# Dutta's Economic Daily

CEOs see weaker jobs

Neil Dutta

The slow-fire, slow hire labor market continues

- Continuing unemployment claims jumped to 1.974 million for the week ending July 26, a fresh high. Over the last year, continuing unemployment claims have advanced 5.2 percent. The good news is that initial claims remain low though they rose modestly in the latest week to a four-week high of 226,000. That continuing claims keep rising even as initial claims are low suggests that hiring rates have softened. Ultimately, low hiring will continue to push up the level of unemployment, creating ongoing slack in the labor market. As we learned last week, low initial jobless do not represent a sufficient condition for strong payroll employment growth

Continuing Claims: Running above last year
Non-seasonally adjusted
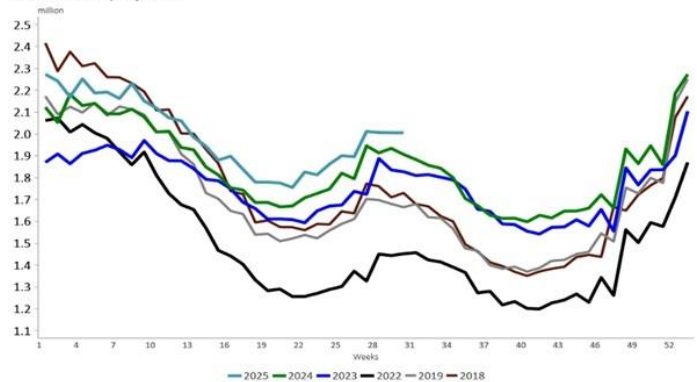
Source: Renaissance Macro Research, Macrobond

Waller ascending?

- Bloomberg News reports, "Federal Reserve Governor Christopher Waller is emerging as a top candidate to serve as the central bank's chair among President Donald Trump's advisers." The article continues, "Trump advisers are impressed with Waller's willingness to move on policy based on forecasting, rather than current data, and his deep knowledge of the Fed system as a whole, the people said. Waller has met with the president's team about the role, but has yet to meet with Trump himself, the people said on the condition of anonymity to discuss private deliberations."

Economics

- My two cents: I am encouraged; I have long believed Waller achieves the President's aims, gets Powell to give up his seat, which then allows him to fill two seats at the Board of Governors. The risk with anyone else is that they potentially keep Powell in place and end up being a Chairman in Name Only. However, it is important to remember that nothing is ever final until it is sent from the President's social media account. I don't like doing palace intrigue, but this article reads to me as if it is sourced from those around Treasury Secretary Bessent. Thus, in my mind, a bet on Waller is a bet on whether you believe Secretary Bessent has influence over Trump's decision-making process. Only two observations, but it's interesting that today we are seeing the long-end rally a little bit while yesterday, when Hassett odds surged, long rates rose. Feel the market!
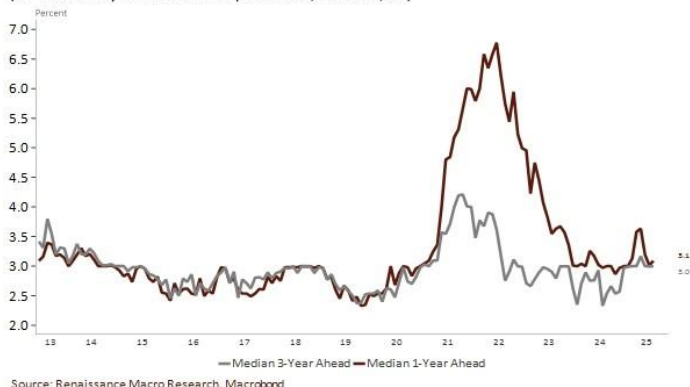
Inflation expectations steady

- According to the New York Fed's Survey of Consumer Expectations, inflation expectations are broadly stable. The median one-year ahead expected inflation rate rose a touch to 3.09 percent in July from 3.02 percent in June, but essentially at the same level since December 2023. Meanwhile, the median three-year ahead expected inflation rate stood at 3.0 percent, which is where it was in June 2018. Short-run inflation expectations tend to matter for the wage-setting process and there is limited evidence consumers will try to bid up wages given these datapoints. Labor market conditions appear broadly stable. The mean probability US unemployment rate will be higher one year from now slid to 37.37, the lowest since January though it has been tough to spot any material relationship with the actual unemployment rate.

Inflation expectations are broadly stable
(NY Fed Survey of Consumer Expectations, Inflation, SA)

Source: Renaissance Macro Research, Macrobond

More CEOs net reduction in workforce
(CEO Confidence Survey: Employment Expansion Over Next 12 Months)
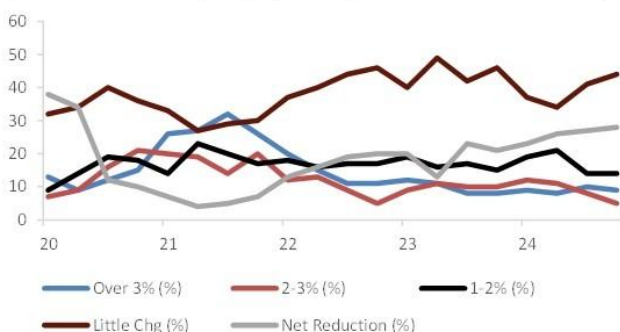
Source: Haver Analytics, Renaissance Macro Research

CEO confidence up, but ...

- Coming off the tariff ledge has led to an improvement in CEO Confidence. The Conference Board CEO confidence data improved to 49 in Q3 from 34 in Q2, though still is still consistent with net pessimism. However, according to latest data, more CEOs see a net reduction in workforce. Percent seeing net reduction jumped to 34% in Q3, highest since Q4 2020. Percent seeing at least 1% growth in workforce slid to a low of 27%.

China's exports accelerate despite slump in US demand

- China's export growth unexpectedly accelerated in July, rising 7.2% year-over-year to $322 billion. This was the fastest increase since April and surpassed economists' expectations. The surge in exports was driven by strong demand from markets outside the U.S., such as the European Union (EU), Southeast Asia (Asean), Australia, and Hong Kong. Shipments to the EU rose by 9.3%, while exports to the 10 ASEAN nations grew by almost 17%. This growth compensated for the continued decline in U.S. purchases, which fell 22% in July, marking the fourth consecutive month of doubledigit drops.

- The resilience of China's exports, despite high U.S. tariffs, indicates that global demand for Chinese goods remains strong and is a key driver for the country's economy. This is supported by the fact that the yuan's depreciation against non-U.S. currencies has also boosted exports. While some sales to ASEAN countries are suspected of being linked to transshipments, exports to Latin America and Africa, which are less likely to be associated with such activities, have been even more robust. However, there is a risk of a slowdown in the second half of the year due to tariffs and softer U.S. demand. High-frequency data already indicates a recent slowdown in trade activity, with Chinese ports processing fewer containers for the second consecutive week through August 3. China's trade surplus was $98.2 billion in July, which is still well above the historical average.

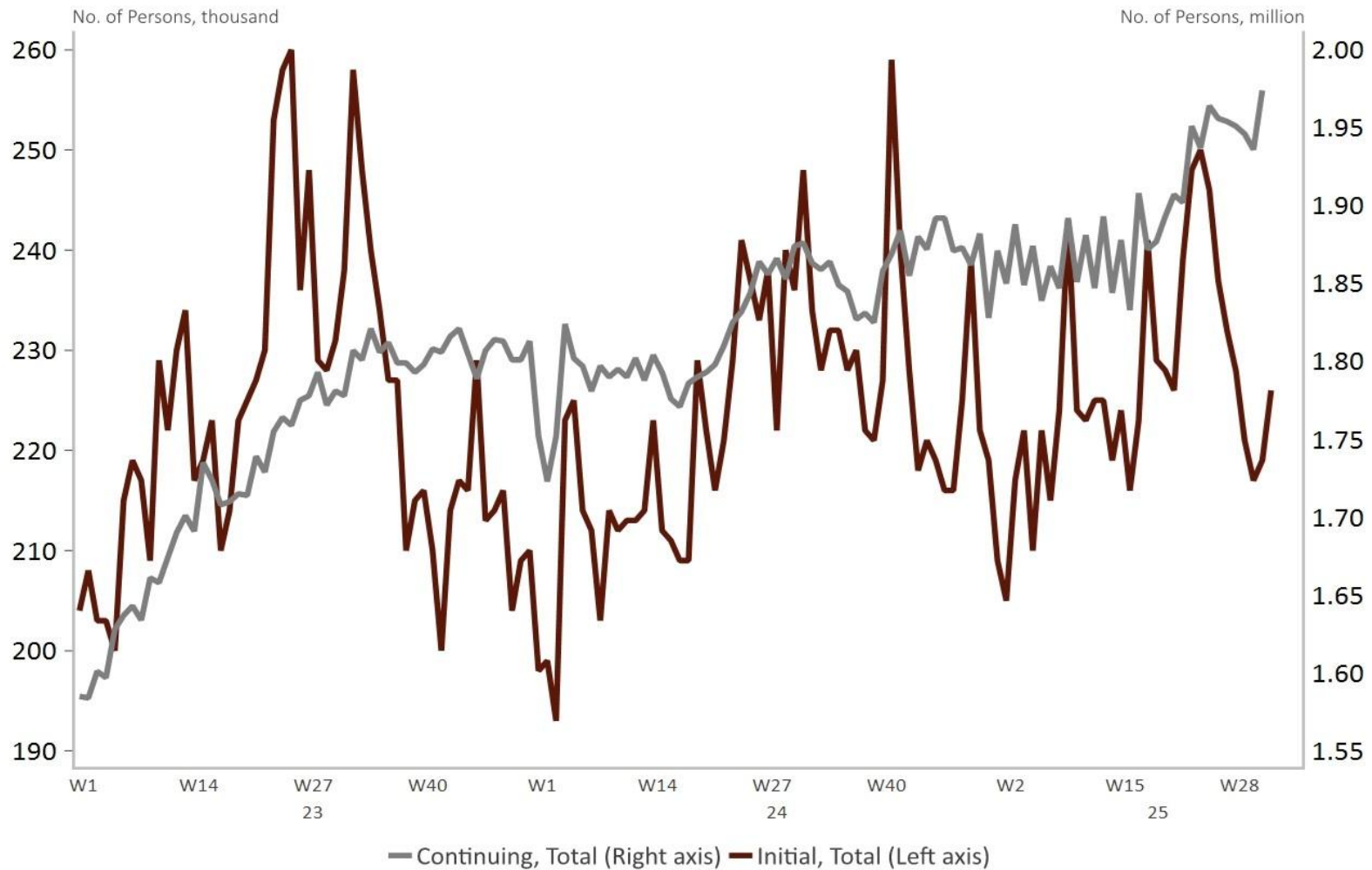RENMAC ACCESS

Continuing Claims: Running above last year

Non-seasonally adjusted

2025 — 2024 — 2023 — 2022 — 2019 — 2018

Source: Renaissance Macro Research, Macrobond

RENMAC ACCESS
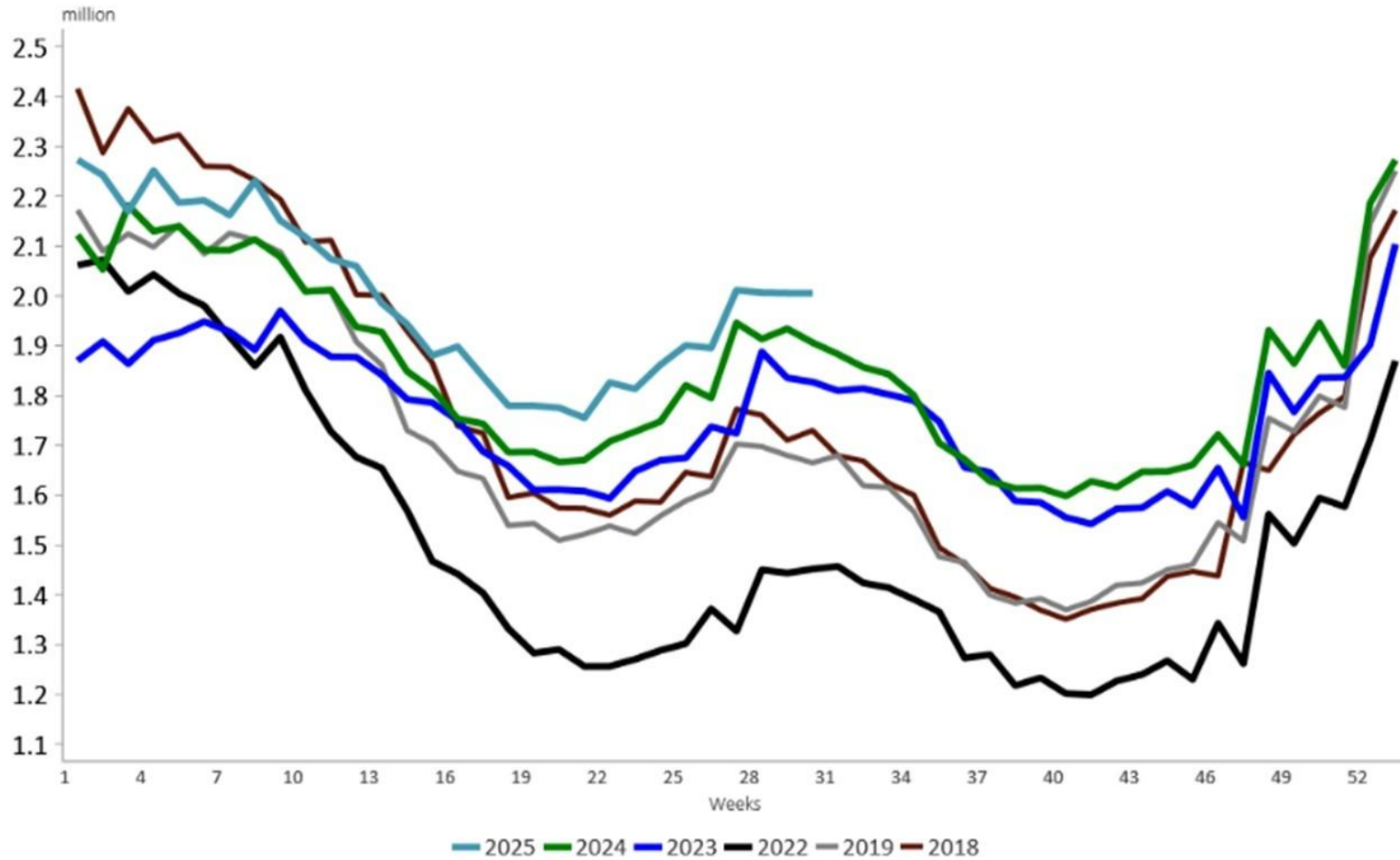
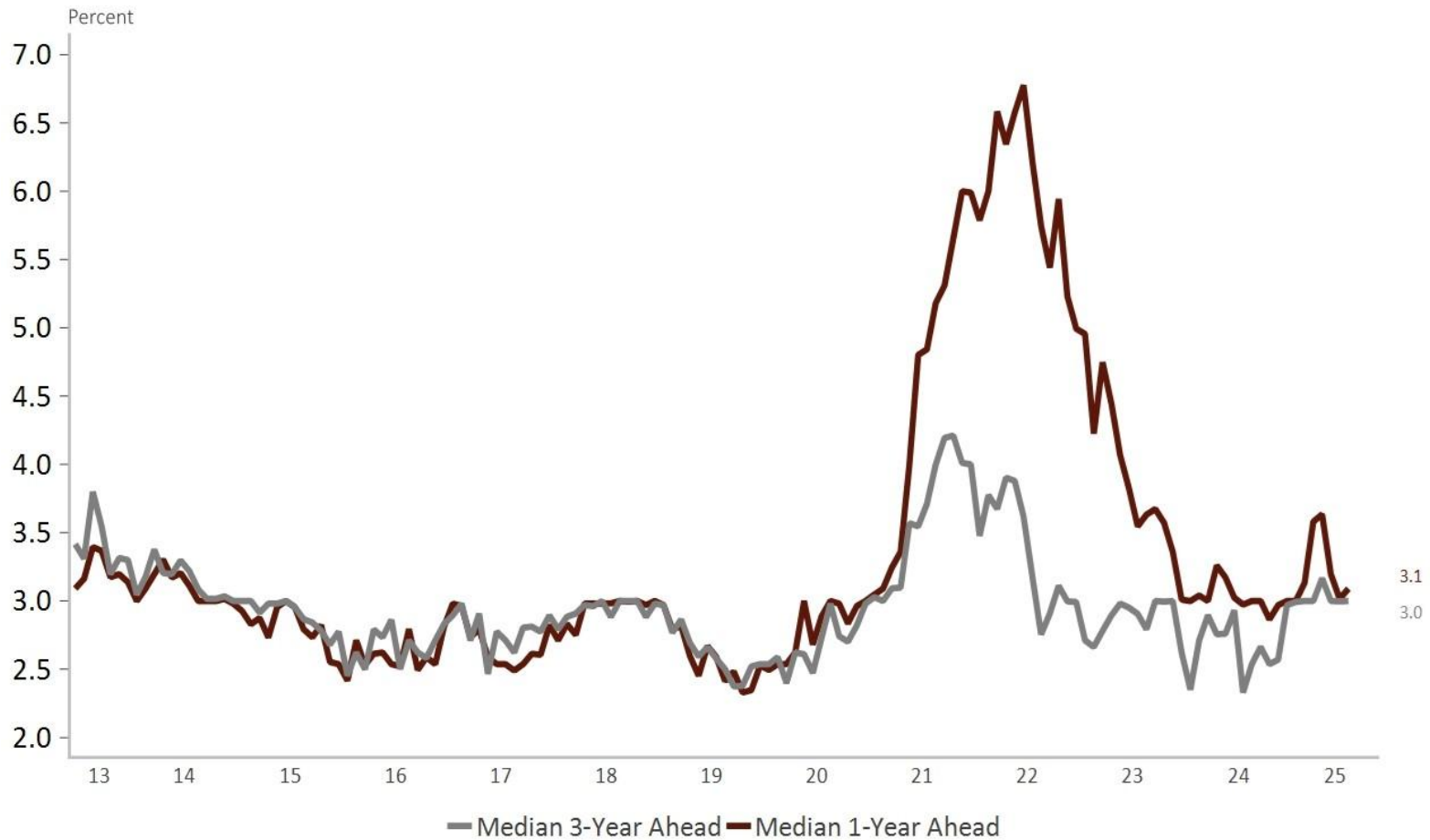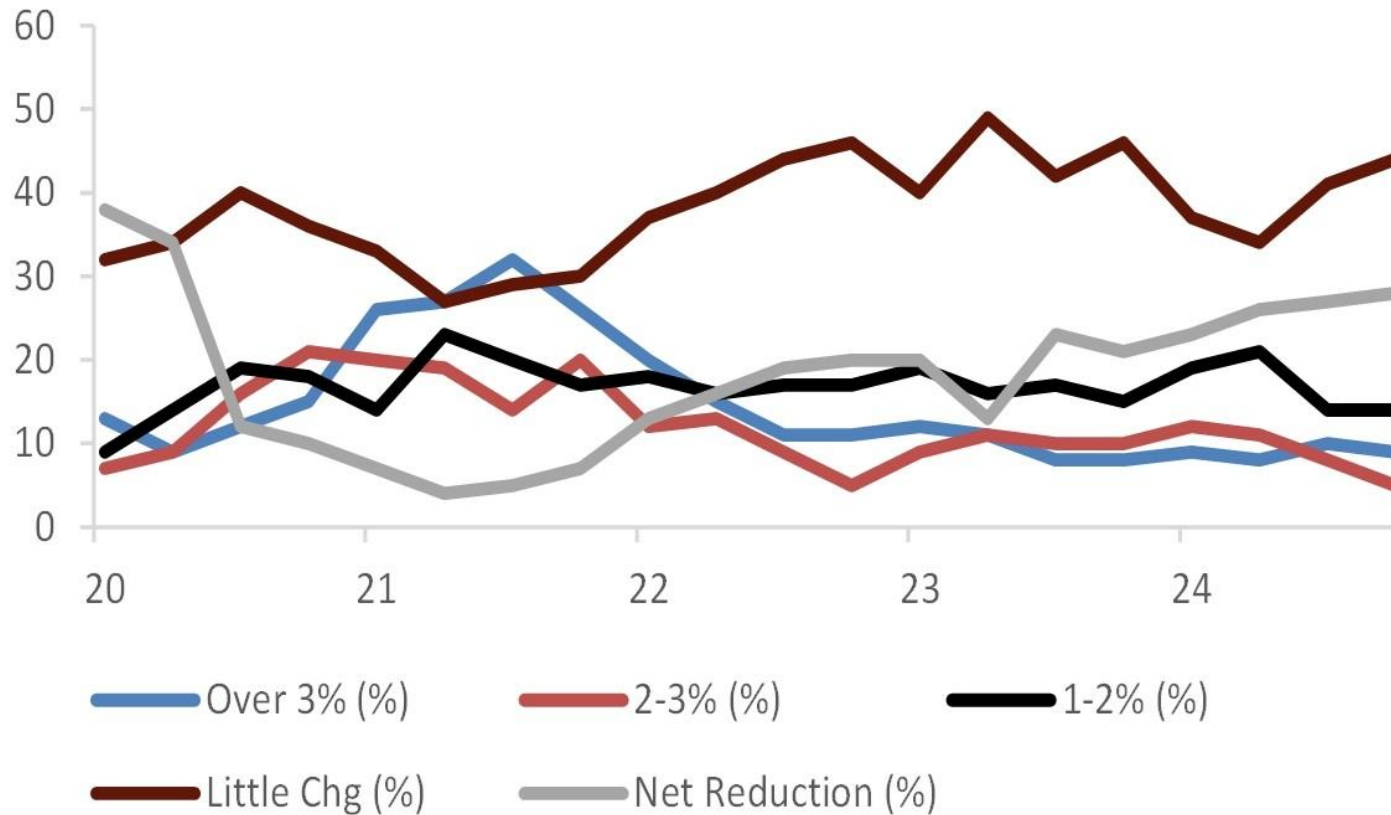## Low initial claims with rising continuing claims reveal softening hiring trends

No. of Persons, thousand — No. of Persons, million

Continuing, Total (Right axis) — Initial, Total (Left axis)

Source: Renaissance Macro Research, Macrobond

RENMAC ACCESS

Inflation expectations are broadly stable

(NY Fed Survey of Consumer Expectations, Inflation, SA)

Source: Renaissance Macro Research, Macrobond

RENMAC ACCESS

Unemployment rate expectations drop to January lows

United States, Unemployment, National, 16 Years & Over, Rate, SA (Right axis)

NY Fed SCE, Mean Probability of Higher Unemployment Rate 1 Year from Now (Left axis)

Source: Renaissance Macro Research, Macrobond

RENMAC ACCESS

More CEOs net reduction in workforce
(CEO Confidence Survey: Employment Expansion Over Next 12 Months)

Legend: Over 3% (%) — 2-3% (%) — 1-2% (%) — Little Chg (%) — Net Reduction (%)

Source: Haver Analytics, Renaissance Macro Research