in a few Districts ramped up investments in automation and AI aimed at reducing the need for additional hiring. Wages increased modestly overall, extending recent trends, with reports that ranged from flat wages to moderate growth. Although reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions until uncertainty diminished."

Labor market - The distribution of Districts reporting increases, no change or decreases in headcount:

	Increase	No Change	Decrease
Jul 17, 2024	Most saw flat or up slightly, a few saw modest growth		
Sep 4, 2024	5 (slight or modest)	Generally flat or up slightly	
Oct 23, 2024	More than half reported slight or modest	The remainder reported little or no change	
Dec 4, 2024	Employment levels were flat or up only slightly across Districts		
Jan 15, 2025	6 (slight)	6	
Mar 5, 2025	4 (slight)	7	1 (slight)
Apr 23, 2025	1 (modest), 4 (slight)	4	3 (slight)
Jun 4, 2025	1 (modest), 2 (slight)	7	2 (slight)
Jul 16, 2025	1 (modest), 6 (slight)	3	2 (slight)

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Selected Sell-Side Views

Ranked from largest to smallest NFP figure:

Scotia: Various Reasons Why Eyeing Resilience

- NFP growth of 150k and the u/e rate at 4.0% in July.
- "There are several reasons for why I think continued resilience is feasible."
- "Seasonal adjustment factors will probably serve to artificially tamp down growth in payrolls. The recency bias to how they are calculated results in these factors being lower than historically usual across like months of July. If this happens, then adjustments will be made for alternate SA factors lacking this recency bias that itself may not be appropriate."
- "An immigration purge was incrementally modest in July/June as indicated by ICE arrests. That shouldn't have much of a direct effect on payrolls especially if more of the ICE arrests focus upon off-payroll workers. What we don't know, however, is the indirect effect of frankly cruel extremes of immigration policy on those who have committed no crimes but may be increasingly detached from the labour force out of fear. Again, however, this is probably more of an issue for the household survey than the more formal types of employment in the nonfarm payrolls report."
- "Tariffs pose uncertain effects on employment. Given the erratic nature of US trade policy, it's feasible that it dampens appetite for hiring. It's also feasible that it supports appetite for hiring in order to produce and sell before the possible day when more draconian tariffs apply. That day may be just around the corner, or perhaps not."
- "Historically, when weather effects have resulted in drags on nonfarm employment in back-to-back months as happened this May and June, the next month usually offers some catch-up"
- "The health and education sector has been driving a disproportionate share of job creation for some time. Some of that is because health sector jobs often have associated visa sponsorship which has probably become more valuable under tighter immigration rules and ICE arrests. This could work against thoughts about the impact of tighter immigration that may ultimately emerge but perhaps not quite yet."

Lloyds: July Payrolls Report To Reiterate That Conditions Remain Relatively Solid

- NFP growth of 130k and the u/e rate at 4.2% in July.
- "The June labour market report once again indicated that conditions remain relatively solid. That seems likely to be the case again in July based on other sources showing that, while employers are now more reluctant to hire, layoffs remain low."
- "Admittedly, June's higher-than-expected payrolls growth was flattered by a big rise in state and local government education that is unlikely to be repeated this month."
- "However, the rise in June private sector payrolls also probably underestimated underlying growth."
- If correct, this "should provide reassurance for most Fed policymakers that their current patient policy approach remains appropriate for now."

Jefferies: Payback In Government Payrolls Vs Stronger Wholesale & Retail Trade

- NFP growth of 125k (private 140k) and the u/e rate at 4.2% in July.
- "The weakness in private sector payrolls in June (both in this series and in ADP) combined with all the talk of "uncertainty" might lead one to believe that the July payroll data will be weak as well."
- "However, we expect a little bit of a rebound. Healthcare, private education, and leisure & hospitality will continue to drive private payroll growth, along with a pick-up in wholesale and retail trade. These logistics payrolls have been soft in recent months, despite all of the imports of goods that businesses have pulled forward to avoid tariffs."
- "After rising 73k in June, we expect that government payrolls will show some payback in July with a -15k decline."
- "We expect that AHE will increase 0.3% m/m, accelerating from last month. The mix shift of jobs, with the increase in wholesale and retail trade, should help to drive higher wage growth. A rebound in hours worked to 34.3 hours from 34.2 will also drive a broader rebound in personal income in July as well."
- "We also have the unemployment rate ticking up to 4.2% (it was 4.117% in June, so it doesn't take much of an increase to round up to 4.2%)."

CIBC: Revisions Are A Wild Card After Being Systematically Negative This Year

- NFP growth of 120k and the u/e rate at 4.2% in July.
- “We expect a healthy report, with job gains of 120K in the month above the consensus. Initial claims fell, sentiment improved, PMI’s improved and other high frequency data point to the economy moving along at a decent pace in July.”
- “That will be a slowdown, however from almost 150K in the prior month, mainly due to a pullback in state and local government hiring after a surprise hiring surge in the prior month.”
- “In the household survey, the jobless rate should rise by one tick to 4.2% after the level of unemployment dipped in June following four consecutive months of increase.”
- “The pace of hiring and wage growth is likely to continue to cool this quarter, crimping labor income and keeping a lid on consumption growth.”
- “Our views are slightly more upbeat than the consensus on payrolls, and the market might reduce some bets on Fed cuts but the wild card that could get the market’s attention is revisions, which have been systematically negative this year again.”

UniCredit: Layoffs Remain Low But Firms Have Become More Cautious About Hiring

- NFP growth of 110k and the u/e rate at 4.2% in July.
- “Layoffs remain low, as is evident from initial jobless claims, but firms have become more cautious about hiring amid ongoing economic and policy uncertainty.”
- “Average hourly earnings likely rose 0.3% mom in July, while the Employment Cost Index (the Fed’s preferred measure of wage growth) likely rose a modest 0.8% qoq in 2Q25.”

Goldman Sachs: Positive Big Data Indicators vs Partial Payback In Government

- NFP growth of 100k (private 100k) and the u/e rate at 4.2% in July.
- “On the positive side, big data indicators pointed to a rebound in private sector job growth to a somewhat firmer (but still soft) pace.”
- “On the negative side, we expect unchanged government payrolls, reflecting a 15k decline in federal government payrolls that offsets a 15k increase in state and local government payrolls. We have pencilled in partial payback for last month’s spike in state and local education services hiring, though we suspect that June growth could be revised lower, as was the case last year.”
- “We estimate that the unemployment rate rebounded to 4.2% on a rounded basis, reflecting the signal from other measures of labor market slack.”
- “We estimate average hourly earnings rose 0.25% (month-over-month, seasonally adjusted), reflecting negative calendar effects.”

JPMorgan: Less Than Uniform Indicators

- NFP growth of 100k (private 85k) and the u/e rate at 4.2% in July.
- “Signals from a range of labor market indicators have been less than uniform of late.”
- “On the positive side, initial claims were 25K lower in the July reference week relative to June. Business surveys for July were more mixed; however, employment rose in the flash services PMI to a six-month high, whereas the flash manufacturing PMI fell 4 points to reverse all of the gains over the prior two months. Employment readings for the available July regional Fed surveys were also broadly mixed, while the Beige Book suggested a slight increase in employment heading into the month. (Seven of 12 districts noted modest or slight increases, with two reporting slight declines.)”
- On the more cautious side: “Continuing claims have continued to drift higher over recent months; the level during the reference week of July was a touch lower than that for June, but the four-week moving average of continuing claims settled higher for this month than last. While we don’t yet have a July reading for the labor differential from the Conference Board’s consumer confidence survey, that measure has been trending steadily lower since late last year. The share saying “jobs plentiful” has been declining steadily over this period, while “jobs hard to get” has moved up less sizably, and even eased slightly in June. Overall, both measures suggest some upward pressure on the unemployment rate. The Census Business Trends and Outlook Survey also suggested some modest contraction in employment through mid July.”
- JPM see the u/e rate tipping “over to 4.2% after rounding in July. The participation rate has drifted down for the past few months; we expect it move back up marginally in July but still round to 62.3%. [...] We also anticipate that the employment-population ratio will have held steady at 59.7% for the third straight month, although this amounts to its lowest reading since January 2022.”

TD Securities: Losing Momentum

- NFP growth of 90k and the u/e rate at 4.2% in July.
- "Payrolls are likely to lose momentum in July led by another sub-100k showing in private employment. We also look for the UE rate to rise to 4.2% following June's unexpected one-tenth drop."

Deutsche Bank: Breakeven Payrolls Increase Could Be As Low As 50k Per Month

- NFP growth of 75k (private 100k) and the u/e rate at 4.2% in July.
- "Our headline (+75k vs. +147k) nonfarm payroll forecast reflects payback from last month's 64k surge in state and local government education employment, which was likely a function of the seasonal factor."
- "However, our private payroll (+100k vs. +74k) estimate is closer to the three-month trailing average of 115k."
- "If our forecasts prove close to the mark, the unemployment rate should edge up to 4.2%."
- "We expect average hourly earnings (+0.3% vs. +0.2%) to tick up slightly amidst steady hours worked (34.2hrs vs. 34.2hrs), which would have the effect of raising the year-over-year growth rate of our payroll proxy for nominal income growth by 40bps to 4.9%."
- "As we pointed out last month, we have noticed a pattern of subdued summer payroll gains – at least relative to their January-May averages – over the past couple of years. For example, average private payrolls from June – August of 2023 were roughly 32% below their January – May average. In 2024, the drop-off was even more pronounced with the average June – August private payrolls a little over 65% below their January – May average."
- "However, we believe the breakeven rate of payroll gains (that is, the pace of job growth that would keep the unemployment rate steady) is something closer to 100k per month at present. [...] The Trump Administration's immigration policies are likely to slow net immigration flows, and potentially could lead to an outright decrease in the foreign-born population. Correspondingly, the breakeven rate of payroll gains could be even lower, closer to 50k per month. As such, even modest payroll gains could have the effect of tightening the labor market."

BofA: Should On Two-Month NFP Average

- NFP growth of 60k (private 85k) and the u/e rate at a "still benign" 4.2% in July.
- "State & local gov't jobs should drop after spiking in June. Meanwhile, we think private payrolls will pick up to +85k because of the ongoing decline in initial claims."
- "It is probably too early to see a big impact from immigration policy. But high continuing claims and unfavorable seasonals could be headwinds."
- "The focus should be on the two-month NFP average, which is likely to be about 100k (close to breakeven)."

MNI Policy Team Insights

MNI INTERVIEW: Fed Cuts Likely Delayed, Sept In Doubt - Lockhart

By Jean Yung (Jul 25, 2025)

WASHINGTON - Lingering uncertainty over tariffs' effects on inflation and a resilient U.S. economy have diminished prospects for the Federal Reserve to cut interest rates twice by year-end, former Atlanta Fed President Dennis Lockhart told MNI.

Considering the possibility that data between now and September could show faster inflation or deteriorating job market conditions, or both, Fed Chair Jerome Powell is also unlikely to hint at a September rate cut at Wednesday's press conference, he said.

"I'm doubtful the air will clear enough by September, given how some of these deadlines have been pushed out and work that remains to be done with trading partners," Lockhart said in an interview.

"Looking past September, it'll depend a great deal on what data show. You may see some backing off of the projections for two cuts by year end." (See: MNI INTERVIEW: Fed Seen Cutting Twice This Year - English)

CAN BE PATIENT

The FOMC is fairly split between those who are ready soon to resume lowering rates and those who want to wait until 2026, and many policymakers continue to expect more evidence of price hikes in upcoming inflation reports, Lockhart said.

"They're looking for greater clarity on the extent of the passthrough to consumer prices, whether the tariff effect is a set of one-off increases or a more persistent cycle, and whether the gradual slowing of the economy begins to show damage to employment," he said.

The White House has in hand a trade deal framework with Japan, but matters remain unresolved with the EU, Mexico and Canada, the U.S.'s largest trading partners. (See: CORRECTED-MNI: No US Tariff Exclusion For Aircraft, Spirits)

"Those questions are still hanging out there, therefore best to wait for evidence we're past that. And the relative good performance of the economy allows them to be patient."

Should Powell see reason enough to cut in September, he has another opportunity to foreshadow that committee bias at the Jackson Hole conference in late August, Lockhart added.

DISSENTS

Governors Chris Waller and Miki Bowman could cast dissenting votes at the July 30 meeting, both having expressed support for cutting rates this month, but their votes should not necessarily be interpreted as a widening of divisions among committee members, Lockhart said.

With no stop to President Trump's calls on the Fed to lower rates, Powell is sure to field a number of questions over Fed independence next week, he said.

"I doubt permanent damage has been done to Fed independence. It will depend a great deal on how the new chair conducts himself or herself," Lockhart said.

"Fed chairs are not dictators. They're leaders of a consensus process, and it takes work and give-and-take to arrive at a consensus." (See: MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility)

MNI INTERVIEW: Fed Should Stay Extra Cautious On Cuts - Sinclair

By Pedro Nicolaci da Costa (Jul 25, 2025)

WASHINGTON - The Federal Reserve should refrain from lowering interest rates until inflation returns to its 2% goal or the job market unexpectedly weakens, especially because threats to independence are likely to boost inflation expectations, former senior Treasury official Tara Sinclair told MNI.

Sinclair said that while there might be a textbook case for the Fed to look through possible inflationary pressures from U.S. tariffs on its trading partners, the Fed is in a tight spot because Americans are still not convinced inflation has been vanquished.

"That might be true if the Fed weren't still trying to really regain its credibility about its 2% target. I think right now, the Fed is still fighting that last war of bringing inflation all the way back down to their target, and that matters for inflation expectations," she said in the latest episode of The FedSpeak Podcast.

"Particularly when you combine this with threats to the Fed's independence, I think the Fed needs to be extra vigilant and extra conservative in terms of when they might lower rates," added Sinclair, who served as deputy assistant secretary for macroeconomics in the Office of Economic Policy at Treasury between 2022 and 2024 and is now chair of The George Washington University's Economics Department. (See MNI INTERVIEW: Fiscal Dominance To Fan US Inflation-Leeper)

This backdrop requires Fed officials to maintain a hawkish message on their desire to crush inflation, she said.

TOUGH ON RATES

Sinclair, a former visiting scholar at the St. Louis and Atlanta Feds, said that if she were a policymaker "I'd say I'm looking at inflation expectations and they need to see me being tough on rates right now. Tough on rates just means not lowering quite yet, that still leaves a lot of room for addressing any weakness that comes into the labor market going forward. We definitely don't want to preempt those concerns until we really see inflation either clearly hitting the target or more weakness than we've seen in the labor market so far."

Simulations by one of her co-authors indicate that political pressure to lower rates can permanently raise inflation.

"This isn't just a one-time price level shift – it's a permanently higher level of inflation which means prices are growing faster and faster over time," she said.

"It's definitely a deep concern that these pressures may exactly backfire, and that by trying to get rates low, we'll see higher debt costs instead of lower debt costs."

FRAMEWORK REVIEW

Sinclair, a co-author on a recent paper looking across central bank reviews undertaken by major institutions around the world, said she is worried the Fed's current framework revisions could fall short of its potential because it is only considering a restricted range of factors.

"I do think the Fed's review is remarkably narrow. A lot of these reviews from other central banks come out with hundreds of pages of recommendations and the Fed is expected to come out with a revised version of a one-page document," she said.

The lack of an external portion to the review, which Sinclair's research finds is more common among the larger central banks, is a "missed opportunity," she said.

"Everybody is going to write a paper about what the Fed should do in its review. But the Fed doesn't have to respond to any of them. We're not getting that sort of two-way dialogue."

Because policymakers have telegraphed their areas of focus in the Statement of Long-Run Goals, the more interesting part of the review could be any changes to the SEP. But Sinclair doesn't expect anything too radical there either: "I have the sense it might be quite narrow, and it might just be about revisions to how they report the Summary of Economic Projections."

MNI INTERVIEW: Early 26 Powell Exit 'Right Compromise' - Bullard

By Jean Yung (Jul 23, 2025)

WASHINGTON - President Donald Trump's repeated threats to remove Jerome Powell before the end of his term risk unnecessarily driving up long-term borrowing rates, but it would be a reasonable compromise for Congress to allow a new Fed chair to take office early next year, former St. Louis Fed President James Bullard told MNI.

"Some damage has been done" by the barrage of comments over firing Powell, Bullard said in an interview, in which he added that the FOMC should lay the groundwork for a September rate cut at next week's meeting as it is becoming clear that the inflation risks from tariffs have diminished.

"To the extent this episode is calling into question whether the administration or the U.S. generally would be more tolerant of inflation going forward, then that's going to seep into the pricing of all kinds of assets, and you'll have an inflation risk premium you'll have to contend with, and generally speaking interest rates would be higher than otherwise," he said.

"Traditionally, macro economists would view that as totally unnecessary."

NOT QUITE INDEPENDENT

While monetary policy is not independent of politics, "it's arm's length from the day-to-day give-and-take in the political world," Bullard said.

Any new president gets to put his stamp on monetary policy by naming a new Fed leader – but not immediately – while other members of the Board of Governors have staggered 14-year terms. Regional Fed presidents are chosen by their local private-sector boards of directors and approved by the Fed Board in Washington.

"It's all a little bit off-center by design," Bullard said. "You want a smooth transition between administrations so you don't push monetary policy too quickly in one direction or another based on political factors." (See: MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility)

Fed chairs and vice chairs have four-year terms, and Trump's choice for the top role would normally take office a year into his term, but that date has slipped to May over the years due to nomination and confirmation delays – something Congress could fix with legislation, Bullard said.

"It would be the right compromise on this. People do feel like any president should get to name the person and policy they think is best," he said, adding he considers all of Powell's likely replacements to be credible candidates.

LOWER RATES SOONER

September would be a good time to resume the Fed's interest rate normalization campaign, with a second cut in December if the economy stays resilient, Bullard said.

"The committee should go ahead and tee up a September rate cut at the July meeting," he said. "They don't have to be this far above neutral to get the remaining amount of inflation to dissipate over the next year, so they can gradually reduce the policy rate to the neutral rate."

The FOMC's current policy rate of 4.25%-4.5% is more than a point above its median estimate of neutral at 3.0%. Bullard's own estimate of the neutral rate is between 3.25%-3.5%.

Global growth is slower than it otherwise would be with a material hike in U.S. tariff rates, but there's not too much impact on inflation outcomes, Bullard said.

"Profitability seems to have been maintained by many companies, meaning they've found ways so far to get around the tariffs," he said. "Price effects will be muted and spread out along the supply chain, so I just don't think we're going to get a lot of action out of trade." (See: MNI INTERVIEW: Fed Seen Cutting Twice This Year - English)

MNI INTERVIEW: Fed Seen Cutting Twice This Year - English

By Evan Ryser (Jul 23, 2025)

WASHINGTON - The Federal Reserve is likely to cut interest rates twice this year but it is still uncertain whether the first rate cut will come at the central bank's September meeting, former director of the Fed Board's division of monetary affairs William English told MNI.

"My outlook is similar to that in the SEP that the committee published at the last meeting in June. I don't think the data since then has been particularly surprising," he said. The Fed's June Summary of Economic Projections showed the median official expects two 25 basis point rate cuts by the end of the year.

"The uncertainty is really high and so I think they want to wait and be sure that they're getting more or less the effects that they think they're going to get from the tariffs and see a little bit more what happens to inflation expectations, that they remain pretty well behaved, before they get on with cutting rates.," he said.

English expects the Fed next week to suggest that it could cut rates in September if data continues to be in line with its expectations, but that the FOMC's June guidance is "vague enough" to give them a lot of room for maneuver.

"I could imagine a kind of trade off, where the statement would be a bit more dovish, but no rate cut, and that might keep one or both of the governors who've indicated an inclination to cut this month on board to wait until September," he said.

NEW RULES?

President Donald Trump has made it almost a daily routine to attack Fed Chair Jerome Powell over the central bank's stance of holding rates due to tariff-related inflation risks. Even if Trump were to install a politically partisan chair, it is far from certain that the rest of the committee would support a dramatic shift in policy, said English, now at the Yale School of Management.

"The FOMC with the two new members a year from now isn't going to be all that different than the FOMC today, and I just don't think it's going to be easy for the new chair to get the votes on the committee for 200 basis points of cuts," he said.

"The President would like to have lots of rate cuts. I don't think that's going to happen unless somehow Congress changes the rules, the courts change the rules, or there's much more turnover on the FOMC than I currently expect." (See: MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility)

While he admitted to some concern of a rule change permitting more turnover in the FOMC, this is a less likely scenario, he said. (See: MNI INTERVIEW: Trump Won't Fire Powell - Republican Senator)

"I think there are enough people in the Senate who understand that they need to be a little careful here - that a lot of damage could be done," he said.

"If you go back to the 1930s when the FOMC, the current structure of the FOMC, was created by Congress, they very consciously set up a structure that the president couldn't dominate," said English, pointing to a recent paper by Gary Richardson and David Wilcox. "There are people in Congress now who would similarly understand the risks

and would not want the Fed to be a part of the short-term political process in this country that would lead to bad monetary policy."

SOLDIER ON

Meanwhile, the Fed needs to tune out the pressure.

"The best they can do, the only thing they can do, is use their best judgment, make their best policy decisions and soldier on," English said, warning that the appearance of caving in and being inappropriately political would have potentially big effects in financial markets.

"That makes it less likely that inflation expectations will stay well anchored. Longer-term rates could go up, which would be unhelpful and could make it more difficult to achieve the low, stable inflation that they're aiming for," he said. "You want to be careful that the fact that you're being pushed at by the administration doesn't lead you to push back and inappropriately not cut when you should cut."