

Unemployment Insurance Claims Drop Modestly but Labor Market Continues to Cool

- Initial unemployment insurance claims fell by 12,000 to 219,000 for the week ending September 14. The four-week moving average of claims also fell slightly.
- The insured unemployment rate for the week ending September 7 was unchanged from last week and a year ago at 1.2%.
- Continuing claims fell by 14,000 to 1.829 million but are marginally higher than a year ago, suggesting it is taking longer for unemployed workers to find a new job.
- PNC expects the U.S. labor market to soften over the balance of this year and into next year with average monthly job gains of 150,000 for the remainder of the year before dropping to around 100,000 in the first half of 2025.

First-time jobless claims dropped to 219,000 for the week ending September 14. This is down from an upwardly revised 231,000 in the previous week but up from 210,000 a year ago. The four-week moving average, which smooths out choppiness in the data, fell to 227,500, a modest drop of 3,500 from the prior week. The four-week moving average increased by 2,750 from a year ago, suggesting that the U.S. labor market is slowly softening. The insured unemployment rate was unchanged at 1.2% for the week ending September 7 and is unchanged from the same week last year.

Continuing claims for unemployment insurance fell by 14,000 to 1.829 million for the week ending September 7. Continuing claims are marginally higher compared to a year earlier (1.793 million). Meanwhile, the four-week moving average fell by 6,500 to 1.844 million but is up from 1.806 million in the same week last year, implying it is taking unemployed workers longer to land a new job. This is supported by the sharp slowdown in job growth this year with average monthly gains of 184,000 compared to 251,000 for all of 2023.

Despite the drop in initial claims last week, the labor market is softening but is far from loose. Job growth has slowed markedly, and the unemployment rate has risen from the low of 3.4% last year to 4.2% in August. PNC expects a further cooling in the labor market through the rest of 2024 as high interest rates – notwithstanding the 50-basis point cut yesterday – continue to limit economic growth. Indeed, PNC is expecting job growth to down shift to around 150,000 per month for the balance of this year and drop to around 100,000 per month in the first half of 2025. As a result, the unemployment rate will increase modestly over the next year to around 4.5%.

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