

Daily Dose of Macro & Markets 4th September 2025: “Tight Money & Rising US Labour Market Slack”

The ‘[Daily Dose of Macro & Markets](#)’ is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

Tight Money & Rising US Labour Market Slack

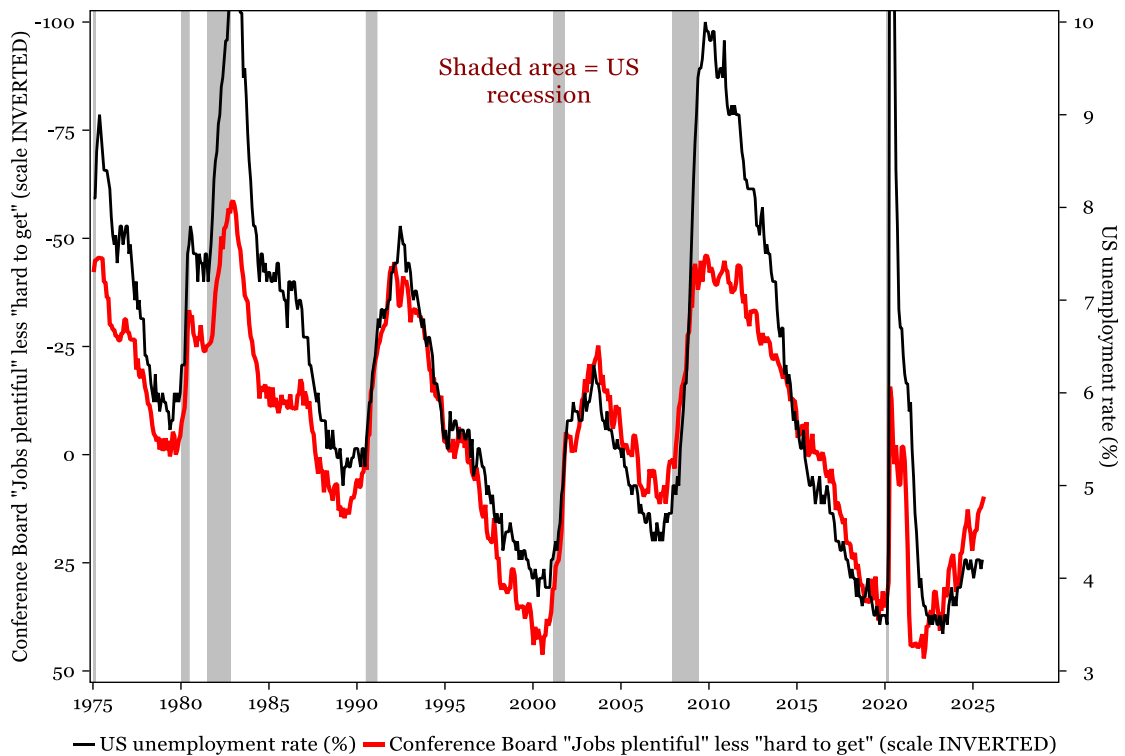
The US economy has been feeling the pinch of tight money. That’s been notable in housing (e.g. as we showed [HERE](#)). It’s also been marked in other cyclically sensitive parts of the economy (e.g. with Tuesday’s ISM manufacturing PMI back below 50, where it’s been for most of the past 2.5 years).

The weakness, though, is spreading to the labour market. Job openings are trending down (and missed consensus expectations yesterday); workers expect unemployment to rise (see the latest Michigan survey, FIG 2); and last week’s Conference Board report was troubling – highlighting a small decline in “jobs plentiful”, and a sharp move up in “jobs hard to get”. The difference between the two is shown in FIG 1. In other words, labour market slack is growing, with the risk that unemployment keeps moving up.

All eyes, therefore, will be on tomorrow’s payrolls report, and whether the headline rate surprises to the upside (consensus currently expects 4.3%, up from 4.2% in July). Beyond that headline rate, we’re also watching for signs of ‘hidden slack’. More workers are becoming discouraged and leaving the labour market. The number of people ‘not in the labour force’ is back at its highest level since the pandemic (FIG 3). Other data points have a similar message, with a growing number of people who are (i) working part time because they can’t find a full time job (see FIG 4); and (ii) are ‘permanent job losers’ (rather than temporarily laid off, FIG 5). Slack, therefore, is rising.

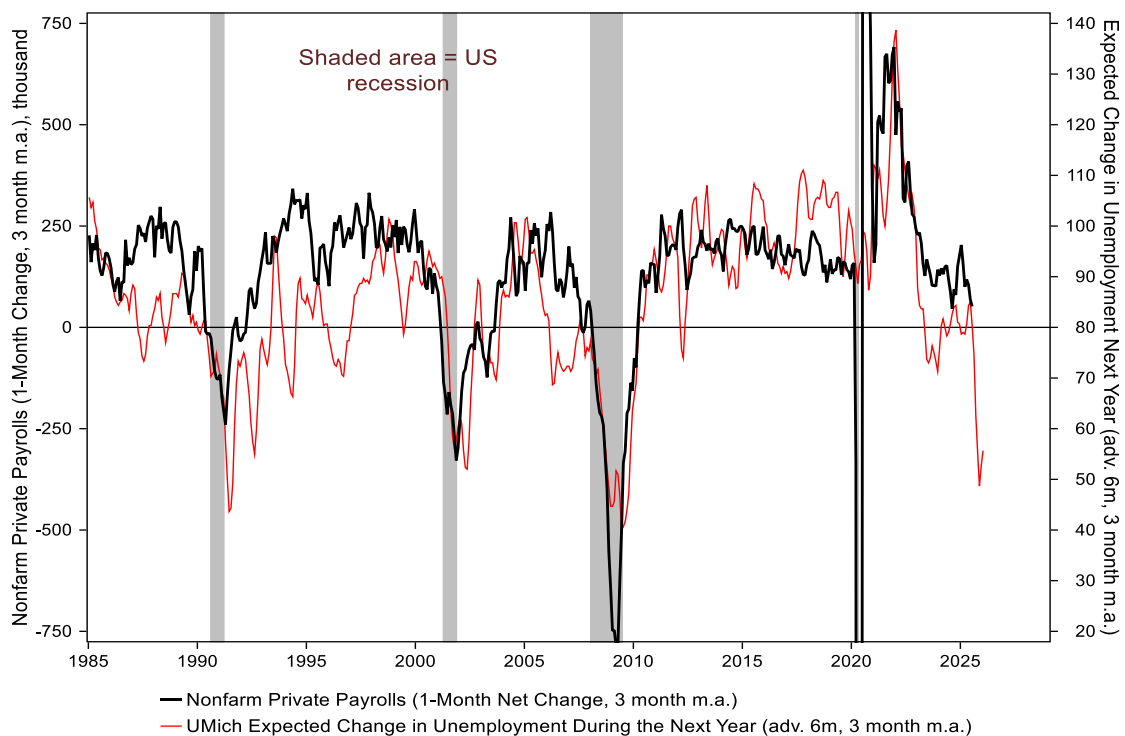
Today’s key labour market reports are multiple and include ADP, challenger job cuts, and weekly jobless claims. We also have the ISM services PMI (due at 3pm London time). Its employment component is widely expected to remain below 50 (in contraction territory), where it’s been for most of the past 18 months.

FIG 1: US unemployment rate (%) vs. Conference Board “Jobs plentiful” less “hard to get” (scale INVERTED)



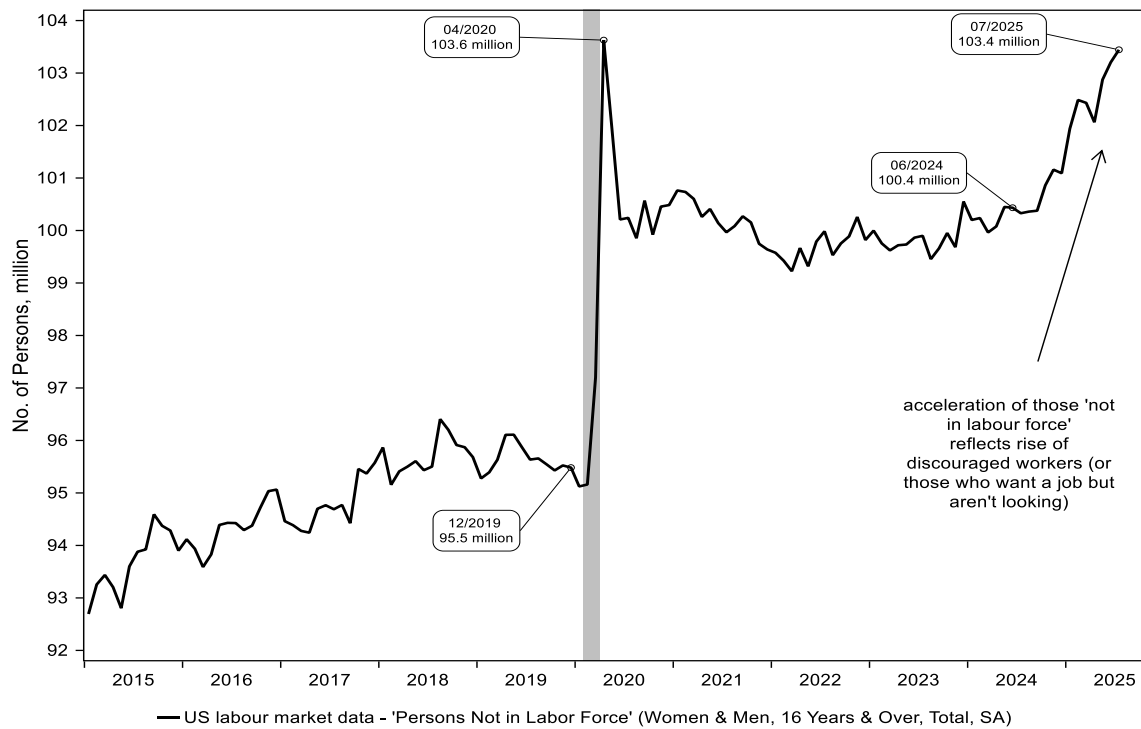
Source: Longview Economics, Macrobond

FIG 2: Monthly change in private nonfarm payrolls vs. Expected Change in Unemployment (Univ. of Michigan, adv. 6m), both 3 months smoothed



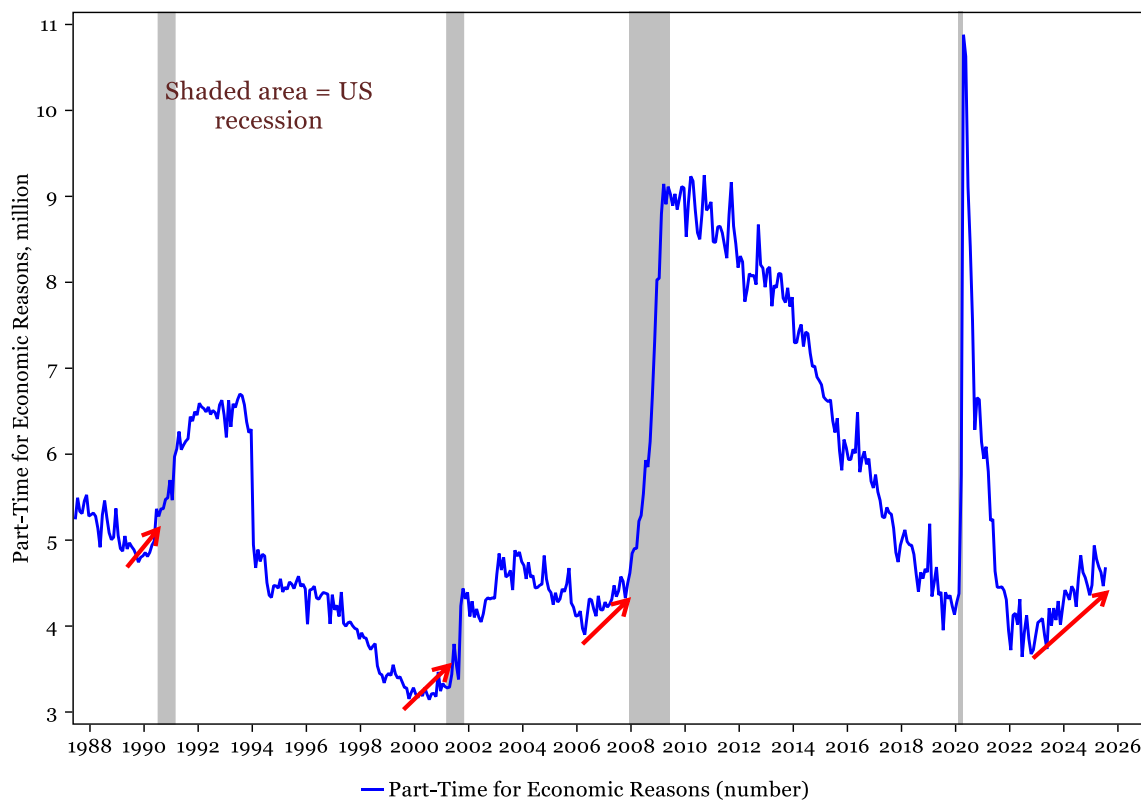
Source: Longview Economics, Macrobond

FIG 3: US labour market data -> ‘persons not in labour force’ (millions)



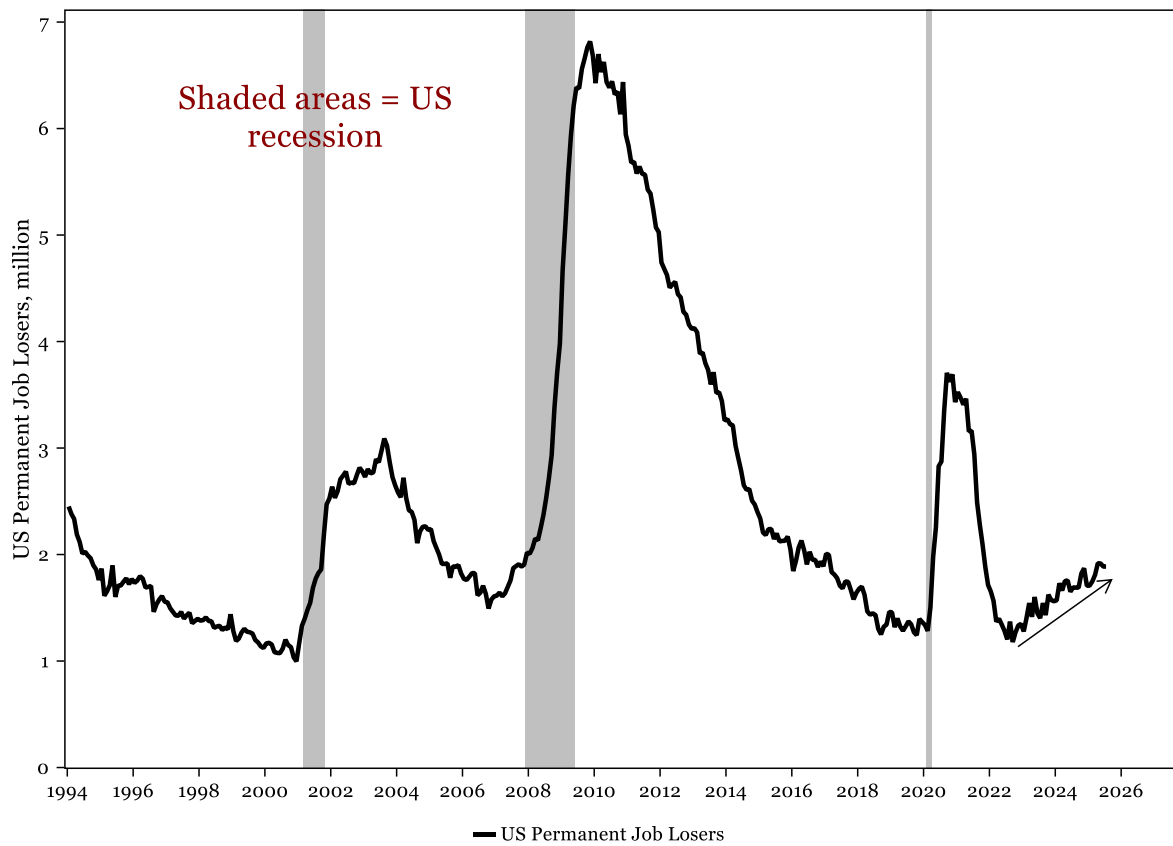
Source: Longview Economics, Macrobond

FIG 4: Part-time workers (for ‘economic reasons’), number



Source: Longview Economics, Macrobond

FIG 5: US permanent job losers (million), i.e. those who are not on temporary layoff



Source: Longview Economics, Macrobond