

July 2025 | June Jobs Report Keeps Fed on Hold; “Liberation Day” Pause Extended to August 1



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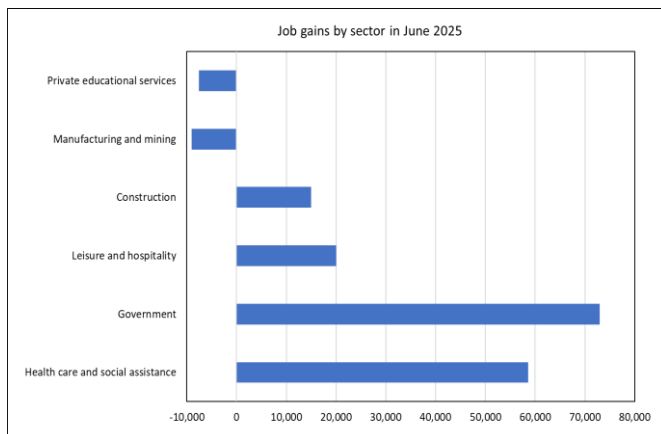
Highlights

- The U.S. unemployment rate edged down in June to a four-month low of 4.1%.
- President Trump extended the “Liberation Day” pause from July 9 to August 1.
- FOMC members are faced with the challenge of balancing softer backward-looking data with expectations for faster inflation later this year.

The U.S. labor market remains healthy in mid-2025, according to the June Employment Situation Summary from the Bureau of Labor Statistics (BLS). Job growth beat expectations last month, with the U.S. economy adding 147,000 jobs, better than the 106,000 new jobs that were forecasted by economists surveyed by Bloomberg. Employment growth in April and May was revised higher by 16,000 jobs. The unemployment rate edged down to a four-month low of 4.1% in June, from 4.2% in May.

The decline in the unemployment rate in June was mostly due to a reduction in the labor force. The U.S. labor force includes all individuals aged 16 and older who are either employed or actively seeking employment. In June, the labor force shrank by 130,000 and is down 755,000 over the past two months. The labor force participation rate dipped to 62.3% in June, from 62.4% in May.

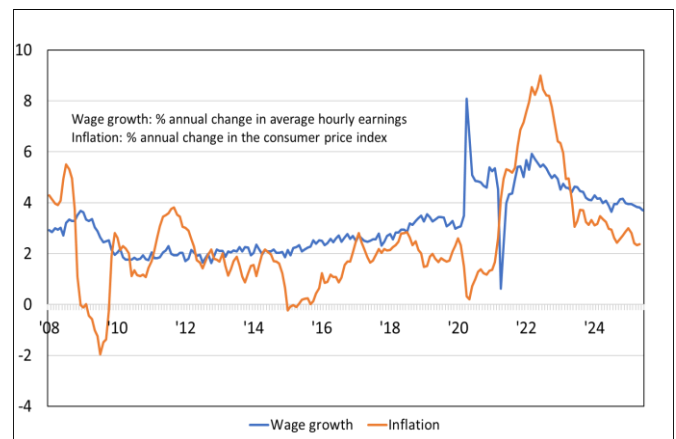
Fig. 1: Narrow Job Growth in June



Source: BLS

The foreign-born labor force participation rate has declined by 0.7 percentage points over the past year, while the native-born rate is down 0.3 percentage points over the same period. Job gains in June were concentrated in health care and social assistance, and government sectors. The health care and social assistance sector added 58,600 jobs in June, the weakest gain in four months. Government employment rose 73,000 in June, the biggest increase since March 2024. However, federal government payrolls declined for the fifth consecutive month.

Fig. 2: Wage Growth Continues to Outpace Inflation



Source: BLS

The average workweek for all private employees edged lower by 0.1 hour to 34.2 hours in June. Average hourly earnings rose 0.2% month-over-month, following a 0.4% increase in May. Annual wage growth slowed slightly to 3.7% in June, from 3.8% in May. Wage growth has outpaced inflation since mid-2023, increasing the purchasing power of workers.

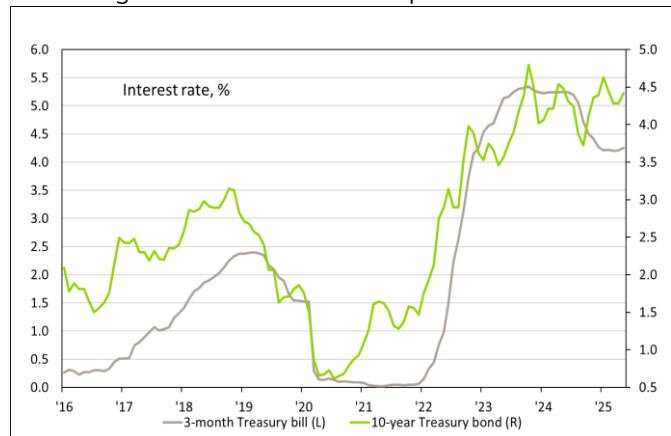
On July 7, President Trump signed an executive order extending the pause on “Liberation Day” tariffs from July 9 to August 1. He also sent letters to several trading partners – including Japan, South Korea, Thailand, and Malaysia – outlining new tariff rates scheduled to take effect on August 1. In recent months, tariff agreements were reached with the United Kingdom, Vietnam and China (temporary). Tariff policy uncertainty will likely continue to be a headwind for businesses, particularly small businesses, through the second half of 2025.

Small businesses tend to operate with lower profit margins, and often rely on fewer suppliers, compared to larger businesses.

While higher tariffs may negatively impact businesses in the short term, the passage of the One Big Beautiful Bill (OBBB) Act on July 4 is expected to have a positive effect on the U.S. economy in 2026. The extension and expansion of tax law provisions from the Tax Cuts and Jobs Act (TCJA) included in the OBBB – along with reduced tariff policy uncertainty and potential deregulation – should help improve business sentiment and investment next year. With the OBBB taking effect, Huntington Private Bank has revised its forecast for real GDP in 2026 to be slightly higher.

Softer consumer spending, decelerating inflation, and weak housing and manufacturing sectors would typically suggest a rate cut at the next Federal Open Market Committee (FOMC) meeting in July. However, policymakers are in a wait-and-see mode as they assess the impact of trade, fiscal, immigration, and regulatory policies on the U.S. economy. The challenge of balancing softer backward-looking data with expectations for faster inflation is reflected in the minutes of the FOMC meeting that was held on June 17-18. “A couple” of policymakers were open to cutting the federal funds rate “as soon as the next meeting,” while “most” participants assessed that “some reduction” will be appropriate later this year.

Fig. 3: Two Fed Rate Cuts Expected in 2025



Source: Federal Reserve

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Fig. 4: Baseline Economic Outlook

	2020	2021	2022	2023	2024	2025*	2026*
Real GDP Annual Growth Rates, 2017 Chained Prices							
Pers. Consumption Expenditures	-2.5	8.8	3.0	2.5	2.8	2.0	1.9
Government Expenditures	3.4	-0.3	-1.1	3.9	3.4	1.6	1.2
Private Investment	-4.5	8.8	6.0	0.1	4.0	1.4	2.0
Exports	-13.1	6.5	7.5	2.8	3.2	1.5	1.0
Imports	-9.0	14.7	8.6	-1.2	5.4	6.0	3.0
Total Real GDP	-2.2	6.1	2.5	2.9	2.8	1.6	2.0
CPI (1982-1984=100), % Change Annualized							
CPI (1982-1984=100), % Change Annualized	1.2	4.7	8.0	4.1	3.0	2.8	2.9
Core CPI (1982-1984 = 100), % Change Annualized							
Core CPI (1982-1984 = 100), % Change Annualized	1.7	3.6	6.2	4.8	3.4	3.2	3.4
PCE Price Index (2017=100), % Changed Annualized							
PCE Price Index (2017=100), % Changed Annualized	1.1	4.2	6.5	3.8	2.5	2.9	3.0
Core PCE Price Index (2017=100), % Change Annualized							
Core PCE Price Index (2017=100), % Change Annualized	1.3	3.6	5.2	4.1	2.8	3.0	3.0
Crude Oil WTI, (\$/barrel)	\$39	\$68	\$95	\$78	\$76	\$65	\$62
Effective Federal Funds Rate, % (Average)	0.37	0.08	1.68	5.02	5.14	4.17	3.69
10-Yr. Treasury Rate, % (Average)	0.92	1.51	3.88	3.88	4.21	4.38	4.20
30-Yr. Fixed Rate Mortgage, %	2.87	3.27	6.66	6.99	6.72	7.20	6.80
Industrial Production (YoY%)	-7.0	4.9	3.4	0.2	0.2	1.0	1.6
Payroll Jobs, Average Monthly Difference, Thousands	-774	606	399	225	168	130	105
Unemployment Rate, Annual Average	8.1	5.4	3.6	3.6	4.0	4.4	4.4
DXY Dollar Index	89.9	95.7	103.5	101.3	104.2	100.0	97.5

*Forecast

Historical data sources: Federal Reserve, BLS, BEA and Bloomberg

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