

June 9, 2025

Financial Services Group

Author:

Economic Review



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- The Labor Department reported that **initial jobless claims** rose more than expected last week to the highest weekly count since the week ended October 5, 2024. The data reflect a gradual cooling in the labor market. The accumulation of higher continuing claims suggests that people who lose a job are having an incrementally more difficult time finding a new one and initial claims are slowly creeping higher. First time claims in regular state programs recorded 247,000 for the week ending May 31st, after the prior week's report of 239,000. The four-week moving average climbed to 235,000 from 230,500 the prior week. Continuing claims, a proxy for people who are already receiving benefits and still cannot find a job, decreased 3,000 to 1,904,000 for the week ending May 24th. The insured unemployment rate, the number of people currently receiving unemployment insurance as a percentage of the labor force, decreased to 1.2% from 1.3% the prior week.
- The **Institute for Supply Management** reported its **manufacturing index** contracted in May for the third straight month. The index declined to 48.5 in May from 48.7 in April. The data showed the rate of contraction improved in production and new orders with improvements in factory activity offset by shrinking inventories of raw materials. Customer inventories are also low, setting the stage for a future increase in orders. The new orders part of the index increased to 47.6 in May from 47.2 in April and production climbed to 45.4 in May from 44.0 the prior month. The employment sub-index moved higher to 46.8 in May from 46.5 the prior month, indicating manufacturing employment is contracting as a slower pace. A reading below 50 indicates contraction in the manufacturing sector.
- The Commerce Department reported that **construction spending** failed to rebound in April after both nonresidential structures and residential investment declined in the first quarter. Construction spending decreased 0.4% in April after declining 0.8% in March. Spending on residential construction fell 0.9% while non-residential construction declined 0.1%. Government spending, which made up 23.9% of construction spending, increased 0.4% and private spending fell 0.7%.
- The Commerce Department reported that **factory orders** fell 3.7% in April after surging 3.4% in March. **Factory orders ex transportation** declined 0.5% in April after falling 0.5% the prior month. The closely followed forward looking demand from businesses for nondefense capital goods, excluding aircraft, dropped 1.5% in April after climbing 0.3% in March.
- The Labor Department reported that **job openings** unexpectedly climbed in April, indicating demand for workers remains healthy despite the heightened economic uncertainty. The advance was driven by industries such as professional and business services as well as healthcare. These advances were offset by a decline in openings for leisure and hospitality as well as postings in state and local education. Available positions increased by 191,000 to 7.391 million, from an upwardly revised 7.200 million in the prior month. The quits rate, which measures voluntary job leavers as a share of total employment declined to 2.0 in April from 2.1 in March, suggesting workers are losing confidence in their ability to find a new job. The vacancy-to-unemployed ratio, the Fed's preferred gauge of labor-market tightness, edged higher to 1.03 in April from 1.01 in March.
- **ADP Employer Services** reported that hiring at companies was lower than expected in May, dropping to the slowest pace in two years. After a strong start to the year, hiring is losing momentum, suggesting the anxiety around the administration's economic policies are weighing on business staffing decisions. Companies increased payrolls by 37,000 in May after a downwardly revised gain of 60,000 in April. Services employment increased by 39,000 and manufacturing employment declined by 2,000. The ADP data indicated pay growth was stable, with earnings for workers who changed jobs climbing 7.0% from a year earlier. Pay gains for those who stayed in their current position rose by 4.5%.
- The **Institute for Supply Management** reported its **Services** index, which covers services and construction, slipped into contraction territory in May for the first time in nearly a year as consumers pulled back amid higher prices and economic uncertainty with tariff discussions. New orders, a forward looking indicator of business demand, plunged in May and the prices-paid index jumped to its highest level since late 2022. The index recorded a 49.9 in May after a 51.6 reading in April.

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Business activity decreased in May to 50.0 from 53.7 the prior month. New orders decreased to 46.4 from 52.3, while the employment index climbed to 50.7 from 49.0 in April. The prices paid component moved to its highest level in more than two years at 68.7 from 65.1. This gauge of service providers accounts for 90% of the economy. A reading below 50 indicates contraction in the services sector.

- The Fed released the latest rendition of the **Beige Book**, which is based on information collected through May 26, 2025. This report is published eight times each year. The twelve Federal Reserve Districts indicate that economic activity has declined slightly since the previous report. Half of the Districts reported slight to moderate declines in activity, three Districts reported no change and three Districts reported slight growth. All Districts reported elevated levels of economic and policy uncertainty, which have led to hesitancy and a cautious approach to business and household decisions. Manufacturing activity declined slightly. Consumer spending reports were mixed and employment has been little changed since the previous report. On balance, the outlook remains slightly pessimistic and uncertain.
- The Commerce Department reported the **trade deficit** narrowed dramatically in April. The announcement of “Liberation Day” tariffs pressured businesses to load up on imports in the first quarter to get ahead of the tariff announcement. The deficit decreased in April to \$61.6 billion in April from \$138.3 billion in March. **Imports** plunged 16.3% to \$351.0 billion and **exports** increased 3.0% to \$289.4 billion.
- Bureau of Labor Statistics reported **labor productivity** declined at an annualized rate of 1.5% in the first quarter, resulting from a 0.2% output decline and a 1.3% increase in hours worked. This follows a 2.1% gain for the year 2024. Unit labor costs for the 1st quarter increased at a 6.6% rate, reflecting lower productivity and solid hourly compensation growth of 5.0%. On a year-over-year basis, unit labor costs were up 1.9%. The soft output in the first quarter, while hours worked and hourly compensation were solid, resulted in lower labor productivity and higher unit labor costs. These numbers are likely to be discounted, attributing weak output to temporary swings in net exports amid shifts in tariff policy.
- The Labor Department reported labor market payrolls gained more than expected in May, driven by “leisure and hospitality”, and “trade and transportation”. Despite the better than expected gain, the household survey showed a large drop in the labor force and employment, indicating the unemployment rate held steady for the wrong reasons. The unemployment rate held steady because workers are dropping out and not because jobs are plentiful. The jobs report is made up of two surveys: one of households which provides the unemployment rate, labor force size and the labor force participation rate and the other is the establishment survey of businesses, which generates the payrolls and wage figures. The **Nonfarm payrolls** (employer survey) climbed 139,000 in May after a downwardly revised gain of 147,000 in April. The **unemployment rate** (household survey) increased to 4.244% in May from 4.187% in April. The **labor force participation rate** declined to 62.4% from 62.6% the prior month. The average hourly earnings increased to \$36.24 in May from \$36.09 the prior month. Weekly hours remained unchanged at 34.3.
- The Federal Reserve reported **consumer credit** increased in April by the most in four months as credit jumped for both revolving and non-revolving credit, breaking above \$5 trillion. Credit outstanding rose \$17.9 billion in April to \$5.011 trillion after a gain of \$8.6 billion the prior month. Credit card debt increased \$7.6 billion in April to \$1.321 trillion after climbing \$1.8 billion the previous month. Auto and student loan debt increased \$10.2 billion in April after gaining \$6.8 billion in March. Total non-revolving credit rose to \$3.689 trillion. These figures are not adjusted for inflation.
- The Mortgage Bankers Association reported the **MBA index of mortgage applications** decreased 3.9% last week after dropping 1.2% the prior week. This is the lowest level in five weeks, even as rates eased from the highest level since late January. **Refinancing** applications declined 3.5% to

Source: Bloomberg Finance L.P.

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611.8 from 634.1 the prior week. **Home purchase mortgage applications** decreased 4.4% to 155.0. Refinancing made up 35.2% of applications with an average loan size of \$277,900, while purchases average loan size is \$438,500. The **average contract rate** on a 30-year fixed-rate mortgage decreased to 6.92% from 6.98% the previous week.

BOND MARKET REVIEW

Rates increased last week after the better than expected employment on Friday. Friday's yields for the 2-, 5-, 10- & 30-year Treasury benchmark securities closed at 4.04%, 4.12%, 4.51% and 4.97%. The 2yr/5yr, 5yr/10yr, 10yr/30yr and 2yr/30yr spreads closed at 8, 39, 46, and 93 basis points respectively.

Economic/Events Calendar

Monday	June 9	Apr Wholesale Trade Sales (0.3%)	9:00 Central
		Apr Wholesale Inventories	9:00 Central
Tuesday	June 10	May NFIB Small Business Optimism (95.9)	5:00 Central
Wednesday	June 11	Jun 6 th MBA Mortgage Applications	6:00 Central
		May Consumer Price Index (0.2%)	7:30 Central
		May Consumer Price Index-YOY (2.5%)	7:30 Central
		May CPI Ex Food & Energy (0.3%)	7:30 Central
		May CPI Ex Food & Energy-YOY (2.9%)	7:30 Central
		May Federal Budget Balance (-\$250.0b)	13:00 Central
Thursday	June 12	Jun 7 th Initial Jobless Claims (240K)	7:30 Central
		May Producer Price Index (0.2%)	7:30 Central
		May Producer Price Index-YOY (2.4%)	7:30 Central
		May PPI Ex Food & Energy (0.3%)	7:30 Central
		May PPI Ex Food & Energy-YOY (3.1%)	7:30 Central
Friday	June 13	May Univ of Michigan Sentiment (52.0)	9:00 Central
		May Univ of Michigan 1-yr Inflation (6.6%)	9:00 Central
		May Univ of Michigan 5-10 Yr Inflation (4.2%)	9:00 Central

Source: Bloomberg Finance L.P.

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