

Snap | 3 September 2025

UNITED STATES

Cooling US jobs market becoming more apparent

Today has seen more evidence that the US jobs market is cooling markedly with vacancies dropping sharply and the quits rate pointing to wage growth slowing to 3%. With little inflation pressure coming from the jobs market the Fed is very likely to cut interest rates meaningfully in the months ahead



With a cooling US jobs market and slowing wage growth, we think the Federal Reserve will cut rates in a meaningful way, starting this month

The number of unemployed Americans now exceeds the number of vacancies

There has been quite a sizeable reaction to today's softer-than-anticipated job openings numbers with 24bp of a potential 25bp rate cut now priced for September (up from 23bp) while the cumulative cuts priced by the December FOMC meeting are now 58bp versus 55bp before the data. The 10Y UST is also 4bp lower. Job openings fell to 7181k in July from a downwardly revised 7357k in June (consensus 7380k) while the daily data from job postings website Indeed had pointed to a decent increase. The report also indicated a notable pick-up in layoffs from the previous trend with sizeable upward revisions.

The chart below shows the ratio of job openings (vacancies) to the number of unemployed Americans has dropped below 1 for the first time since the beginning of 2018 (excluding the

pandemic), which is a clear signalling of a weakening jobs market with wage pressures quickly evaporating. Remember that in 2022 we had seen the quits rate peak at 3%, which led to real concern about staff retention that fuelled the pay rise boom. Well, today, we are down at just 2%, which is in line with historical rates of job churn that is consistent with wage growth slowing to just 3%.

Ratio of job openings to the number of unemployed Americans drops below 1



Source: Macrobond, ING

Fed set to step in with support from September onwards

This is all very subdued. Tomorrow we will get the ADP numbers, which are getting more of a commentary around them in the wake of the Fed's Chris Waller – who voted for a 25bp cut in July – suggesting there has been a clear weakening in the weekly job updates they received from ADP. Meanwhile, yesterday's ISM manufacturing employment component was in deep contraction territory, suggesting a fourth consecutive monthly fall in manufacturing payrolls on Friday. It all hints that the Fed will be cutting rates pretty meaningfully over coming months – we expect them to cut 25bp at the September, October and December FOMC meetings.

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