

## Weak Jobs Data Raises Pressure on Fed

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Investors weigh the likelihood of the Federal Reserve cutting interest rates as early as September following a surprisingly weak July jobs report.

According to the Bureau of Labor Statistics, employers added just 73,000 jobs in July, far below expectations. Moreover, job growth for May and June was revised down by a combined 258,000, indicating a significantly softer labor market than previously believed. The data has intensified speculation that the Fed may shift to a more accommodative stance.

Federal Reserve Governors Chris Waller and Michelle Bowman, who recently supported a rate cut, warned that the Fed may be falling behind the curve. ING Chief International Economist James Knightley noted that the weak employment data, combined with new tariffs, could weigh on consumer spending and corporate profits, further challenging economic growth.

Meanwhile, market expectations for a rate cut in September have surged. The CME FedWatch tool now places the probability of a cut at more than 89%. However, not all economists are convinced.

Bill Adams, Chief Economist at Comerica Bank, cautioned that the decision remains uncertain due to continued declines in the labor force. “Labor supply fell again in July,” he said, “and if it continues to drop in August, even steady unemployment with rising inflation could prompt the Fed to hold off.”

Still, Knightley suggested that a September cut could pave the way for additional 25-basis-point reductions in October and December, especially if inflation rises temporarily due to tariffs.

In a separate development, President Donald Trump announced he will appoint a new Federal Reserve governor and a new commissioner of Labor Statistics following the departure of two senior officials.

Fed Governor Adriana Kugler will step down on August 8. Additionally, Trump dismissed U.S. Labor Statistics Commissioner Erika McEntarfer after the release of the disappointing jobs data.

JP Morgan Chief U.S. Economist Michael Feroli called McEntarfer’s removal the more consequential of the two personnel changes, warning it could impact both financial stability and the broader economic outlook.

Lastly, Chinese authorities reportedly denied viral rumors suggesting a new nationwide cryptocurrency ban. While China banned crypto trading and mining in 2021, officials clarified that no new restrictions have been introduced.