

Initial Jobless Claims Fell by 10K in the Week Ending May 11, Reversing About Half of the Previous Week's Rise; Continuing Claims Rose By 13K in Early-May.

- **Initial claims for unemployment insurance fell by 10,000 to 222,000 in the week ending May 11, reversing about half of the previous week's rise. The four-week moving rose by 3,000 to 218,000.**
- **Continuing claims rose by 13,000 to 1.794 million in the week ending May 4 but the four-week moving average fell by 1,000 to 1.779 million.**

Initial Unemployment Insurance (UI) claims fell by 10,000 to 222,000 in the week ending May 11, reversing almost half of their previous week's 23,000 rise. The four-week moving average of claims, which smooths out some of the weekly volatility in this data rose by 3,000 to 218,000, the highest level since late-September 2023. UI Claims had remained unusually steady and low by historical standards signally that the labor market remains strong, so this partial reversal suggests the previous week's jump was more noise than signal. The 200,000 mark appears to be a solid floor for the Initial Claims measure, with the weekly results having bounced upward from that level once reached throughout the second half of 2023 and again in the first four months of 2024.

Continuing claims jumped by 13,000 to 1.794 million in the week ending May 4 from a downward revised 1.781 million in the previous week (was 1.785 million). The four-week moving average of continuing claims, which smooths out some of the weekly volatility in this data set, edged down by 1,000 to 1.779 million from a downward revised 1.780 million in previous week (was 1.781 million). This low level of continuing claims is further evidence that the partly reversed big jump in initial claims in early May was not the start of a persistent rise in laid-off workers but bears close watching.

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

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