Trend Macrolytics, LLC
Donald Luskin, Chief Investment Officer
Thomas Demas, Managing Director
Michael Warren, Energy Strategist

TRENDMACRO LIVE!

On the July Jobs Report

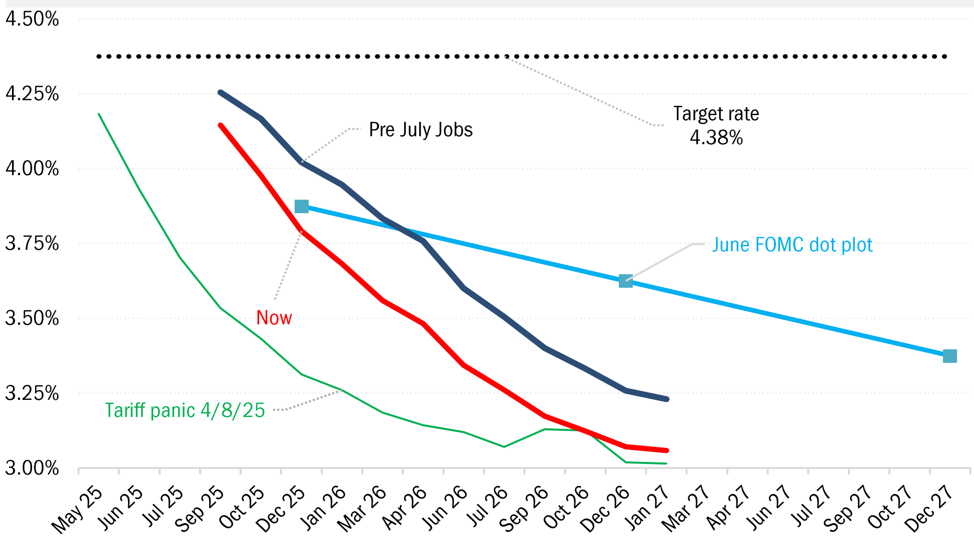
Friday, August 1, 2025
Donald Luskin

Suddenly Powell is looking "too late," and two rate cuts this year are very much back in play.

The concerning part of this morning's July 2025 Employment Situation Report with 73,000 net payrolls is the very large downward revisions to May (125,000 payrolls) and June (133,000) payrolls – a total of 258,000 payrolls – leaving net gains quite paltry indeed (19,000 for May and 14,000 for June).

- Suddenly the labor market is looking very weak, Fed Chair Jerome Powell is looking "too late," and dissenting Governors Christopher Waller and Michelle Bowman (both of whom put out explanatory statements this morning before the July jobs report was released) are looking right (see "On the July FOMC" July 30, 2025). Waller looks downright prophetic (or maybe he got a pre-release peak) when he said this morning, "…once we account for expected data revisions, private-sector payroll growth is near stall speed."
- We're looking at least a little bit smart, too, having predicted after a seemingly hawkish FOMC (see "On the July FOMC" July 30, 2025) that there would still be two cuts this year. Before the jobs report, the fed funds futures curve had virtually given up expecting much more than one cut. As of this writing, it's expecting two again, indeed two-and-a-quarter (please see the chart below). Looking out to year-end

Futures-implied fed funds target, by FOMC meeting



Source: Bloomberg, TrendMacro calculations

Update to strategic view

US MACRO, FEDERAL RESERVE: 73,000 net payrolls is about the dial-tone now, given no immigration growth. But very large revisions to May and June payrolls leave the labor market looking very weak, with almost no net payroll gains now reported for either month. Powell looks "too late," and his major internal competitor, Waller, is looking downright prophetic with his talk of labor market "stall speed." The revisions fell disproportionately on the government sector, and on the private services sector. We don't see how to tell a tariffs story from the revised data, pro or con. Immigration continues to run in reverse, with half the self-deporting immigrants leaving their jobs behind. The native-born population has kept up so far, but this can't go on. This changes the balance of risks at an FOMC which, according to Powell at least, was very hawkish. As we have expected, two rate cuts by year-end are back on the table.

[Strategy dashboard]

Cumulative revisions across May and June   Biggest change per detail module: best worst

Source: BLS, TrendMacro calculations

2026, the futures curve is back to expecting more than five rate cuts, just as it did at the worst of the tariff panic in April.

- The downward revisions were literally universal among all categories (please see the chart above).
- Private sector payrolls were revised down by 139,000, and government by 119,000. But government jobs are only 14% the total 159.5 million US payrolls – so revisions in that sector were disproportionately large (0.51% of total payrolls, versus just 0.10% for private). That shouldn't be a big surprise, especially with respect to the June jobs report, with its inexplicable 73,000 gain in government payrolls (see "On the June Jobs Report" July 3, 2025). All but 11,000 of that was revised away.
- Private sector downward revisions were disproportionately in services (111,000 payrolls, or 0.97% of the total) versus goods-producing (28,000, or 0.13% of the total). Revisions in the sacralized manufacturing sector were 12,000, or 0.09% of the total. We have a hard time telling a story about tariffs, real and threatened, that explains all that – but we're sure we'll see both the advocates and the opponents of tariffs telling stories anyway.
- Downward revisions are just that – revisions to data. They don't themselves indicate weakness (except, surely, weaknesses in the process of collecting and processing the data). The problem here is that the revisions are very large, and they are applied to the May and June jobs reports that were not stellar to begin with. For those months, the labor market looks very weak now. Again, we are left with paltry net payroll gains of 19,000 and 14,000 respectively.

AI podcast version

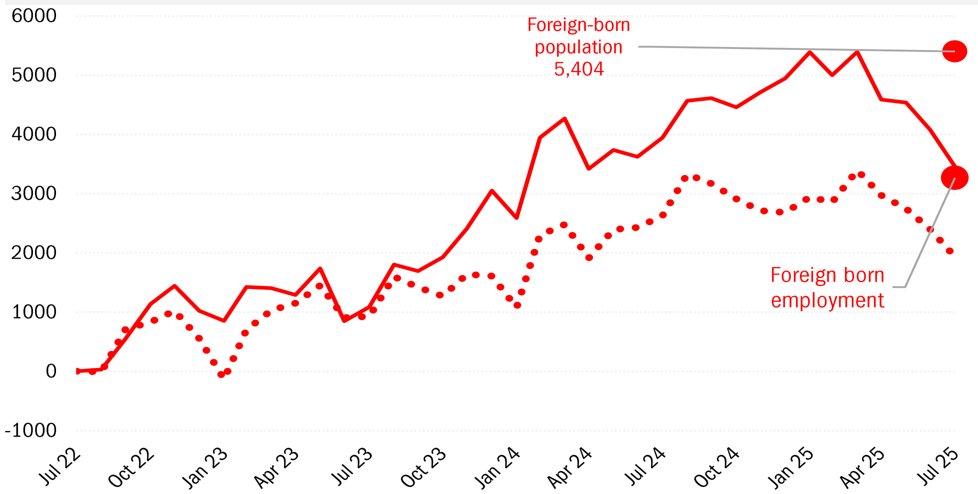
Click here to listen to an informal podcast version of this report made entirely by artificial intelligence.

Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

- We're not pulling the ripcord here by any means, but this has our attention.
- But remember, those months were then and this is now. There's nothing wrong with 73,000 net payrolls in July, in and of itself. Without jobs growth from immigration, that's not far from the dial-tone for what we can expect every month now. That's not a recession – it just means there are limits to growth.
- In July, the immigrant population shrank by 625,000 (on a non-seasonally adjusted basis – and using the best data we can get, which isn't necessarily great – see "Data Insights: Jobs" August 1, 2025). Immigrant employment fell by 467,000 – implying that 74% of the immigrants who must have gone home – presumably self-deporting by and large – had jobs.
- Since President Donald J. Trump took office, the immigrant population has fallen by 1.9 million (please see the chart below), and immigrant employment by 1 million, implying that 52% had jobs.

Cumulative immigrant population and employment growth after pandemic normal

— Actual ● Trend (thousand, not seasonally adjusted, population-controls adjusted)



Source: BLS Current Population Survey, TrendMacro calculations

- It's amazing that employment of the native born has been sufficient to fill the gaps and more – so far. With the native born population only capable of producing, on its own, a dial-tone of not much different than July's 73,000 payrolls, we've been lucky so far, with average monthly immigrant job losses more than twice that at 168,000. But we really need to think through the consequences of an immigration crackdown that is causing so many working people to get out of Dodge.

Bottom line

73,000 net payrolls is about the dial-tone now, given no immigration growth. But very large revisions to May and June payrolls leave the labor market looking very weak, with almost no net payroll gains now reported for either month. Powell looks "too late," and his major internal competitor, Waller, is

Contact TrendMacro

On the web at
trendmacro.com

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625

tdemas@trendmacro.com
Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[About us]

looking downright prophetic with his talk of labor market “stall speed.” The revisions fell disproportionately on the government sector, and on the private services sector. We don’t see how to tell a tariffs story from the revised data, pro or con. Immigration continues to run in reverse, with half the self-deporting immigrants leaving their jobs behind. The native-born population has kept up so far, but this can’t go on. This changes the balance of risks at an FOMC which, according to Powell at least, was very hawkish. As we have expected, two rate cuts by year-end are back on the table.