

2024's Job Growth Likely to Be Revised Down in Preliminary Benchmark Revision; Fed Forecast to Cut in September; Political Pressure Is a Wildcard for Rates in 2026

Job growth downshifted in mid-2025, with payrolls registering a sluggish 35,000 monthly increase between May and July. The job market will likely look even weaker when the Preliminary Benchmark Revision of payrolls is published on September 9. This revision will use data sourced from the Quarterly Census of Employment and Wages (QCEW) to revise the payrolls data produced by the monthly survey of workplaces a.k.a. establishments (Formally called the Current Employment Statistics Program, or CES). The CES receives about 50,000 responses per month, and is inevitably less accurate than the slower-to-collect QCEW, which gathers data on 11 million workplaces. The QCEW's detail lets it directly measure jobs added at newly-opened workplaces and lost at closing ones, which account for several millions of employment churn each year. The statisticians who run the monthly CES survey can't measure job churn directly. They can only start surveying a newly-opened workplace once they receive notice it has opened. They need to check if a business that stops responding to the survey has moved, ignored them, or closed before tallying jobs lost in a closure. The CES estimates employment churn each month using statistical techniques, then updates with actuals during benchmark revisions twice each year. Comerica forecasts for this Preliminary Benchmark Revision to revise down job growth in the 12 months through March 2025 by 775,000. That will reduce 2024's job growth from about 165,000 per month in the pre-revision data to about 100,000 per month.

Inflation has picked up since the spring as tariff costs worked their way from port to warehouse to checkout aisle. The Fed is pulled in opposite directions by rising inflation on the one hand and weak job growth on the other. In an August 22 speech, Fed Chair Powell signaled he thinks inflation from tariffs will most likely be transitory, and made a case for the Fed to put the job market ahead of controlling inflation near-term. Following Powell's speech, Comerica forecasts for the Fed to cut short-term rates by a quarter percent in both September and December, 2025.

The political pressure on the Fed to cut interest rates complicates the interest rate outlook for 2026 and beyond. The Federal Reserve system is set up by law to insulate interest rate decisions from the influence of elected officials, who will always have incentives to lower rates ahead of elections and juice the economy, even if it means higher inflation down the line. Both the political pressure and macro data point the Fed toward rate cuts near-term, so it will be hard to quantify whether political pressure is compromising the Fed's independence. Financial markets seem to be assuming the pressure campaign is Greenland redux and are taking it in stride. In the long run, if the Fed does lose independence, the U.S. economy would see higher and more volatile inflation and interest rates, like foreign economies that took the same path. Turkey is a recent poster child for the consequences of forgoing central bank independence. This July, Turkish CPI inflation was 33%, and the 10-year government bond yielded 29%.

U.S. Economic Outlook, Summary

<i>a = actual f = forecast</i>	4Q'24a	1Q'25a	2Q'25p	3Q'25f	4Q'25f	1Q'26f	2Q'26f	2024a	2025f	2026f	2027f
Real GDP (Percent Change Annualized)	2.5	-0.5	3.0	0.5	1.5	1.9	2.2	2.8	1.6	1.8	2.0
CPI (Percent Change Year-over-Year)	2.7	2.7	2.5	2.7	2.6	2.3	2.5	3.0	2.6	2.4	2.3
Payroll Jobs (Average Monthly Diff., Ths.)	170	174	96	46	35	38	40	161	88	40	42
Unemployment Rate (Percent)	4.1	4.1	4.2	4.2	4.2	4.1	4.0	4.0	4.2	3.9	3.5
Federal Funds Rate (Period Average)	4.65	4.33	4.33	4.29	4.03	3.78	3.58	5.14	4.24	3.54	2.89
10-Yr. Treasury Rate (Period Average)	4.28	4.45	4.36	4.30	4.24	4.21	4.13	4.21	4.34	4.10	4.06

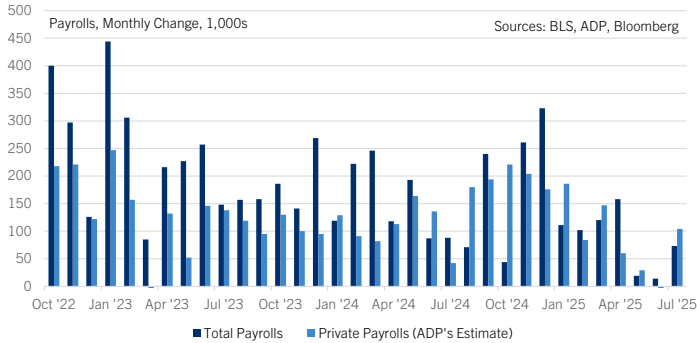
a = actual p = preliminary f = forecast

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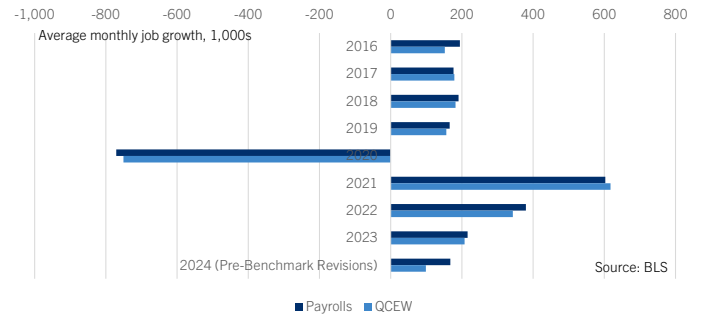
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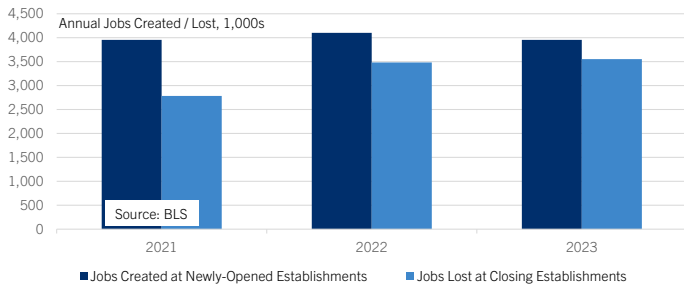
Job Growth Downshifted in the Summer Months



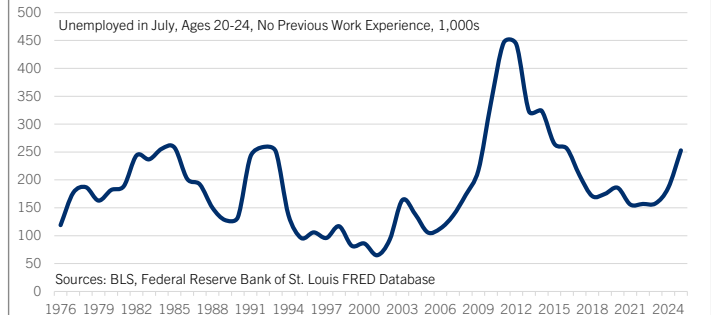
Payrolls Likely to Be Revised Down in Benchmark Revisions



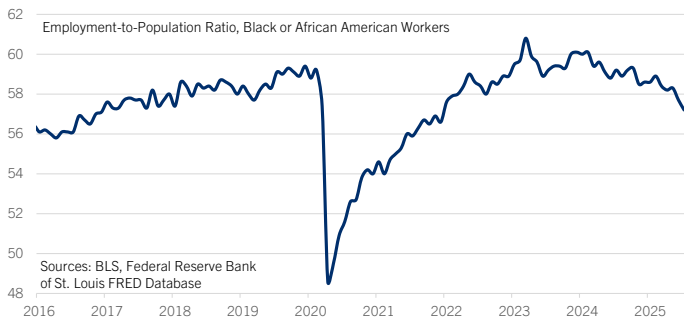
Employment Changes at Opening and Closing Businesses Drive a Big Chunk of the Preliminary Benchmark Revision



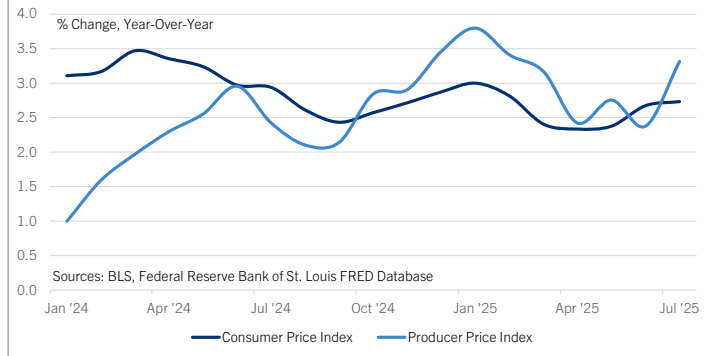
Worst Summer for College Grads Since 2016, a Canary in the Job Market Coal Mine



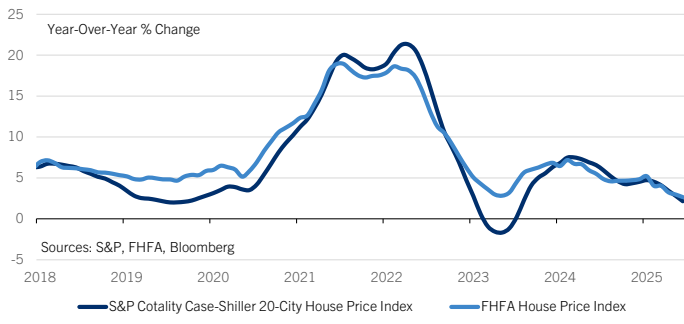
Deteriorating Job Market for Black Americans Is Another Canary in the Coal Mine



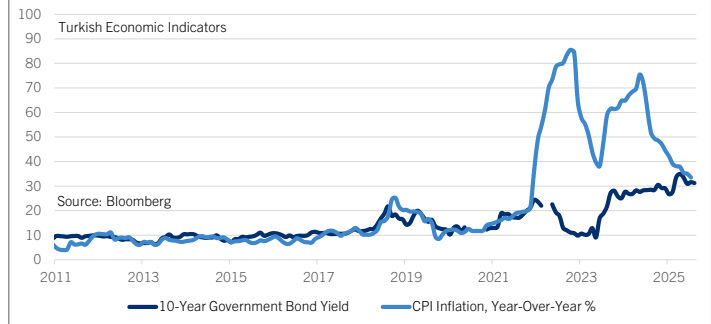
Tariffs Starting to Show Up in Inflation Reports



Cooling House Prices Will Offset Some of the Inflationary Impact of Tariffs



Turkey Is a Cautionary Tale of What Can Happen Without an Independent Central Bank



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	4Q'24a	1Q'25a	2Q'25p	3Q'25f	4Q'25f	1Q'26f	2Q'26f	2024a	2025f	2026f	2027f
Output											
Nominal GDP (Billions \$ Annualized Rate)	29,724	29,962	30,331	30,556	30,861	31,217	31,580	29,185	30,428	31,743	33,071
Percent Change Annualized	4.8	3.2	5.0	3.0	4.1	4.7	4.7	5.3	4.3	4.3	4.2
Real GDP (Chained 2017 Billions \$ Annual Rate)	23,542	23,513	23,685	23,714	23,800	23,912	24,041	23,305	23,678	24,098	24,568
Percent Change Annualized	2.5	-0.5	3.0	0.5	1.5	1.9	2.2	2.8	1.6	1.8	2.0
Pers. Consumption Expenditures	16,273	16,292	16,350	16,406	16,468	16,543	16,625	16,053	16,379	16,659	16,938
Percent Change Annualized	4.0	0.5	1.4	1.4	1.5	1.8	2.0	2.8	2.0	1.7	1.7
Nonresidential Fixed Investment	3,512	3,600	3,617	3,624	3,645	3,679	3,712	3,507	3,622	3,728	3,858
Percent Change Annualized	-2.9	10.3	1.9	0.7	2.4	3.7	3.7	3.6	3.3	2.9	3.5
Residential Investment	797	794	785	781	785	791	799	795	786	802	829
Percent Change Annualized	5.5	-1.3	-4.6	-2.1	2.2	2.8	4.5	4.2	-1.1	1.9	3.4
Change in Private Inventories	9	160	-26	60	-54	-20	-2	39	35	3	5
Net Exports	-1,053	-1,359	-1,026	-1,156	-1,054	-1,104	-1,135	-1,034	-1,149	-1,143	-1,177
Government Expenditures	3,996	3,991	3,995	4,008	4,020	4,033	4,051	3,942	4,003	4,059	4,125
Percent Change Annualized	3.1	-0.6	0.4	1.3	1.2	1.3	1.8	3.4	1.6	1.4	1.6
Federal Fiscal Deficit, \$ Trillions, Fiscal Year	--	--	--	--	--	--	--	1.83	1.99	2.20	2.29
As Percent of Annual GDP								-6.3	-6.5	-6.9	-6.9
Industrial Prod. Index (2007=100)	102.4	103.5	103.8	104.0	104.1	104.6	105.2	102.6	103.9	105.5	108.1
Percent Change Annualized	-1.2	4.3	1.1	0.8	0.6	1.9	2.1	-0.3	1.3	1.6	2.4
Capacity Utilization (Percent)	77.1	77.7	77.6	77.5	77.3	77.3	77.6	77.6	77.5	77.6	77.9
Prices											
CPI (Year-Over-Year % Change)	2.7	2.7	2.5	2.7	2.6	2.3	2.5	3.0	2.6	2.4	2.3
Core CPI (Year-Over-Year % Change)	3.3	3.1	2.8	3.1	3.3	3.4	3.7	3.4	3.1	3.5	2.9
PCE Price Index (Year-Over-Year % Change)	2.5	2.5	2.4	2.8	2.9	2.9	3.0	2.5	2.7	2.8	2.2
Core PCE Price Index (Year-Over-Year % Change)	2.8	2.8	2.7	3.0	3.1	3.1	3.2	2.8	2.9	3.1	2.4
GDP Price Index (Year-Over-Year % Change)	2.5	2.6	2.5	2.6	2.7	2.5	2.6	2.4	2.6	2.5	2.2
PPI, Final Demand (Year-Over-Year % Change)	3.1	3.5	2.5	3.4	3.4	3.3	4.1	2.4	3.2	3.4	2.2
Crude Oil, WTI (\$/barrel)	\$71	\$72	\$65	\$65	\$64	\$64	\$65	\$77	\$66	\$65	\$66
Labor Markets											
Payroll Jobs (Average Monthly Difference, Ths.)	170	174	96	46	35	38	40	161	88	40	42
Unemployment Rate (Percent)	4.1	4.1	4.2	4.2	4.2	4.1	4.0	4.0	4.2	3.9	3.5
Labor Force Participation Rate (%)	62.5	62.5	62.4	62.3	62.3	62.2	62.2	62.6	62.4	62.2	62.0
Average Weekly Hours	34.3	34.2	34.3	34.2	34.2	34.2	34.2	34.3	34.2	34.2	34.1
Personal Income											
Average Hourly Earnings (\$)	35.59	35.92	36.21	36.51	36.79	37.06	37.35	35.06	36.35	37.50	38.67
Percent Change Annualized	4.4	3.7	3.3	3.3	3.1	3.0	3.2	4.0	3.7	3.1	3.1
Real Disp. Income (2017 Billions \$ Annualized)	17,614	17,722	17,851	17,879	17,963	18,251	18,481	17,517	17,854	18,479	18,801
Percent Change Annualized	2.5	2.5	3.0	0.6	1.9	6.6	5.1	2.7	1.9	3.5	1.7
Personal Saving Rate (Percent)	3.8	4.3	4.7	5.0	5.2	5.4	5.6	4.6	4.8	5.6	6.2
Housing											
Housing Starts (Ths., Annual Rate)	1,387	1,401	1,327	1,328	1,302	1,300	1,307	1,371	1,340	1,308	1,328
Single-Family Housing Starts	1,013	1,015	919	925	901	895	897	1,016	940	898	905
Multifamily Housing Starts	374	386	408	403	401	405	410	355	400	411	423
Exst. SF Home Sales (Ths., Annual Rate)	3,767	3,737	3,627	3,645	3,666	3,800	3,839	3,673	3,669	3,867	4,127
New SF Home Sales (Ths., Annual Rate)	671	655	652	625	618	622	624	685	637	625	635
FHFA Purchase-Only HPI (Annual % Change)	4.6	4.0	2.9	1.3	-0.7	-1.7	-1.4	5.4	1.8	-0.5	3.1
Case/Shiller One-Family HPI (Annual % Change)	3.8	3.8	2.7	1.2	-0.7	-2.0	-1.5	5.1	1.7	-0.6	3.0
Consumer											
Retail & Food Service Sales (Monthly Avg, Bns)	712.5	715.3	719.1	727.3	734.1	744.4	752.2	697.0	723.9	754.9	776.0
Percent Change Annualized	7.4	1.6	2.2	4.6	3.8	5.7	4.3	2.6	3.9	4.3	2.8
Consumer Confidence* (Conference Board)	110.6	99.8	93.1	96.5	98.0	103.5	106.0	104.5	96.8	107.0	115.7
Car and Light Truck Sales (Millions)	16.7	16.6	16.2	16.2	15.5	15.8	16.0	16.0	16.1	16.1	16.3
Financial Indicators (Period Average)											
Federal Funds Rate (Effective)	4.65	4.33	4.33	4.29	4.03	3.78	3.58	5.14	4.24	3.54	2.89
Prime Rate	7.82	7.50	7.50	7.46	7.20	6.95	6.75	8.31	7.41	6.71	6.06
1-Month Term SOFR	4.59	4.31	4.32	4.29	3.99	3.74	3.53	5.11	4.23	3.50	2.86
3-Month Term SOFR	4.50	4.30	4.30	4.21	3.89	3.62	3.46	5.05	4.17	3.37	2.77
1-Yr. Treasury Rate	4.25	4.14	4.03	3.92	3.66	3.50	3.31	4.69	3.94	3.23	2.90
5-Yr. Treasury Rate	4.13	4.25	3.96	3.83	3.71	3.64	3.52	4.13	3.94	3.47	3.36
10-Yr. Treasury Rate	4.28	4.45	4.36	4.30	4.24	4.21	4.13	4.21	4.34	4.10	4.06
30-Yr. Fixed Rate Mortgage	6.65	6.82	6.79	6.61	6.47	6.36	6.23	6.72	6.67	6.17	5.87
Corporate Profits After Tax (Billions \$ Annualized)	3,631	3,603	3,613	3,626	3,658	3,826	3,892	3,441	3,625	3,909	4,089
Percent Change Annualized	29.7	-3.1	1.1	1.5	3.5	19.7	7.1	12.1	5.4	7.8	4.6

a = actual p = preliminary f = forecast

August 27, 2025

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