

U.S. Payrolls Preview: Jul 2025

MNI View: Softer Demand Meets Supply Constraint

Jul 1, 2025 - By Chris Harrison

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Executive Summary

- The June payrolls report sees a rare Thursday release at 0830ET owing to Independence Day on Friday, as part of a particularly heavy docket that also includes ISM Services.
- There are few alternative June labor indicators to go off as the release also lands early in the month, with the most notable being a pronounced uplift in jobless claims.
- Broad Bloomberg consensus sees nonfarm payrolls rising a seasonally adjusted 110k in June after 139k in May, with private dealer analysts a little lower at 103k and the Bloomberg Whisper currently at 100k.
- Immigration curbs mean these growth rates will be seen in a relatively stronger light than last year.
- The unemployment rate is expected to round to 4.3%, not hard from 4.244% prior, for what would be a fresh cycle high. The median FOMC participant now sees 4.5% for 4Q25 vs 4.4% in the March SEP.
- Average hourly earnings are seen rising 0.3% M/M after a strong May whilst hours are seen unchanged.
- A firmly dovish build-up to the release currently sees Fed Funds futures price 5bp of cuts for July plus a cumulative 29bp for Sept and 69bp for Dec. The latter compares to the median FOMC participant eyeing 50bp of cuts in 2H25, including seven committee members looking for no rate cuts at all this year.

Another Test For The Hiring Side Of A “Low Firing, Low Hiring” Labor Market

Nonfarm payrolls growth is expected at 110k in June per the broad Bloomberg consensus after a slightly stronger than expected 139k in May but one that was offset by a large two-month downward revision of -95k. Both JPM and UBS, at either side of consensus with 100k and 125k for June, expect downward two-month revisions again this month. The primary dealer median is at 103k whilst the Bloomberg whisper currently shows at 100k admittedly prior to JOLTS (Tue) and ADP (Wed). As we have noted for a few months now, the material immigration curbs and deportations under the second Trump administration means that monthly payrolls growth should increasingly be viewed against longer-run breakeven estimates around the 100k mark, and increasingly so with prior entry of at the time undocumented workers feeding through the system. The three-month average to May currently stands at 135k and the six-month at 157k prior to upcoming revisions.

Specific factors at play this month:

- Returning strikers to add 5.6k to payrolls, with 1.4k on strike in the June reference period vs 7k in May (SAG-AFTRA and IAM strikes concluded).
- Supreme Court allows White House to revoke Temporary Protected Status (TPS) of ~350k Venezuelans. GS see this dragging 25k whilst UBS estimate 5k with a range of 0-10k. JPM on the matter note continued uncertainty: “However, a lawsuit related to this is still ongoing, and the TPS page for Venezuela says that TPS documentation granted before February 5, 2025 will remain valid until October 2, 2026 pending resolution of the case.”
- JPM also on the Supreme Court on May 30 allowing “the government to move forward with terminating parole granted to ~530k people under the CHNV program. That does not mean every parolee, though, will be deported, as some may have other status or a pending asylum case.”



Recent Payrolls Surprises vs Revisions (000s)

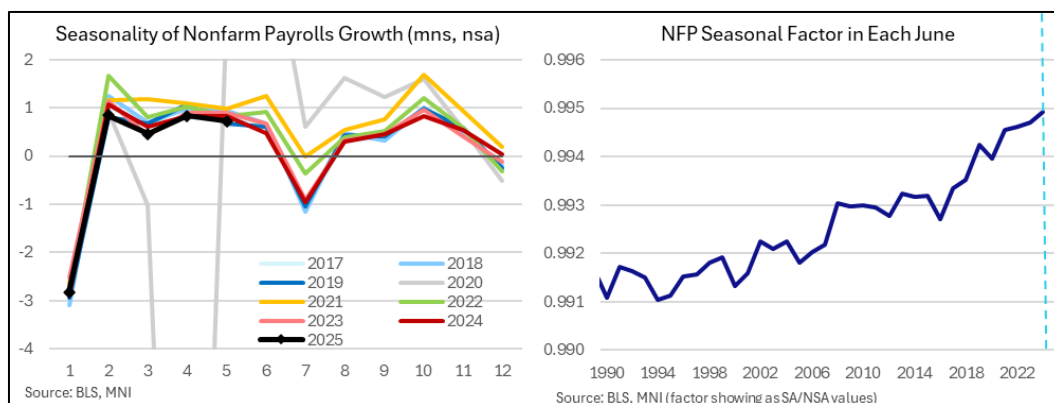
	Outturn	Cons.	Surprise	2-mth Rev.	Net
Dec	256	165	91	-8	83
Jan	143	175	-32	100	68
Feb	151	160	-9	-2	-11
Mar	228	140	88	-48	40
Apr	177	138	39	-58	-19
May	139	126	13	-95	-82

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

Within industries, expect a continued focus on those more cyclically sensitive sectors, such as food & drinking places, for discretionary spending indicators. This category saw notable strength in May at +30k after +23k in April (average +11k in 2024) but maybe scope for a downward revision. Friday saw real consumer spending disappoint in May at -0.3% M/M (cons 0.0) with particular weakness admittedly in goods (-0.8%) but services also languished with -0.03% M/M for technically a third monthly contraction in the five months of the year to date. There could also be a calendar effect at play, with BofA warning that the earlier Memorial Day could weigh on leisure & hospitality more broadly. Transportation & warehousing should also be watched for a look at more direct impacts from US tariff policy. Recall that this category saw large downward revisions last month, leaving payrolls growth of +6k in May after -8k in April (initially +29k) and -21k in March (+3k) and changing a narrative around implications of inventory accumulation on warehousing roles in particular. The latest vintage points to a recent net negative impact from tariffs now having peaked with 28k and 34k monthly increases back in Nov and Dec.

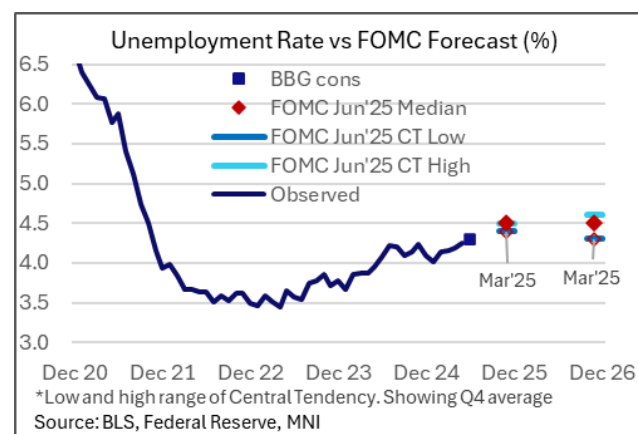
Mixed Seasonality Implications

June readings in recent years suggest this month's release will be another test of the hiring side of a "low hiring, low firing" labor market, although to a lesser extent than was the case in April or May. The past three June figures have increased an average 680k in non-seasonally adjusted terms, decreasing from 912k in 2022, 663k in 2023 and 466k in 2024 in signs of the trend moderation compared to a narrow range of circa 650k in 2016-19. This is a less pronounced hiring month than April (836k in 2025 after a 2022-24 average of 916k) or May (726k in 2025 after a 2022-24 average of 844k). Whilst less of a factor than the previous two monthly reports, this will still bias seasonally adjusted payrolls lower although going against that is what has been an increasingly favorable seasonal factor (i.e. a factor that trims the NSA level of payrolls by the least amount).



U/E Rate Seen At High End Of Narrow Recent Range

In the household survey, the unemployment rate has increased for four consecutive months, albeit at a steady pace in the last three months, with the 4.244% in May its highest since Oct 2021. Analysts broadly expect this to tick higher to a rounded 4.3% in June but it of course doesn't take much this month. There's a good chance of a bounce back in employment and the labor force after very large declines in May, with employment falling -696k and the labor force -625k for their largest monthly declines since Dec 2023. That also left the participation rate at 62.37% (lowest since Dec 2022) and the employment to population ratio at 59.72% (lowest unrounded since Jan 2022). The extent of this likely bounce back adds uncertainty to estimates although the trend is expected to show a rising unemployment rate. Indeed, the median FOMC participant at the June SEP lifted their u/e rate forecast for 4Q25 from 4.4% to 4.5% and for 4Q26 from 4.3% to the same 4.5%. As for details, we'll watch permanent job losers after they were steady in May at 1.92 million (rate of 1.12%) to suggest ongoing deterioration has stalled a little as well as a somewhat contradictory decline in job leavers in a sign of jobs market softness. As usual, there isn't consensus for the underemployment rate after it was steady at 7.8% in May. Of note within that, those working part-time for economic reasons, a rise in which is typically considered a sign of weakness, dipped for a 2nd consecutive month in May (66k after 90k) to a 4-month low.



AHE Expected To Continue Slow Y/Y Moderation

Average hourly earnings (AHE) growth is expected to be return to a more typical 0.3% M/M in June after a surprisingly strong 0.42% M/M in May (when consensus had also been for 0.3%). It has averaged 0.32% M/M in both the past three and past twelve months but has regularly oscillated within a 0.2-0.4% M/M range. Primary dealer analysts see a mild dovish skew, with four looking for 0.2% M/M [see right hand table]. The Y/Y is seen edging a tenth lower to 3.8% Y/Y after three months between 3.86-3.89% Y/Y. The three months to May have also been tracking at 3.8% annualized for an acceleration from a softer 3.3% in the prior three months to February. Wage growth more broadly has surprised to the upside so far this year, with a notably strong unit labor cost increase of 6.6% annualized in Q1 offering a warning shot even if the admittedly noisy series is still only up 1.9% Y/Y when looking at slower moving trends. Indeed, as Fed Chair Powell again noted on the June FOMC press conference: “the labor market is not a source of significant inflationary pressures”.

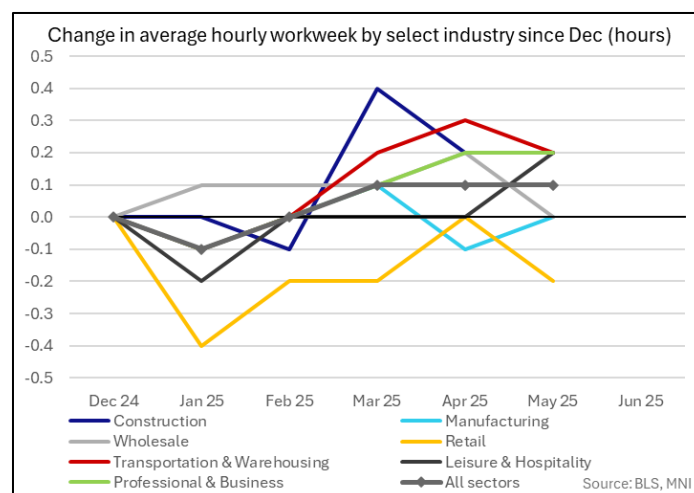
Linked to the AHE figure, at least for those in salaried employment, average weekly hours worked are expected to hold at 34.3 for what would be a fourth consecutive month. As we regularly note, downside surprises here should carry some dovish weight, starting from an already low base compared to a pre-pandemic 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, but there have been a few 34.2 readings over the past year or so.

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

	Payrolls	U/E (%)	AHE (M/M)
Santander	70	4.3	0.3
Citi	85	4.4	0.2
Goldman Sachs	85	4.3	0.3
Jefferies	90	4.3	0.3
Nomura	90	4.3	0.2
BofA	95	4.3	0.3
Barclays	100	4.2	0.3
Deutsche Bank	100	4.3	0.3
Mizuho	100	4.2	0.3
UBS	100	4.28	0.31
RBC	106	4.3	0.3
HSBC	110	4.3	0.3
Wells Fargo	115	4.3	0.3
BMO	120	4.3	0.3
BNP Paribas	125	4.2	0.3
J.P.Morgan	125	4.3	0.3
Societe Generale	125	4.3	0.3
TD Securities	125	4.3	0.2
Morgan Stanley	140	4.2	0.3
Scotiabank	160	4.2	0.2
Median	103	4.3	0.3

Entered in BBG survey or seen by MNI. NWM missing

Red denotes tighter than consensus, blue looser



A Dovish Build-Up Ahead Of Payrolls (But With Much To Come Before Then)

The market set-up could be notably different by the time we get to Thursday’s NFP release, with ISM manufacturing, JOLTS and Powell still to come along with a likely vote on Trump’s OBBB today (Tuesday) before ADP employment (Wednesday). Note as well that whilst the NFP release will dominate Thursday’s docket, it will be released simultaneously with weekly jobless claims and full international trade details for May before final service/composite PMIs at 0945ET and ISM services at 1000ET along with factory orders.

Those caveats aside, rates markets are increasingly dovish with Fed Funds futures confident of a next cut in September (29.3bp priced) along with a cumulative 69bp of cuts come end-2025. The latter is a significant shift from the less than 50bp of cuts priced ahead of the Jun 18 FOMC decision, one that included an unchanged median dot for 50bp of cuts but with a more hawkish distribution of votes. That distribution reveals what is currently a particularly divided committee, with seven members looking for zero rate cuts this year through to two members

looking for three cuts. Post-meeting remarks suggest a reasonable likelihood that permanent voters Governor Waller and VC for Supervision Bowman are the two in the three-cut camp having noted openness to July rate cuts, a particular surprise in Bowman's case. The broader pricing backdrop must be taken with the important context of repeated pressure to significantly lower rates from President Trump.

There is currently 5bp of cuts priced for the July 29-30 meeting and clearer signs of deterioration in this report could see more members come around to this viewpoint even if many have recently expressed the need for patience. Some of those expressing this patient stance have on balance been noting the relative stability of the labor market but are attentive to a softening. Some warn that a softening could build quickly once it starts owing to the already subdued hiring rates as part of the "low firing, low hiring" nature. Powell has repeatedly touched on this, and he last week noted his main concern about an otherwise solid labor market: "The thing is, there's -- a more concerning thing is there's not a lot of layoffs, but there's not a lot of job creation...if you're out of work, it's hard to find a job. But very few people are being laid off at this point."

The dovish case as outlined by Waller: "If you're starting to worry about the downside risk labor market move now don't wait. Why do we want to wait until we actually see a crash before we start cutting rates? So I'm all in favor of saying maybe we should start thinking about cutting the policy rate at the next meeting, because we don't want to wait till the job market tanks before we start cutting the policy rate. [...] You'd want to start slow and bring them down, just to make sure that there's no big surprises. But start the process. That's the key thing. We've been on pause for six months to wait and see, and so far, the data has been fine. [...] I don't think we need to wait much longer, because even if the tariffs come in later, the impacts are still the same. It should be a one-off level effect and not cause persistent inflation."

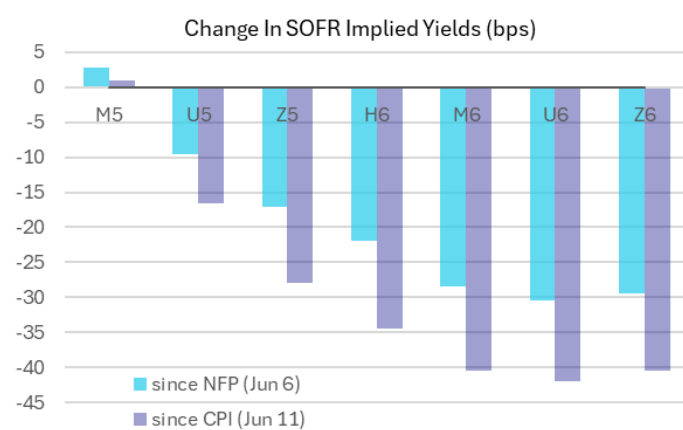
As for what could trigger a marked increase in July cut odds, we expect a sub 75k increase in payrolls and an unemployment rate comfortably rounding to 4.4% would be needed. We expect the FOMC would still have some lingering worry of overreacting to a sharp increase in the unemployment rate though, after last year's surge in July seemingly played a large role in the 50bp start to Fed cuts in September before it largely plateaued in following months.

A rates market summary, including the SOFR implied terminal yield close to lows seen in the post-US election period at a level some 30bp lower than ahead of last month's payrolls report (implying five cuts for what's left of the cycle):

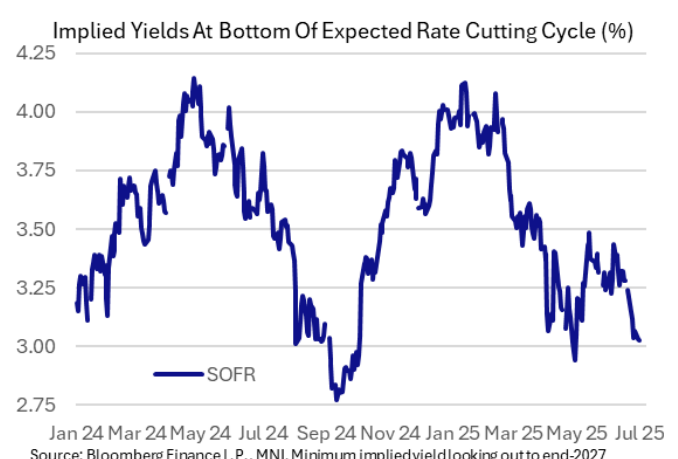
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre Powell (Jun 18)			chg in rate bp	pre FOMC w/ SEP (Jun 18)			chg in rate bp
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)		%	step (bp)	cum. (bp)	
Effective	4.33			4.33				4.33			
Jul'25	4.28	-5.2	-5.2	4.29	-4	-3.7	-1.5	4.29	-4	-4	-1.5
Sep'25	4.04	-24.1	-29.3	4.13	-16	-19.9	-9.4	4.15	-14	-18	-11.5
Oct'25	3.85	-18.5	-47.8	4.00	-13	-32.7	-15.1	4.03	-12	-30	-18.0
Dec'25	3.64	-21.0	-68.8	3.83	-17	-49.8	-19.0	3.87	-16	-46	-23.0
Jan'26	3.52	-12.2	-81.0	3.74	-9	-58.7	-22.3	3.78	-9	-55	-26.3
Mar'26	3.38	-14.4	-95.4	3.62	-12	-71.1	-24.3	3.66	-12	-67	-28.3

Source: Bloomberg Finance L.P., MNI.



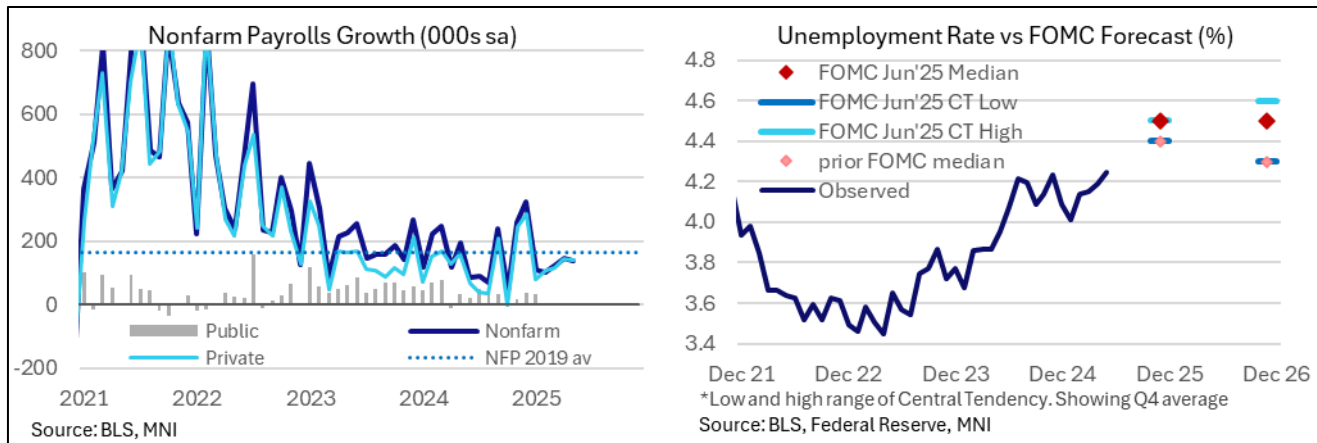
Source: Bloomberg Finance L.P., MNI



Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2027

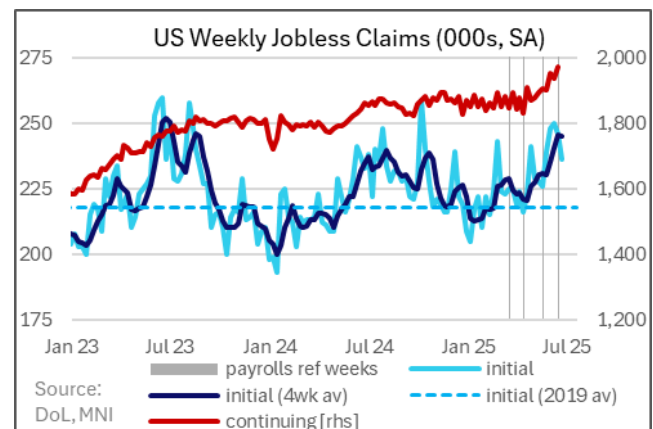
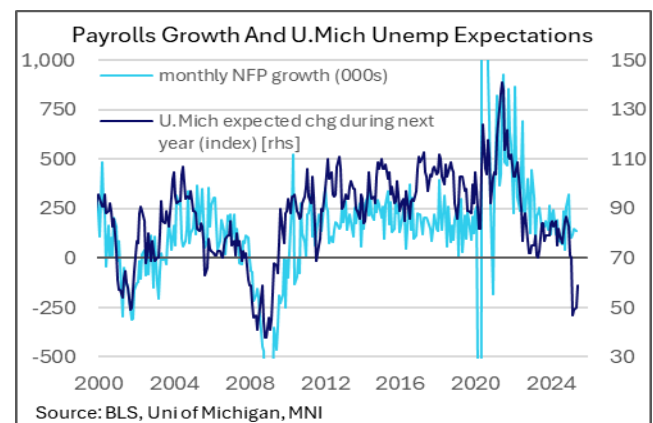
Recent Labor Market Developments

Last month's payrolls recap on how sizeable downward revisions weren't enough to derail a trend of only steady moderation in the labor market ([link here](#)).

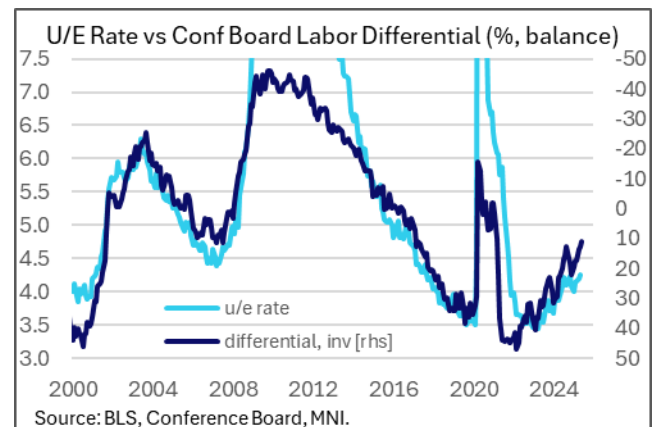


Labor indicators since last NFP report: Limited, but some clear weakness in jobless claims

- **Upside:** Consumers in the **U.Mich** survey for June weren't quite as pessimistic on the labor market as they were in March through May. The index for expected change in unemployment during the next year increased to 59 after three months between 47-50, although this is still heavily depressed at 2009 levels.
- The 59 level is the inverse of the difference between those expecting unemployment to increase (at 57%, vs 66% in March and an average 34% in 2024) and those expecting unemployment to decrease (at 16%, vs 13% in March and an average 16% in 2024).
- **Downside:** Both **initial and continuing claims** have pushed markedly higher in recent weeks, including in the payrolls reference periods.
- Initial claims: 234k in latest data in the week to Jun 21 but 246k in the June payrolls reference period, which compares with 226k, 216k and 225k in the prior three monthly reference periods.
- Continuing claims: 1974k in the payrolls reference period vs 1907k, 1833k and 1847k in the prior three periods.
- Initial claims are just about within recent ranges although continuing claims have regularly set fresh highs since late 2021 in a sign of slower hiring.



- The **labor differential** within the Conference Board consumer survey eased further to 11.1 in June from a marginally downward revised 12.7 (initial 13.2) in May. That's a new recent low, having last been lower in Mar 2021, and came with a similar decline in the perception of jobs plentiful to 29.2% after two months at 31%.
- 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.



Selected Sell-Side Views

Ranked from largest to smallest NFP figure:

Scotia: Weather Rebound And Seasonal Factors Could Support Jobs Growth

- Scotia estimate NFP growth of 160k in June, the highest of primary dealer analyst estimates.
- "One driver could easily be weather. Payrolls in May were artificially depressed by weather and so the rebound from that low base effect could be powerful in June." The SF Fed's measure for weather-adjusted payrolls was 106k higher than the officially reported gain of 139k whilst the household survey's measure of the number of people not at work because of bad weather was "over 100k for the highest number compared to like months of May over time."
- "Another consideration is that seasonal adjustment factors for months of June have tended to overstate payrolls in recent years. The four highest SA factors have all been to the four most recent months of June. Something similar is expected this time. All else equal, any seasonally unadjusted change would tend to be overstated by a higher than usual SA factor."
- "Now, does this payroll report matter? Maybe. If it craters, then it would agitate the FOMC. President Trump would be all over Powell again, but in a perverse way since a weak payrolls report would likely be blamed on the uncertainty his administration's policies are causing. I think the Federal Reserve will require more evidence than one month's payrolls report and lots more evidence on the inflation readings."

MS: Slower Payrolls Won't Cause Greater Slack

- Morgan Stanley expect NFP growth of 140k in June of which 120k comes from private sectors.
- "Early indicators of June employment included higher jobless claims and weaker household assessments of the labor market. [...] Labor demand is slowing moderately, mostly through slower hiring rather than increased layoffs."
- "State and local government employment probably continues to rise (~20k). We expect stalled federal payrolls in June after a plunge in May. May layoffs included the probationary employees whose terminations had been delayed by the courts. Those are not repeated in June; and it appears from JOLTS data that the federal hiring pace has slowed only slightly. As a result, we expect headline payrolls are again boosted by government hiring."
- "With tightened immigration, slower payrolls don't cause greater slack, and we forecast the UE rate unchanged at 4.2% with LFPR also unchanged" at 62.4%.
- "Last month's employment report included a sharp decline in labor force participation. Flows from 'employed' into 'not in the labor force' rose sharply. Anecdotaly, immigration enforcement has cooled labor force participation. Unauthorized immigrants and their households may choose less participation to lessen exposure and lessen the chances of deportation. If last month's drop in labor force participation persists into June, it would be further support for that idea. A decline in labor force participation puts downward pressure on the unemployment rate. Last month's 4.24% unemployment rate would have been a 4.66% if not for the 272 bps decline in the participation rate to 62.4%."

CIBC: Labor Market Appears To Be Losing Momentum

- CIBC expect NFP growth of 125k in June whilst the unemployment rate edged up to 4.3%.
- “Initial claims increased during the month, although employment sub-indices in the PMI data indicated modest improvements.”
- “We expect some cyclical sectors, such as leisure and hospitality, to slow, while healthcare hiring is likely to remain a stabilizing force in the job market. Hiring in trade-sensitive sectors is expected to remain weak, and the federal government will likely continue reducing jobs during the month.”
- Dovish members of the FOMC have been publicly aligning their “dots” recently, and a soft payroll report, combined with weaker consumption trends, could lead the market to increase expectations for an earlier Fed rate cut this year.”
- “We still expect core inflation to remain elevated, and the Fed is likely to want to ensure inflationary pressures are fully under control before cutting rates later this year.”

JPM: Material Risk Of U/E Rate Hitting 4.4%

- JPMorgan expect NFP growth of 125k in June, with the private sector increasing 115k.
- “As currently reported, non-federal employment rose an average of 160k per month in April and June, better than the 147k average over the preceding 12 months, and certainly better than the 118k average over the first three months of the year. However, payroll revisions have usually been negative in recent years, so April and May could soon look worse. Indeed, April was already trimmed 30k in its first revision, but there has been a tendency toward large negative second revisions to the month of April in recent years, so we could see another cut there. All told, it would not be surprising to see April and May revised much closer to the January-March average, leaving the year-to-date pace at around 120k per month.”
- “If that were the case, then our forecast for 125k total job growth, and 135k in non-federal employment, would be slightly above trend. However, if the pattern of negative revisions continues, then non-federal job gains in June could easily be revised closer to 100k soon, so our forecast would in fact imply some gradual slowing in job growth.”
- “We see some downside risks to our forecast given a recent weakening in certain labor indicators, most notably continuing jobless claims. When claims increased last summer, job growth slowed, although employment gains eventually rebounded even as claims remained high. Continuing claims are also a key reason we expect the unemployment rate to increase. We are projecting the unemployment rate to increase a tenth and a 0.1% rise in the unemployment rate implies a roughly ~170k cut in employment, holding participation constant.”
- “Immigration could be another drag on June employment, more so than it has been in recent months. [D]eportations from the interior of the country have been increasing and in May were perhaps 10k higher than a normal month last year, and ICE posted its highest single-day arrest figure ever in early June. The highly publicized nature of recent ICE arrests could also lead some immigrants to temporarily skip work. Finally, the Supreme Court has sided with the government in a couple of legal battles as the government tries to terminate various humanitarian parole programs.”

SocGen: Difficult To Predict Magnitudes Of Rebounds In Household Survey

- SocGen expect NFP growth of 125k in June for “roughly in line with 120k average over the first four month of this year”.
- They do however see risks continuing “to slowly shift to the downside”. “Those risks emanate primarily from the gradual deceleration in US household consumption in general, reflecting a marked slowdown in household real personal disposable income growth, which has slowed to just 1.5% yoy in 1Q25. This weakening is being exacerbated by households’ excess savings having been by now largely eroded- at least on our preferred measure – meaning that this ‘cushion’ for spending has largely gone flat. All told, private consumption spending in 1Q25 came to an almost complete standstill (0.1% qoq, 0.5% saar).”
- “Meanwhile, efforts by the DOGE to trim federal spending are likely to have continued to weigh on federal government employment, although the monthly changes are admittedly small in the bigger picture. That said, cuts to federal payments towards a large swathe of agencies and research bodies, not least in universities, are likely to add to the pain.”
- “The unemployment rate, steady at a historically low 4.2% for the past three months, is likely to have ticked up marginally in June to 4.3%. The strongest argument for an uptick is that the labour participation rate dropped by 0.2pp in the May household survey to the equal-lowest level in three years, reducing the labour force by 625k; it is likely to have recovered in June. And yet, the plunge in employment in the household survey of almost 700k also appears rather unusual, and a rebound is highly likely. What is difficult to

predict are the relative magnitudes of the rebounds in the labour force and employment in the household survey.”

TD: Leading Indicators Suggest Downside Risks

- TD Securities expect NFP growth moderated to 125k in June with leading indicators pointing to downside risks.
- “Homebase data suggest a similar deceleration in gains as May” and leading indicators also point to downside risks for June.
- “We also expect the UE rate to tick up to 4.3% as continuing claims have risen between reference weeks. Last month just rounded down to 4.2%.”
- AHE likely moderated to 0.2% m/m from 0.4% (3.8% y/y).

UniCredit: Labor Market Cooling But Only Gradually

- UniCredit expect NFP growth of around 120k in June after a three-month average of 135k, implying that the “labour market is cooling, but only gradually”.
- “The unemployment rate probably edged up to 4.3% in June after rounding down to 4.2% in May, with average hourly earnings likely rising 0.3% mom (3.9% yoy).”
- “Timelier labour-market indicators point to some softening in hiring, with heightened economic uncertainty playing a role, but layoffs remain low. Initial jobless claims amounted to 245k in the June payroll-survey reference week, up slightly from 226k in the prior month and broadly unchanged from one year ago. Meanwhile, continuing jobless claims, a measure of net layoffs, have been trending upward, implying that hiring has slowed.”
- “Developments in the labour market remain key for the pace of Fed rate cuts – as long as the labour market holds up, and it has so far, the Fed can afford to wait before deciding whether to cut rates.”

Wells Fargo: Wouldn't Be Surprised If The U/E Rate Holds At 4.2% For Another Month

- Wells Fargo expect NFP growth of 115k in June as moderation in hiring continues.
- “Demand for new workers remains muted amid still-elevated uncertainty, restrictive monetary policy and the ongoing federal government hiring freeze.”
- “Small business hiring plans sank back near their cycle-low in May, job postings on Indeed continued to decline through the first half of June and the labor differential (i.e., the share of consumers reporting jobs as “plentiful” less those reporting jobs as “hard to get”) fell to its lowest reading since 2021 this month.”
- “While employers generally remain reluctant to let go of existing workers, initial claims for unemployment insurance edged higher between the employment survey weeks, illustrative of a pickup in layoffs.”
- “The subdued hiring environment has kept it difficult for job losers to find new work. Continuing jobless claims have risen to their highest level since late 2021 and point to upward pressure on unemployment.”
- “The unemployment rate registered 4.24% on an unrounded basis in May, leading us to expect it to edge up to 4.3% in June. That said, after household employment swooned in May, we would not be surprised to see a bounce back in this volatile series that keeps the unemployment rate at 4.2% for at least another month.”
- “Looking through the household survey's monthly noise, the softening in labor demand will likely keep the unemployment rate inching higher on trend. The labor market's gradual loosening has already eased the pressure on employers to hike wages, and we expect wage growth to moderate to 0.3% in June, back in line with its run-rate over the past year.”

RBC: Expected 34k Jobs Growth Outside Of Healthcare Not Necessarily Worrisome Just Yet

- RBC expect NFP growth of 106k in June after 139k in May.
- “Health care and social assistance continues account for the bulk of job growth. But beyond health care, services sector spending is grinding to a halt after seeing the final revision to Q1 GDP growth and May's weak PCE print.”
- “If it is the case that H1 consumption is softer than expected, this would have implications for weaker hiring in the second half of the year. Retail is likely to continue its retreat, and transportation and warehousing is at risk of shedding more jobs in June as jobless claims comments mentioned the sector laying off workers in several states.”
- “But the services picture is not uniformly worrisome in June. We still expect leisure and hospitality will add jobs despite accommodation and food services spending trending lower. Labor in this sector remains

largely in catch-up mode since the pandemic and restrictive immigration policies are not helping staffing shortages.”

- They see the unemployment rate ticking a 0.1pp higher to 4.3% “accompanied by an increase in the labor force participation rate to 62.6%, as more new graduates and students search for jobs at the start of the summer against a softer hiring backdrop.”
- “A 100k jobs print in 2025 indicates a very different magnitude of hiring than a print of the same size one-decade ago. With 1.7 million Americans retiring this year (vs. the 1.2 million annual average in the decade leading up to the pandemic), the US labor market needs to hire ~142,000 people each month to maintain current employment levels as retirees exit. These replacement hires will not show up in the payroll prints, since on net, they are not considered “net new” jobs added to the economy. But these vacated positions do create opportunities for new job seekers. While a +34k expected job gain outside of health care sounds weak, it does not necessarily paint a worrisome picture just yet.”

UBS: Projection Probably Good Enough To Keep Fed On Hold Until September Cut

- UBS project NFP growth of 100k in June, after an average pace of 127k in the preceding four months.
- They see private employment rising 95k with government +5k still held down by another decline in federal.
- “We expect cumulative downward revisions to prior months.”
- They expect the unemployment rate to have increased from 4.24% to 4.28% in June “despite an expected gain in household survey employment”. They see the participation rate rising a tenth to 62.5%.
- AHE growth is seen at 0.31% M/M, leaving the Y/Y at 3.9% absent revisions, whilst they see the workweek rounding down to 34.2 hours.
- “We think the high frequency indicators suggest labor market weakening over the last six to eight weeks.”
- “We expect the loss of jobs due to some workers losing Temporary Protected Status shaves 5K jobs from private employment in June [with a reasonable range of 0-10k]. Offsetting that, the BLS strike report shows 5.6K workers returning from strikes will be added to the June gain.”
- “Although we expect the June change in nonfarm payroll employment to benefit from the ongoing contribution from the residual net birth death adjustment imputation and the front-month support from seasonal adjustment, we expect the weakening in the labor market and a small amount of residual seasonality to offset those upsides and be sufficient to display our projected slowing.”
- “We would expect the June increase in nonfarm payroll employment to then be revised lower in subsequent releases. June does appear to have a first-print upward bias. Considering the risks, they are not normally distributed, but likely have slight upside skew due to seasonal adjustment.”
- “If the June gain is quite weak, or the 3-month moving average of private employment revises to below 100K per month, odds of a July rate cut to take out some restrictiveness in monetary policy and the forwards would rise. Our projection is probably good enough to keep the FOMC comfortable with waiting a little longer, and consistent with our expectation for the next rate cut at the September FOMC meeting.”

BofA: Earlier Memorial Day Could Drag On Leisure & Hospitality

- BofA see NFP growth of 95k in June.
- “Although the initial claims increase in recent weeks can be attributed to seasonal volatility, continuing claims were also high during the survey week.”
- “We also see headwinds from weak college graduates hiring and summer job cuts for education & health workers. Additionally, leisure & hospitality job growth tends to slow in June when Memorial Day falls relatively earlier in the month in May (like this year).”
- They see the unemployment rate rising a tenth to 4.3%.

GS: Negative Factors Outweigh Small Boost From Return Of Striking Workers

- Goldman Sachs estimate NFP growth of 85k in June, coming entirely from the private sector.
- “On the positive side, the end of worker strikes will provide a 6k boost.”
- “On the negative side, big data indicators indicated a weaker pace of job creation, we assume a 25k drag from the termination of Temporary Protected Status for approximately 350k Venezuelan migrants in mid-May, and we expect roughly unchanged government payrolls”.
- Their forecast of 0k for government (vs 7k on average in the ytd) reflects -15k for federal and +15k for state and local.
- They estimate the unemployment rate edged up to 4.3% on a rounded basis—a low bar from an unrounded 4.24%—reflecting sequential increases in other measures of labor market slack”.
- They see AHE increasing 0.3% M/M, “reflecting neutral calendar effects.”

MNI Policy Team Insights

MNI BRIEF: Bostic Sees Rates Patience Until Outlook Clearer

By Greg Quinn and Jean Yung (Jun 30, 2025)

LONDON - Atlanta Federal Reserve President Raphael Bostic said at an MNI Connect event Monday he will be patient when deciding the path of future interest rates and wants a clear view of the economy's reaction to tariffs and geopolitical turmoil before moving.

"I like to move in a direction when I know which direction to move in, and that for me would require more information than we have today," Bostic said at the event in London. "I'll want to make sure I have some confidence I know which direction the economy's moving in."

Tariffs alone are causing a lot of uncertainty because it's unclear how companies will pass on prices to consumers after stockpiling in advance of the levies, Bostic said, and the lack of clarity extends to budget policy and regulation.

Officials learned from the 1970s "people don't like the Fed bouncing around a lot," Bostic said. "We actually have some luxury to be patient, because labor markets are actually quite solid in the U.S.," he said. Bostic wants to be "absolutely sure" the inflation side of the mandate will be met, he said. (See MNI INTERVIEW: Fed To Cut Twice In 2025 On Weak Growth-Haslag)

MNI INTERVIEW: Fed To Cut Twice In 2025 On Weak Growth-Haslag

By Pedro Nicolaci da Costa (Jun 27, 2025)

WASHINGTON - Federal Reserve officials are likely to lower interest rates twice this year as the economy slows gradually and feared tariff inflation fails to materialize in coming months, former Dallas Fed economist Joseph Haslag told MNI.

"I think the justification for the real doves is going to be, look, the economy is really slowing, we're not going to get 2-3% growth range, we're going to be at best 1-2% range, and maybe even a little bit softer than that," Haslag said in an interview.

"Those guys are going to be ready to pull the trigger. And as long as the tariff stuff stays off the table, and there's no clear path for short-term price pass throughs of underlying policy or supply forces, I think the Fed is going to say, we've been tight for a long enough time, and our sense is the underlying inflationary forces after we get rid of the fear of pass throughs is probably less than 2% now."

This week, Fed governors Chris Waller and Miki Bowman said they could countenance a July cut if the data cooperate, while other policymakers including Chair Jerome Powell have been more circumspect, sticking to a wait-and-see message.

Haslag, who thinks the current 4.25-4.5% rate level is still significantly restrictive, believes that by fall, perhaps around September, there will be a greater consensus around the idea that monetary policy needs to be loosened further.

"It could be September. If it's October – it will be one of the two, barring any surprises," he said. (See MNI INTERVIEW: Fed Will Face 'Tough Calls' In H2-Holtz-Eakin)

NEUTRAL LEVEL

Haslag, a University of Missouri professor who was also a visiting scholar at the Kansas City Fed, agreed with Powell's assessment at this week's testimony that the neutral level of rates would probably require two more quarter-point cuts.

"If you cut it 50 basis points, then I think we were comfortably in the neutral range in terms of stance," Haslag said.

"My favorite indicator, something like IOR minus the one- or two-year Treasury rates, indicates the current state of policy is still fairly tight and keeping inflation down."

More broadly, Haslag believes investors and firms have gotten over the early fears about the Trump administration's more extreme negotiating positions, and become convinced that it will eventually be talked down into a more reasonable policy mix.

"They have learned how to process the blustery nature of President Trump's rhetoric, and they see through it, and the tariff stuff, I think they see it now is this is a businessman who is trying to bluster his way through a negotiation process, and it's not going to be as bad as he says," he said. "That relieves the need to pass through whatever the small tariffs are."

JOBS WEAKNESS

Haslag said a gradual weakening of the labor market, including persistent downward revisions and softer readings on monthly increases to payrolls, is offering some early hints that all is not well in the economy. (See MNI INTERVIEW: Hiring Slows But Not Enough For Fed Cuts)

"What we've got is weak growth and inflation that is susceptible to some short-term forces. So I don't think the underlying inflation prospect looks too much different from being between 2 and 2.5%," he said.

The former Fed staffer is also optimistic about a possible productivity boom that will help tame any inflationary bursts from the trade frictions.

"I think that the forces that are acting on the market basket of goods and services now are twofold: the tariffs are one side, but I still think that the nascent benefits, the productivity gains of AI are on the other side."

MNI INTERVIEW: Miran Sees US Trade Deal 'Flurry,' 3% H2 GDP

By Pedro Nicolaci da Costa and Evan Ryser (Jun 17, 2025)

WASHINGTON - The U.S. economy could expand at around 3% in the second half of this year, powered by a looming string of deals with key trading partners and the passage of a tax bill that will unlock fresh business investment and hiring, Stephen Miran, chair of the White House Council of Economic Advisers, told MNI on Tuesday.

Miran said economic data so far indicate growth has remained resilient despite worries that rapid shifts to trade policy and the associated uncertainty would undermine economic activity.

"I do expect a lot of the uncertainty to start resolving in the near term," he said in an interview from his office at the White House, citing an "ambitious" deadline to get President Donald Trump's signature tax bill passed by July 4 and coming trade agreements. "I also expect a flurry of trade deals in the period leading up to July 9. That's because the way these negotiations are structured is, there's a series of stages that each country is passing through in the negotiations."

Against that backdrop, U.S. GDP could expand 3% in the second half of the year as firms and consumers operate in what Miran described as a more business-friendly, less regulation-heavy backdrop.

Growth at 3% for the year will be "difficult, given Q1," he said. "But could we be running at a 3% annualized rate for the second half or for the last three quarters of the year? It's possible. If we get the tax bill done on time, and we start making trade deals on schedule, it's very possible that we hit that rate for the last three quarters of the year annualized," he said.

A "sustained and material" rise in energy prices due to worsening conflict in the Middle East could alter this outlook, but thus far there is no evidence of any such effects, he said.

Miran described the job market as healthy, adding that the president's immigration restrictions are unlikely to have a major effect on the data because the areas of the labor market showing the most slack – younger workers – are those most likely to be in competition with the undocumented immigrants the administration is trying to deport.

He also said the May CPI report helps counter critics' suggestion that tariffs would be sharply inflationary. Core CPI posted a fourth month of lower-than-expected readings in May, rising 2.8% on an annual basis.

"Thus far, all of the evidence that we received indicates the economy continues to grow at a healthy pace. Consumer inflation is not only contained, it's at the lowest annual rate since March of 2021. CPI is running at 1.5% annualized rate since the president took office. Things look pretty decent in terms of non-inflationary strong growth." (See MNI INTERVIEW: Tariff Uncertainty To Drive Factory Outlook-ISM)

TRADE DEALS

Miran said uncertainty about trade policy might have delayed or altered spending plans for some businesses, but not permanently so, or in a way that will significantly dampen growth. "It's not going to change the underlying story."

His optimism on the trade front was underpinned by the view that the United States only needs to make deals with a fraction of major trading partners in order to settle most of the uncertainty that has plagued financial markets since tariffs were first introduced April 2.

"You don't have to reach 200 trading deals, you have to reach about 20. Even if you reach only five or 10 of the important ones, you've made a really big dent in covering most of the trade that we do," he said.

"I understand that uncertainty is a real thing, I understand that it's made things difficult for firms to plan – I expect a lot of the uncertainty to begin resolving in coming weeks and to continue resolving over time."

CHINA FRAMEWORK

Of course, the biggest deal of all is the one tentatively struck with China, and Miran is hopeful the existing framework will lay the foundation for a constructive relationship.

"The U.S. and China have agreed to a framework for implementing the Geneva deal. So far, things are on track, and we expect China to live up to the commitments that it made in Geneva," he said.

"If they do that, then I have no doubt that we'll continue negotiating with China to see if we can make even more improvements in the trading relationship."

Asked if purchases of U.S. Treasuries could play a role as a bargaining chip, which Chinese advisers have told MNI is something that could be on the table, Miran said this is not currently under consideration. (See MNI: China Advisers Hopeful Of U.S. Trade Deal By Mid-August)

“We’re focused right now on implementing the Geneva deal, and then I think once we’re satisfied that this has been implemented, maybe there will be scope for further talks. But right now we’re focused on what’s immediately in front of us.”