

# U.S. Employment Insight: Jul 2025

## MNI View: Resilience To Keep Fed On Sidelines

Jul 3, 2025 - By Chris Harrison and Tim Cooper

### Quick Take: Solid Headline Numbers, But Some Weak Spots Under The Surface

- Nonfarm payrolls growth comfortably beat expectations in June with 147k (cons 106k) along with small upward revisions of +16k after a string of releases with large downward revisions.
- Arguably an even bigger surprise was the pullback in the unemployment rate, which at 4.117% unrounded is the lowest since January, down from 4.244% prior and well below the rounded 4.3% consensus.
- This suggests a faster-than-expected deterioration will be required for the final 6 months of the year to reach the FOMC's latest Q4 median projection of 4.5%.
- But it was far from an unambiguously strong report. Private payroll gains missed expectations at 74k (cons 100k), leaving government payrolls surging by 73k for the largest increase since Mar 2024.
- That may in turn have been supported by seasonal factors in public education employment, and in addition, private sector job creation remains extremely reliant on the large and cyclically insensitive health & social assistance category (adding 59k in June after 81k in May) – not exactly signs of underlying strength.
- Average hourly earnings growth was softer than expected at 0.22% M/M (cons 0.3), with lower revisions.
- And the continued decline in the size of the labor force and participation rates suggests that concerns about diminishing labor supply may be increasingly well-founded.
- On the whole though, the labor market appears to be in solid enough shape to keep the Fed on the sidelines. Payroll growth has averaged 150k over the latest three months, comfortably above long-run breakeven estimates thought to be around 100k, although with private payrolls less elevated at 115k.
- Most focus was on the degree to which this effectively closed the door to a July Fed cut, with implied pricing falling to just 1bp (ie under 5% probability of a cut) from 6.5bp. And it brought down implied 2025 cuts to 2, versus an evenly split pricing between 2 and 3 cuts.
- Analyst expectations had been firmly focused on September or later in 2025 for the resumption of Fed easing. There was nothing in this report to shift those expectations, with the Fed set to take the summer off before assessing the totality of the data to decision day on Sept 17<sup>th</sup> (2x more payrolls, 3x more CPI).

### CONTENTS

[MNI Analysis](#) | [Market Reaction](#) | [Analyst View Changes](#)  
[Chart Pack](#) | [Other Labor Indicators](#) | [MNI Policy Team](#)

### Payrolls Summary Statistics For June 2025

	Actual	Cons.	Surprise on mth	2-mth Rev	May	Apr	Net Surprise
Monthly growth (000s)							
NFP	147	106	41	16	5	11	57
Private	74	100	-26	-16	-3	-13	-42

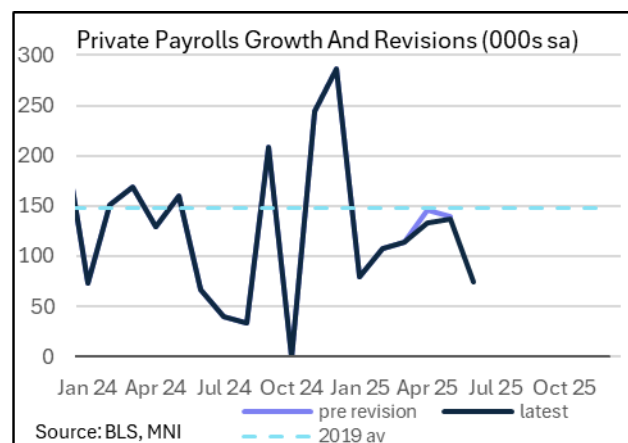
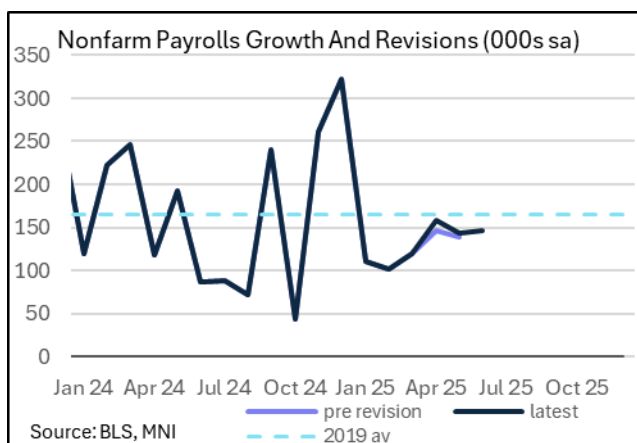
	Actual	Cons.	Prior mth	Cycle low	2019 av
U/E rate (%)	4.12	4.3	4.24	3.45 Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	Actual	Cons.
AHE (%)	0.22	0.3	3.71	3.8

Source: Bloomberg Finance L.P., BLS, MNI

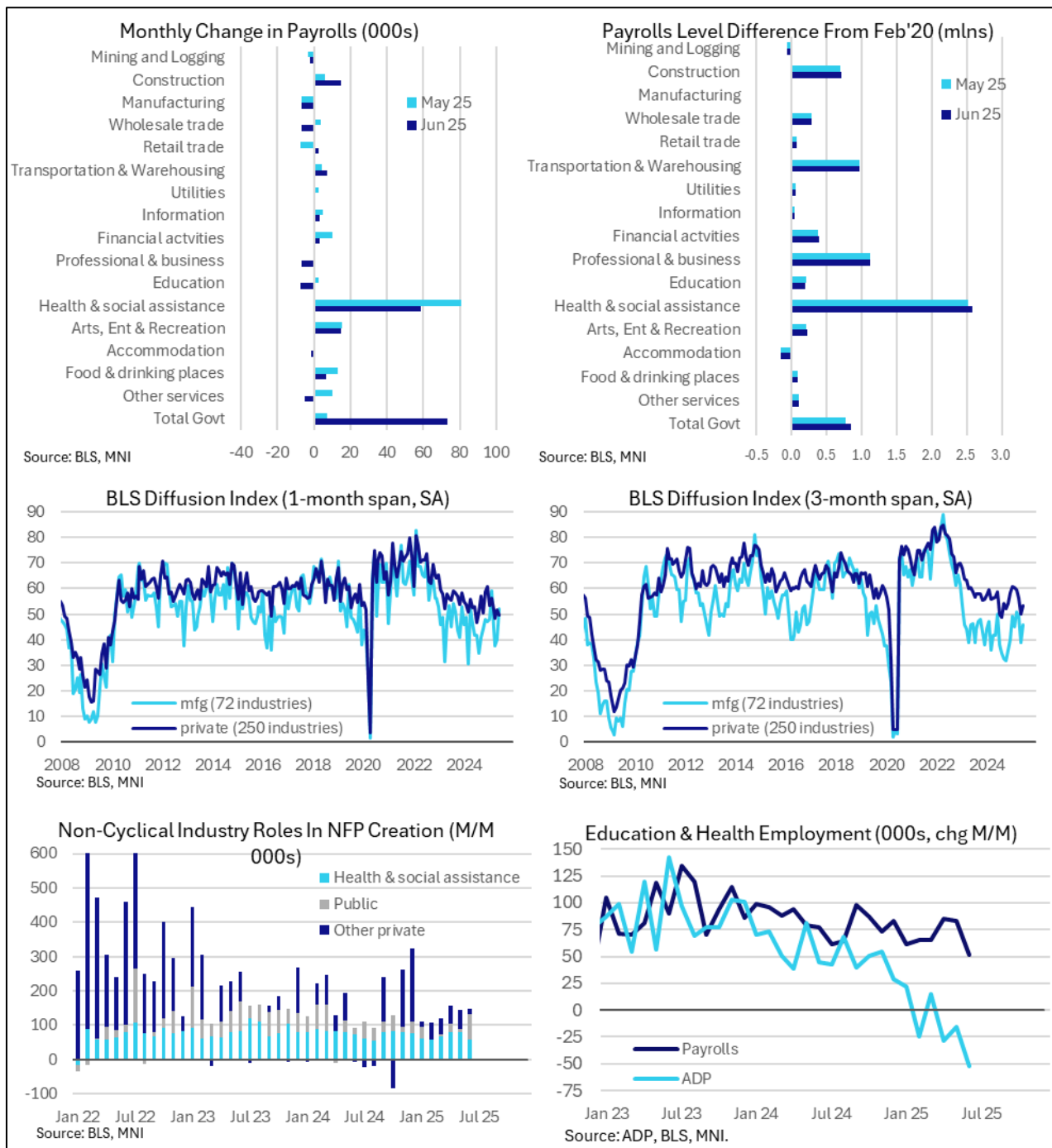
*Strong Government Job Creation (And Revisions) Hides Weaker Private Sector*

- A 46k beat for NFPs (147k vs cons 106k) vs a 26k miss for private payrolls (74k vs cons 100k).
- The difference being government payrolls surging by 73k for the largest increase since Mar 2024. It comprised of -7k for federal (still weak after DOGE cuts earlier this year) but state +47k and local +33k.
- The government also led positive two-month revisions. Total non-farm payrolls were revised 16k higher (5k in May and 11k in April) but private payrolls were revised -16k (-3k in May and -13k in April).
- The difference sees nonfarm payrolls averaging 150k over the latest three months, comfortably above long-run breakeven estimates thought to be around 100k, although with private payrolls less elevated at 115k.

*Tepid Private Sector Payrolls Growth Still Reliant On Healthcare*

Nonfarm payrolls growth surprised higher in June, at face value a welcome surprise after Thursday's weak ADP report, although it was boosted by very strong government job creation in what could be an education seasonality issue (see below). Roughly as many 250 private sector industries saw increases as decreases on the month.

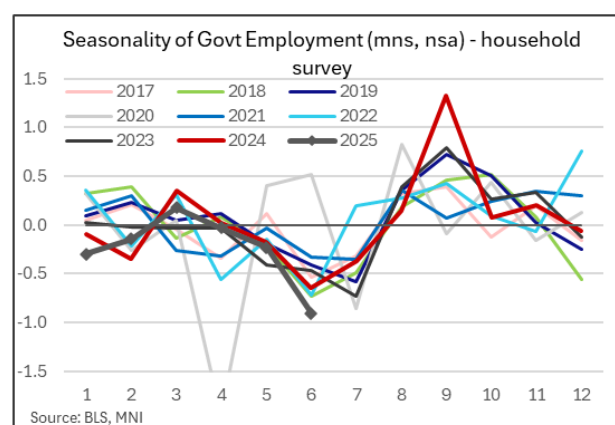
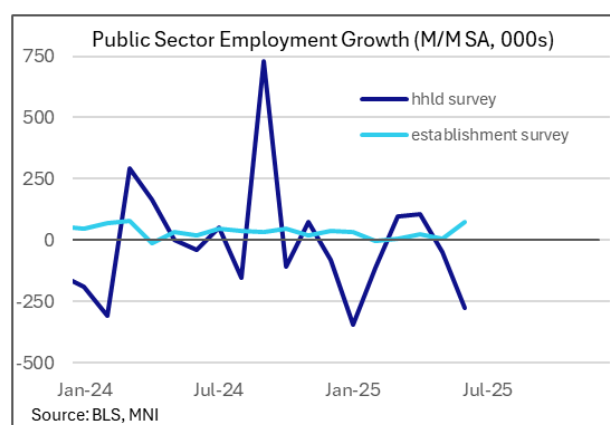
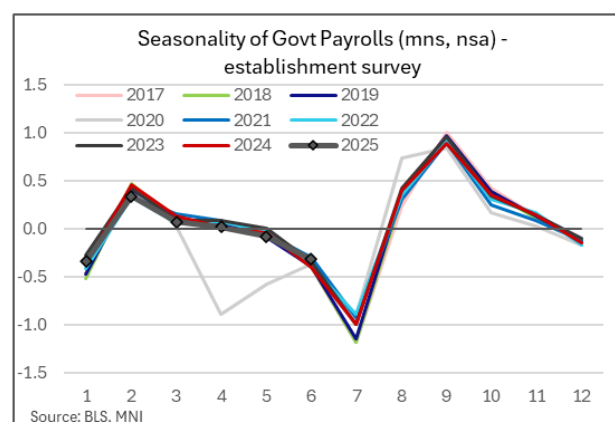
- Nonfarm payrolls were notably stronger than expected in June at 147k (sa, cons 106k), a surprise that was supported by minimal two-month revisions of +16k considering the previous three releases saw an average two-month revision of -67k.
- As we noted in detail earlier, this was supported by particularly robust government job creation of 73k (public education seasonality could be a culprit) along with a two-month upward revision of +32k.
- Private sector payrolls growth was more tepid at 74k (sa, cons 100k) and came with a two-month revision of -16k. That does however still outperform a particularly soft ADP release yesterday of -33k.
- Latest three-month averages stand at a robust 150k for all nonfarm payrolls or 115k for private payrolls, above long-run breakeven estimates thought to be around 100k.
- Private sector job creation remains extremely reliant on the large, and cyclically insensitive, health & social assistance category, adding 59k in June after 81k in May. The next largest contribution came from "arts, entertainment & recreation" and "construction" each at 15k, with the latter surprising considering the sector's current weakness.
- The combined 51k increase for education & health payrolls growth in June is in increasingly puzzling contrast to the -52k noted in Thursday's ADP report for June.
- Elsewhere, "transportation & warehousing" improved with an 8k increase its strongest since Feb whilst "food & drinking places" softened with 7k (lowest since likely weather disruption in Jan/Feb). Retail trade payrolls meanwhile have flatlined in the latest three months, averaging 0k.
- In all, 7 of the main 16 private categories that we look at saw declines on the month.
- The much more granular diffusion index of 250 private sector industries paints a broadly similar picture, at 49.6% in June (implying marginally more saw decreases than increases). That follows an upward revised 52% (from 50%) in May and a downward revised 48% (from 52%) in April, at what is now seen to have been its lowest since Jul 2024 on short-lived weakness prior to which it was last lower in two months of the pandemics and 2010.



#### Question Marks Of Strength Of Government Payrolls In June

- As above, government payrolls growth was surprisingly strong in June at a seasonally adjusted 73k for the largest increase since Mar 2024. It follows an average of just 8k in Feb-May early on in DOGE efforts to reduce federal headcount.
- It comprised of -7k for federal (still weak after an average -16k in the four months prior) but state in particular jumped 47k (strongest since Jan 2023) whilst local also increased 33k (strongest since Mar 2024). Education played a big role, worth +40k for state and +23k for local.
- Some potential factors at play:

- i) It's possible that those either directly affected by federal cuts (federal govt payrolls have dropped a cumulative 69k over the five months through Feb-Jun) or discouraged by federal cuts more broadly have looked to positions in state and local government roles (yesterday's JOLTS report for back in May showed a 0.2pp rise in the federal quit rate to 0.7% for its highest since early 2023). That could however be a risky strategy if broader government roles come under pressure, and we also expect there to only be limited crossover from federal to education positions.
- ii) A likely better explanation is the role seasonality plays against this backdrop of cutbacks, although this too has pitfalls. June tends to see sizeable outright declines in non-seasonally adjusted terms, albeit not to the same extent as in July. Having averaged -383k in the previous three Junes, this month saw a smaller -318k which could be reluctance of government departments to cut positions if considering the possibility of hiring freezes or cuts ahead. That said, education seasonality plays a major role here, with June typically being the start of the summer holidays, and this argument of holding onto government employees is less compelling here. An alternative case is simply that school holidays started a little later this year although it's hard to confirm.
- As such, a quirk of the seasonal adjustment process looks likely to be at play even if it's hard to pin it down on anything more concrete. Further complicating matters, whilst highly volatile, those identified as employed by the government in the household survey fell by a heavy -275k (sa) on the back of an unusually heavy non-seasonally adjusted decline.



### Softer Than Expected Wages And Hours Side Of Establishment Survey

The earnings side of the establishment survey surprised weaker in June, from both wages and average hours worked, chiming with some softer private sector payrolls

- Average hourly earnings growth was softer than expected in June at 0.22% M/M (cons 0.3) although there had been a mild dovish skew to analyst forecasts.
- Downward revisions added to this softer take from the earnings side of the establishment survey.



- The non-supervisory category (omitting about 20% of the highest paid roles) was stronger on the month at 0.29% M/M but also drove those downward revisions.
- It left Y/Y AHE growth at 3.71% after 3.81% for its lowest since Jul 2024 and before that May 2021 or non-supervisory AHE growth at 3.89% after 3.94% for its softest since May 2021.
- Note that this surprise modest weakness is more notable considering it also comes with surprisingly soft average hours worked (which would mechanically bias AHE of salaried employees higher), falling back to 34.2 (cons 34.3) after three months at 34.3.

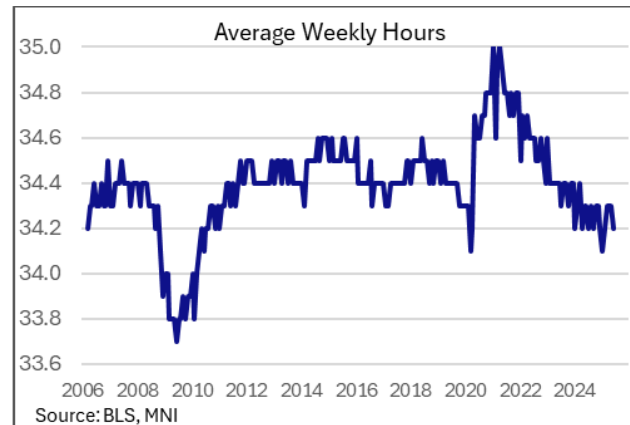
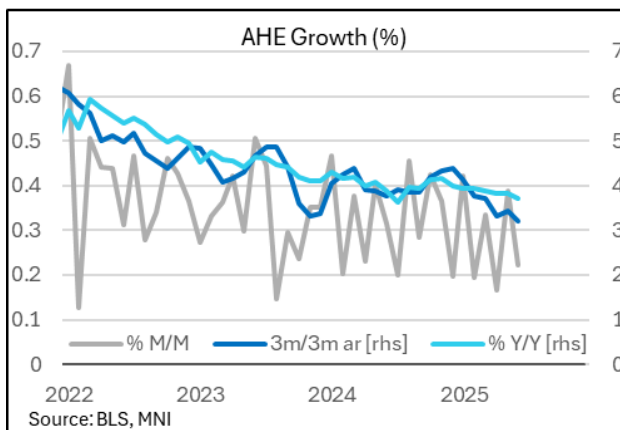
#### Total AHE:

- M/M (SA): 0.221% in Jun from 0.388% in May (initial 0.416%) and 0.167% in April (initial 0.194%)
- Y/Y (SA): 3.714% in Jun from 3.812% in May

#### AHE Non-Supervisory:

- M/M (SA): 0.289% in Jun from 0.322% in May (initial 0.386%) and 0.258% in April (initial 0.291%)
- Y/Y (SA): 3.891% in Jun from 3.937% in May

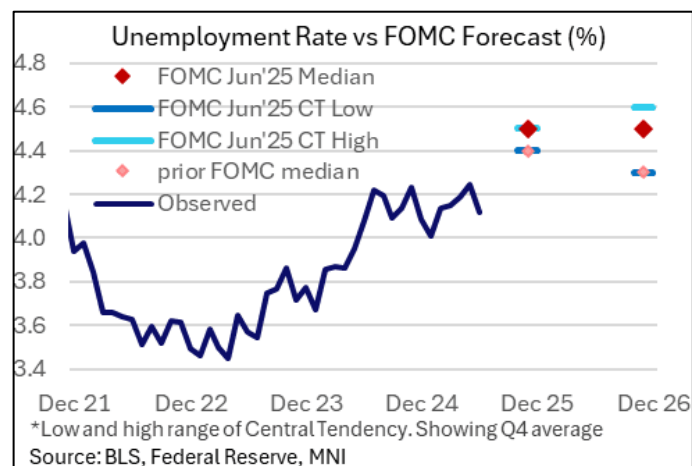
Source: Bloomberg Finance L.P., MNI



#### Household Survey: Solid Unemployment Fall Amid Continued Decline In Participation

June's Household Survey was healthier than expectations on most fronts, with the key exception of a continued decline in the size of the labor force and participation suggesting diminishing labor supply.

- The major downside surprise in the unemployment rate (4.117% unrounded is the lowest since January, down from 4.244% prior and well below the rounded 4.3% consensus) came with a drop of 222k in the number of unemployed (the largest drop of the year) after 4 consecutive rises.
- This suggests a faster-than-expected deterioration will be required for the final 6 months of the year to reach the FOMC's June Q4 median projection of 4.5%.
- The labor force contracted for the 2nd consecutive month however (-130k after -625k) for a 4-month low, with participation falling to a 31-month unrounded low 62.28% (62.37% prior). The overall employment to population ratio fell very slightly but nonetheless at 59.71% is at a 41-month low.
- If the size of the labor force had remained constant from May to June, the unemployment rate would have been little different (4.114% vs 4.117%), showing the extent to which June's unemployment drop was driven by a fall in the number of unemployed.
- Then again, prime-age participation rose, to 83.5%, halfway reversing May's 0.2pp decline. It was 55+ participation (-0.2pp to 38.0%, lowest since January 2007) that was the major driver here, indicating



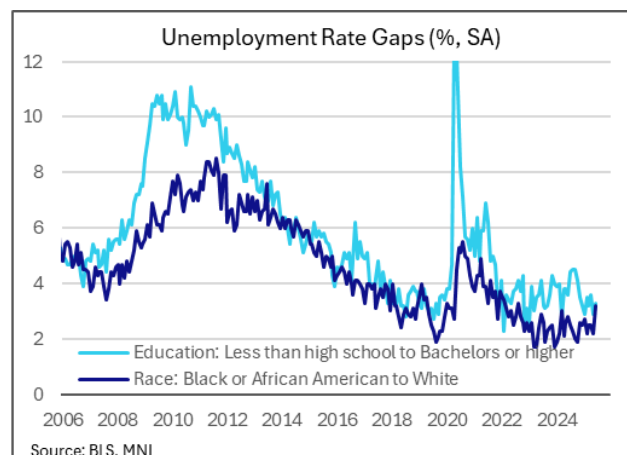
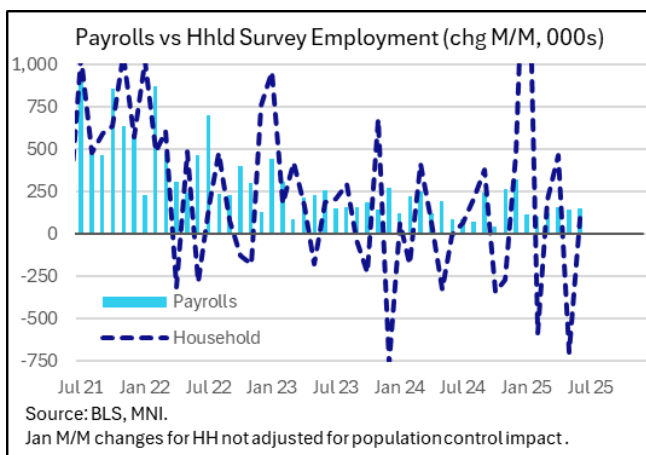
downward pressure on the labor force from retirements, with 16-24 age participation also down 0.6pp to 54.9% (10-month low).

- Looking at the underlying unemployment details, they were roundly positive. Permanent job losers fell by 29k, the most since December 2024; the rate as a % of workers ticked lower for the first time since January, by 0.01pp to 1.11% - suggesting that deterioration on that front has stalled. The number of job leavers rose 121k (first rise in 4 months and biggest increase in 41 months), with job losers and those completing temporary positions down 164k - the largest drop in 10 months. Re-entrants accounted for 143k of the unemployment fall (6-month high), with new entrants falling 15k.
- The underemployment rate (U-6) ticked 0.1pp lower to 7.7% for the lowest in 5 months.

## Household Survey Solid, With Hints Of Foreign-Born Worker Slowdown

Household survey employment rose 93k in June after -696k prior. This marked a second month of "underperformance" vs the establishment survey's job gains (147k in June) though on an absolute value basis this was the smallest gap in 11 months.

- As with the breakdown of the unemployed, the underlying statistics for employment growth were largely constructive.
- Those working part-time fell 367k (most in 14 months), with those working part-time for economic reasons down 159k (largest fall in 9 months).
- These were arguably positive signs given that the implied full-time employment rise of 460k in the month was the best in 9 months (ex-January which is distorted by the annual update of population estimates).
- There were some standouts in other areas of the Household report, largely in the demographic aspects. Potentially reflective of some of the immigration policy shifts in the last few months under the Trump administration, here has been a clear slowdown in foreign-born employment growth: just 364k Y/Y (6-month low), whereas native born employment rose by 1.746M (19-month high).
- Indeed, the estimated foreign-born civilian population has now fallen for 3 consecutive months, from an all-time high 50.447M in March to 49.135M, whereas the native born series continues to hit new highs (last 224.45M). Similar is true for the overall labor force. These are not seasonally-adjusted, but we take note that while foreign-born employment/labor force size/population are up from a year earlier, participation and employment-population are roundly lower (having fallen to a greater degree than for native-born Americans).
- Other standouts were in the ethnicity/gender categories though these tend to be volatile. There was a notable jump in black/African-American employment, by 0.8pp to 6.8% - highest since January 2022, whereas White unemployment fell 0.2pp to 3.6%, bringing the "gap" to the widest since August 2022 (3.2pp). Hispanic/Latino unemployment fell 0.3pp to 4.8%, lowest since January. Meanwhile, the unemployment rate for adult women fell 0.3pp to 3.6%, lowest since last October, with men's remaining at 3.9%.
- Those with less than a high school diploma saw unemployment pick up 0.3pp to 5.8% but those with bachelor degrees dipped 0.1pp to 2.5%, divergent but both within the same general area of the prior 5 months.



## STIR: Nascent July Cut Odds Slashed

Nonfarm payrolls surprising higher, government caveats aside, and a strong household survey saw a sharp hawkish reaction. Growing odds of a late July cut have been slashed, from 6.5bp to 1bp, whilst cumulative cuts to end-2025 have shifted from 62.5bp to 51.5bp. It sees near-term rate cut expectations back closer to the median FOMC dot from last month's SEP.

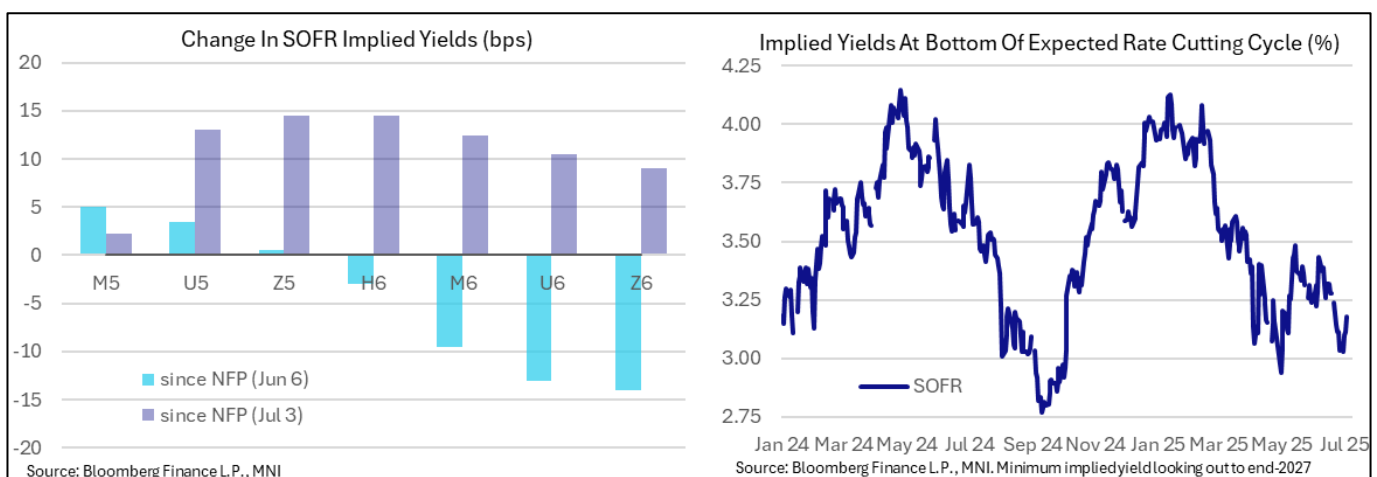
### FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Jul 3)			chg in rate bp	pre ADP (Jul 2)			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	4.32	-1.2	-1.2	4.27	-6	-6.3	5.1	4.28	-5	-5	3.6
Sep'25	4.15	-17.0	-18.2	4.03	-24	-30.1	11.9	4.06	-22	-27	9.0
Oct'25	4.00	-15.1	-33.3	3.86	-17	-47.0	13.7	3.89	-17	-44	10.5
Dec'25	3.82	-18.2	-51.5	3.67	-20	-66.5	15.0	3.70	-19	-63	11.1
Jan'26	3.71	-10.2	-61.7	3.55	-11	-77.7	16.0	3.60	-11	-73	11.5
Mar'26	3.57	-14.0	-75.7	3.42	-14	-91.2	15.5	3.46	-13	-87	10.9

Source: Bloomberg Finance L.P., MNI.



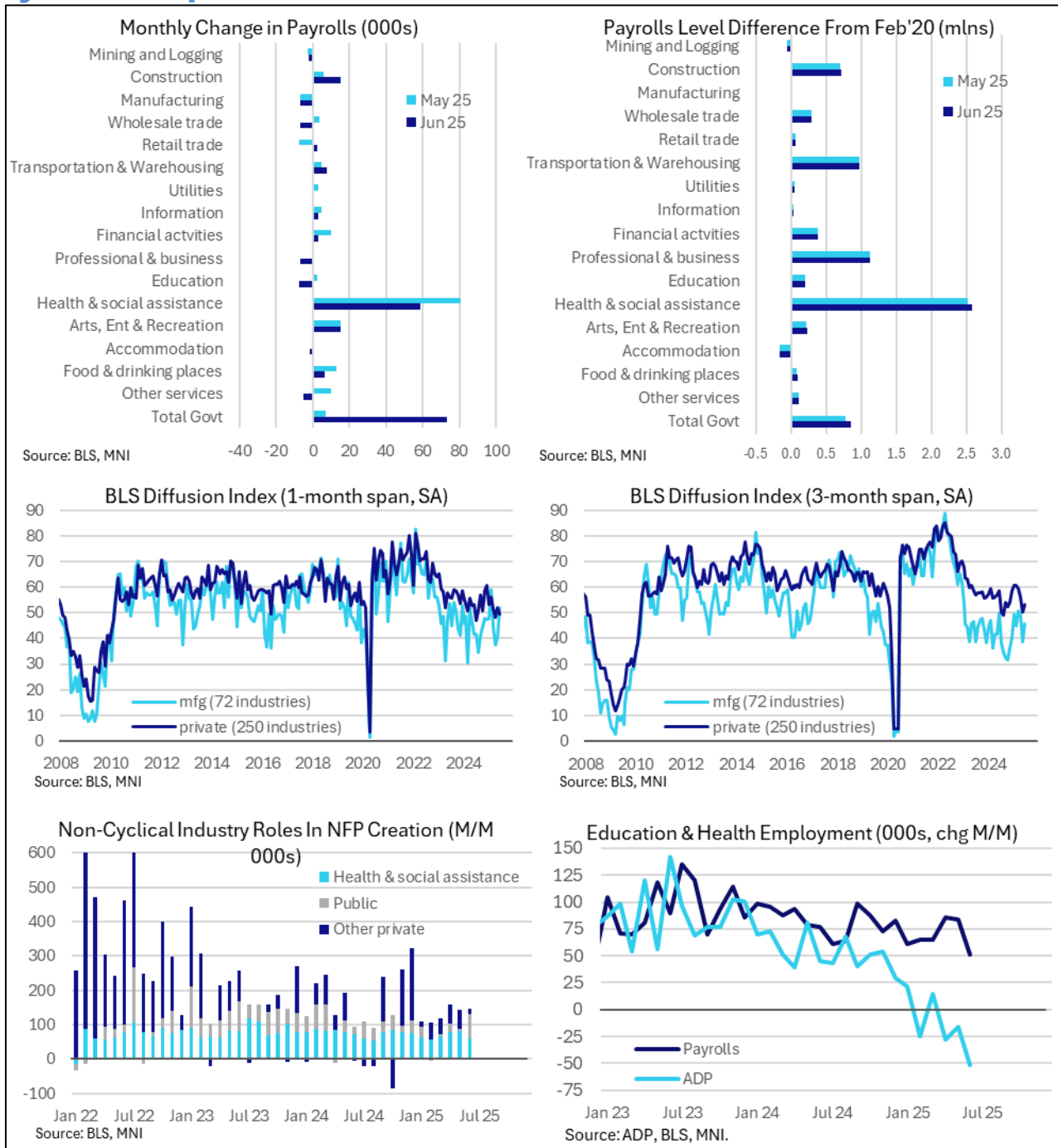
Cumulative cuts for Dec 2025 FOMC. Source: Bloomberg Finance L.P. (Times as GMT)



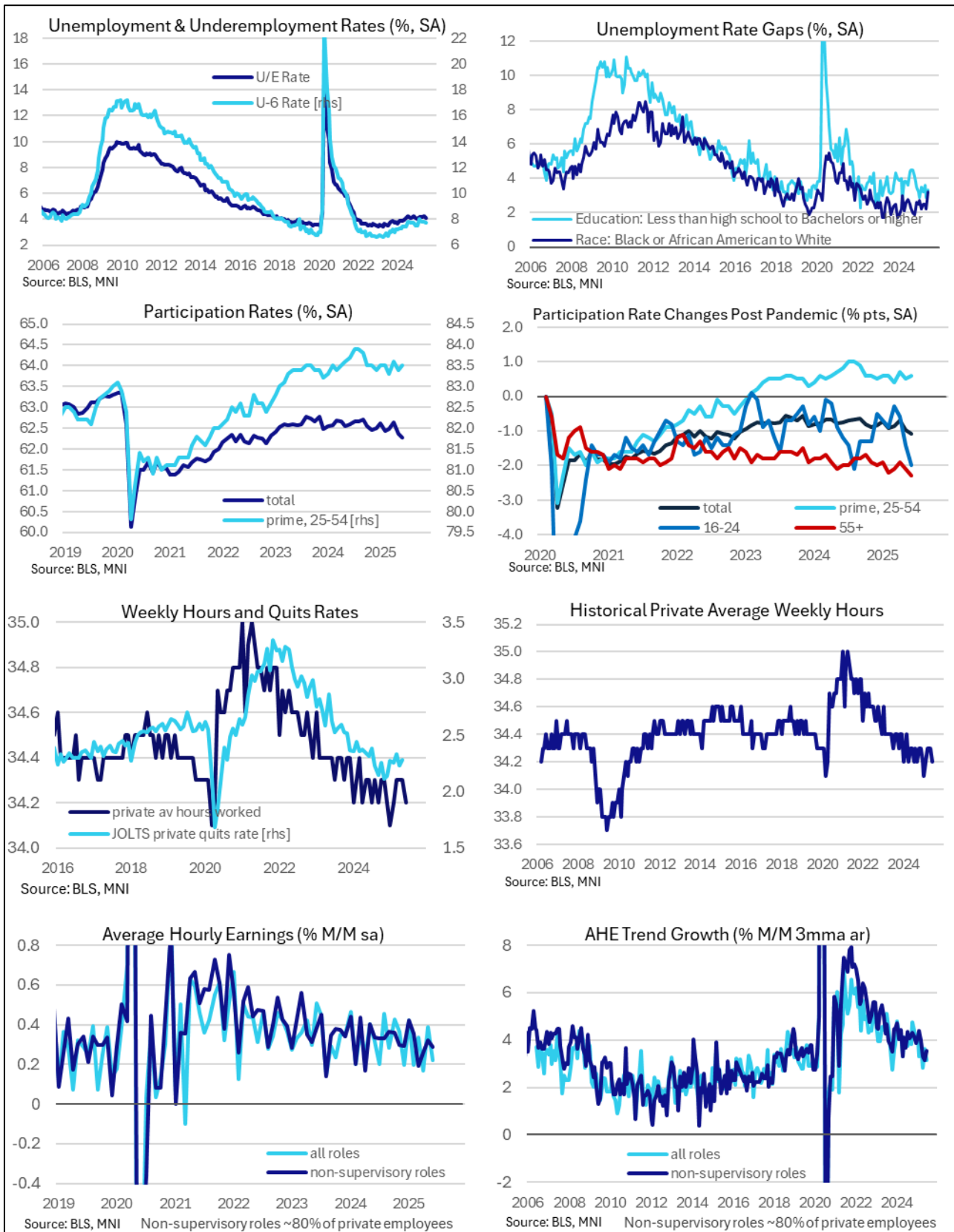
Source: Bloomberg Finance L.P., MNI

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

## Payrolls Report Chart Pack







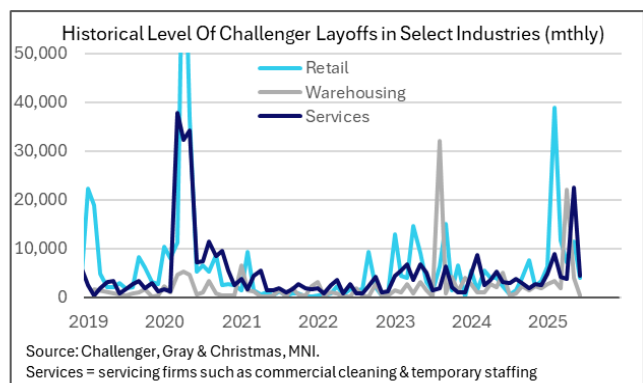
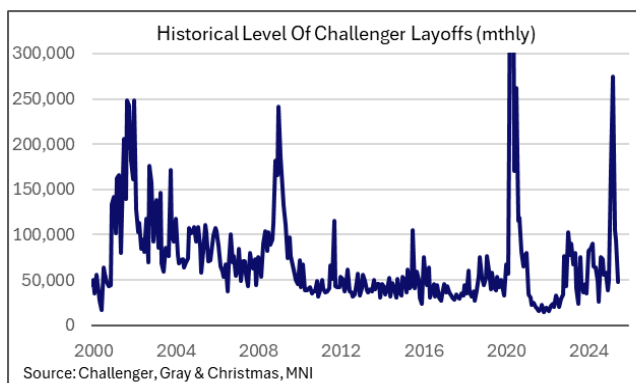
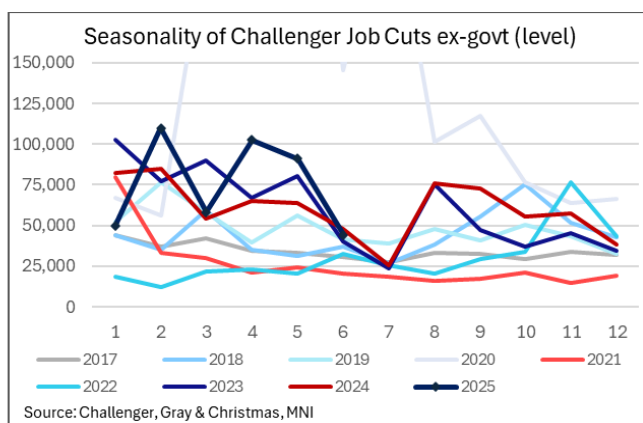
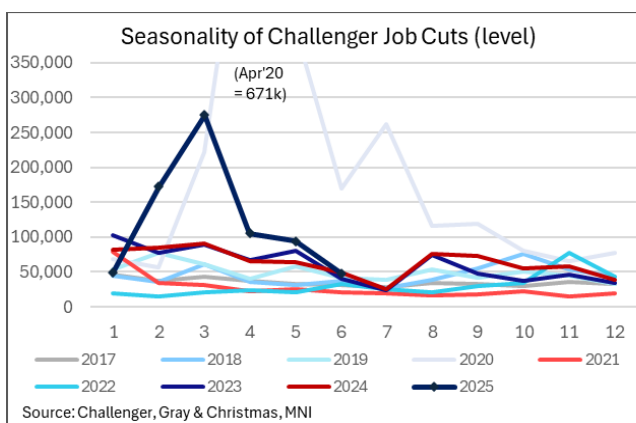
## Other Labor Indicators Of Note

### Upside

#### *Challenger Job Cut Announcements Ease Back To More Typical Levels*

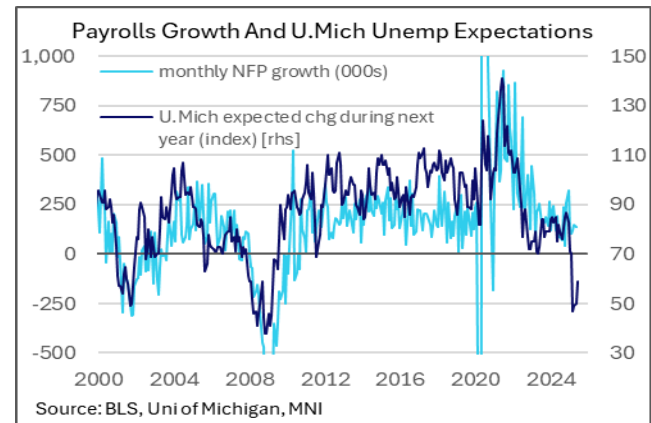
The Challenger, Gray & Christmas job cuts report showed a relatively benign June after some strong increases earlier in the year.

- Challenger job cut announcements amounted to 48k in June after 93.8k in May, for a -2% Y/Y decline after some elevated readings earlier this year that were driven by more than just direct DOGE effects.
- It follows a 47% Y/Y increase in May, 63% Y/Y in April and an average 90% Y/Y through Q1.
- Ex-government layoffs meanwhile were -8% Y/Y in June after 43% Y/Y in May, 58% in April and an average -1% Y/Y in Q1.
- From the press release: “The bulk of companies cited economic conditions last month. We saw some DOGE activity and have tracked over 2,000 jobs directly attributed to tariffs this year, but for the most part it was a quiet June.”
- Consumer products saw the highest layoffs (9.5k) followed by services (4.5k). The latter is pulled back to somewhat more typical levels after an unusually high 22.5k in May (services includes “companies that service other companies such as commercial cleaning services and temporary staffing firms”).
- Retail, one of the areas most directly impacted by tariffs, still sees some large Y/Y increases even if the actual layoffs numbers are small: the 4.1k in June was a 85% Y/Y increase after 11.5k in May (184% Y/Y) and 7.2k in Apr (77% Y/Y).
- As for warehousing, one specific area watched for implications from inventory builds earlier in the year on tariff front-running, layoff announcements were tiny at 0.3k after 3.9k in May and a large 22k in April.
- By specific reason for the 744k of layoffs in the ytd, DOGE actions still top the list with 287k (plus 12k from downstream impact) followed by market & economic conditions at 154k (vs 131k in last month’s report) and closures at 107k (vs 94k last month).



### Consumers A Little Less Pessimistic

- 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).

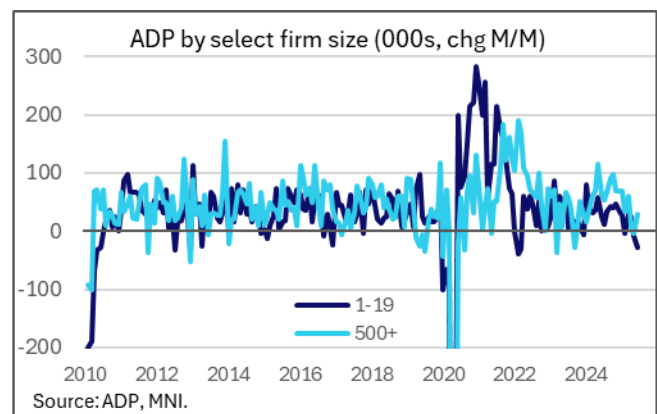
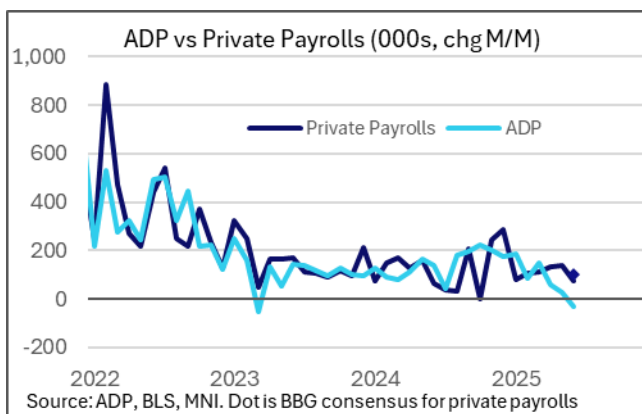


### Downside

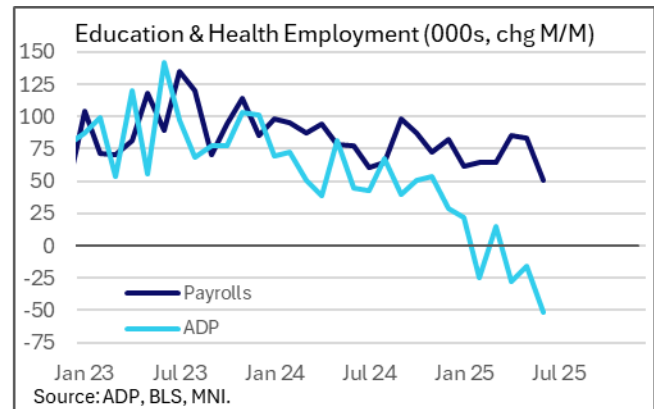
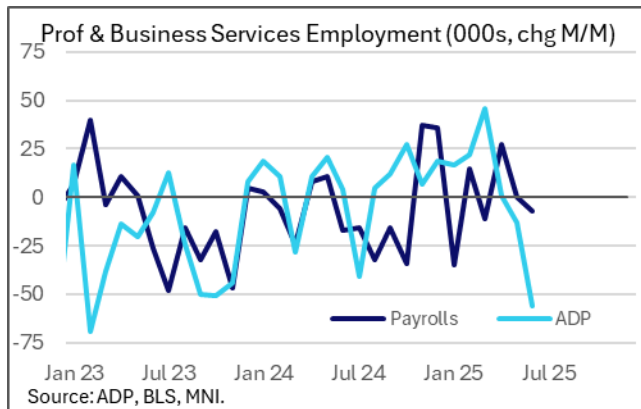
#### A Large Miss For ADP As Slowing Trend Escalates

ADP employment surprisingly fell in June as it continued a trend of clear moderation in recent months compared to what has been a steadier trend for private payrolls up to May ahead of tomorrow's NFP release. Declines were led by two sectors in particular, one of which has had a strangely weak relationship with payrolls, but it's still a soft report no matter how you look at it.

- ADP private sector employment was much weaker than expected in June as it fell -33k (sa, cons 98k) along with last month's soft print confirmed with a downward revision to 29k vs the initial 37k.
- The decline was led by professional & business services (-56k after -13k, its sharpest decline since Feb 2023) and education & health services (-52k after -16k, its sharpest decline since Jul 2020).
- The typically cyclically insensitive education & health services component is showing an increasingly puzzling disconnect with NFP industry data although the weakness in professional & business is more concerning from a direct readthrough for tomorrow's NFP print.
- Financial activities rounded out the third sector with net job losses in June, -14k for its first decline since Sep 2024 and its largest decline since Dec 2022.
- To the upside, leisure & hospitality continued to fair well, rising 32k after 43k and showing no sign of reduced discretionary demand in those sectors.
- There isn't a clear-cut story for job losses by firm size although the very smallest did suffer the most. Those with 1-19 employees saw -29k after -8k, 20-49 employees saw -18k after -5k and 250-499 -27k after -7k, whilst those with 50-249 saw +12k after +53k and 500+ +30k after -4k.
- The -29k drop in those with 1-19 employees is the sharpest since Mar 2022.





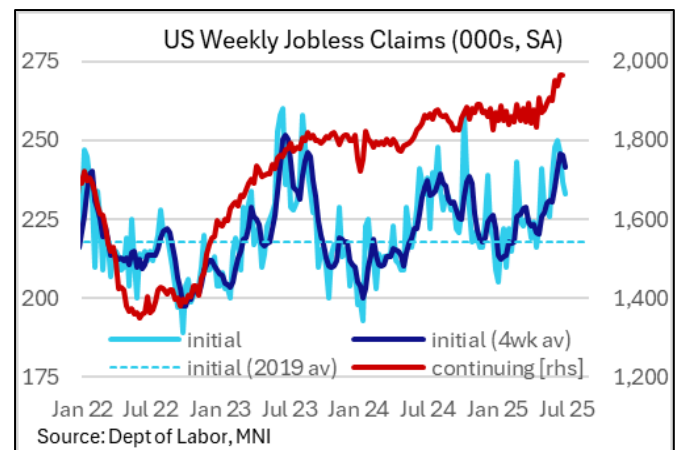


## Jobless Claims Data Don't Rock The Boat

[We include the below as a net small negative, as whilst it improved a touch in latest data, the recent trend is one of deterioration compared to earlier in the year]

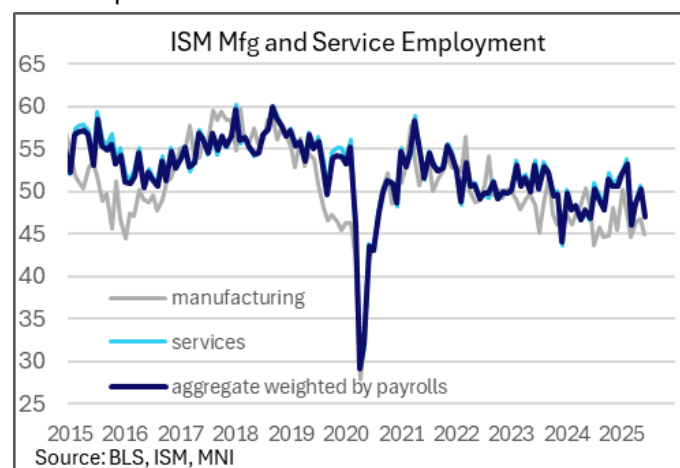
The latest weekly jobless claims data point to another small dip in initial claims even if the four-week average remains elevated whilst continuing claims unsurprisingly held at highs since late 2021. It continues to broadly point to a 'low firing, low hiring' labor market with the pace of deterioration slowing a touch compared to recent weeks.

- Initial jobless claims were lower than expected at 233k (sa, cons 241k) in the week to Jun 28 after a marginally upward revised 237k, marking a third consecutive decline.
- The four-week average eased lower to 242k, a second weekly decline having recently peaked at 246k at what had been the highest since Aug 2023, although it's still elevated by recent standards.
- Continuing claims meanwhile were as expected at 1964k (sa, cons 1962k) in the week to Jun 21 after a slightly downward revised 1964k (initial 1974k).
- In non-seasonally adjusted terms, initial claims remain within typical ranges for the time of year whilst continuing claims are right at the top end.



Both manufacturing and services **ISM surveys** saw their employment components fall in June.

- Manufacturing fell from 46.8 to 45.0 for back to its lowest since March.
- Services fell from 50.3 to 47.0, back below the breakeven 50 line after a brief increase above it in May for its lowest since March and before that Jun 2024.
- ISM's Miller told MNI on Thursday – interview in full below: "Seeing the employment drop below 50 again was probably the bigger disappointment, showing that there's still uncertainty about where the economy is headed. The commentary was hiring freezes, delaying rehiring of open positions, and that type of thing, not extensive layoffs."





## MNI Policy Team Insights

### US Services Growth Seen Gaining Momentum - ISM

*By Evan Ryser (Jul 3, 2025)*

WASHINGTON - The U.S. services sector returned to growth in June and is likely to build momentum through the summer even as the global trade war created some weakness in hiring, Institute for Supply Management chair Steve Miller told MNI Thursday.

The ISM composite increased 0.9ppt to 50.8 last month, matching market expectations, and above its neutral threshold of 50, where it has been in 11 of the past 12 months. Details in the June survey were mixed as new orders and business activity increased while the employment index fell below 50.

"It's a very positive report, given the uncertainty around tariffs and fiscal policy," Miller said. "With all of that uncertainty in the June timeframe and still seeing business activity up and new orders up significantly, I think that that's a very positive sign."

Miller is optimistic the ISM composite will increase in coming months. "We're going to see the supplier delivery go higher. I think we're going to start seeing some additional new orders going in, which will be another positive on the new order side. It's going to stay above 50," he said.

"Business activity is going to increase as well, and with business activities, supplier deliveries, and new orders all increasing, I'd be surprised if by the end of the summer we're not up around 55," Miller said about the PMI. (See: MNI INTERVIEW: Miran Sees US Trade Deal 'Flurry,' 3% H2 GDP)

#### HIRING FREEZES, NOT LAYOFFS

ISM's employment index softened to 47.2 from 50.7 in May, the lowest since March, but Miller downplayed concerns.

"Seeing the employment drop below 50 again was probably the bigger disappointment, showing that there's still uncertainty about where the economy is headed," he said. "The commentary was hiring freezes, delaying rehiring of open positions, and that type of thing, not extensive layoffs."

The prices index eased to 67.5 from 68.7, still the second highest since November 2022, and the seventh straight month above 60 percent. (See: MNI INTERVIEW: Bostic Backs Go-Slow On Rates As Tariffs Linger)

Tariffs topped the list of survey comments again this month, Miller said. "Unable to plan, people holding off on orders until they see what happens, and suppliers proposing pricing increases ahead of actual tariff impacts."

In contrast, none of the respondents commented on the massive fiscal package making its way through Congress.

## 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.”