

## Back-to-back US jobs gains, but hiring caution lingers

A second consecutive firm jobs report is a big win for the US economy, amidst trying circumstances. Nonetheless, other labour market data is not as firm and consumers certainly aren't recognising the strength of this data point. Real household disposable incomes are the key driver of spending and that continues to flatline



A second consecutive strong US jobs report but it will be challenging to maintain with ongoing geopolitical and economic uncertainties

**115,000** Job gains in April

### Jobs beat expectations for a second month

The US jobs report has come in notably stronger than expected for a second consecutive month. Payrolls rose 115k in April versus the 65k expectation, while last month's initial print of 178k is now 185k. This is the first back-to-back monthly jobs increase since May of last year. Other key metrics are that the unemployment rate held steady at 4.3% with the details contradicting the payrolls'

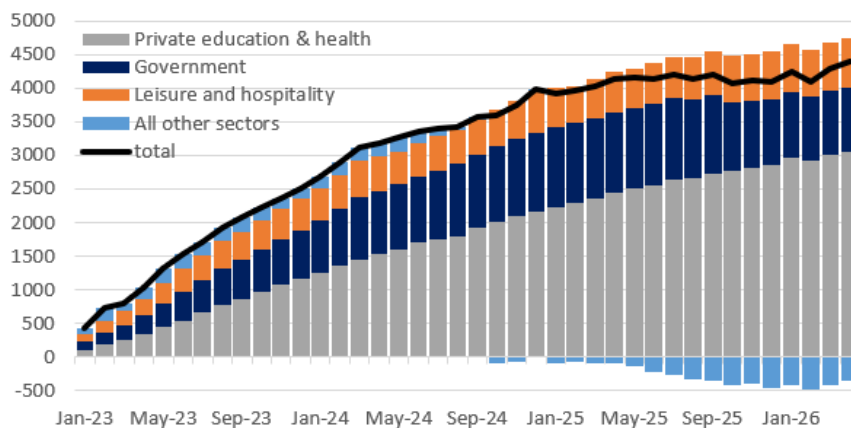
data, in that the household survey suggests employment fell 226k while the number of people declaring themselves unemployed rose 134k. Meanwhile, average hourly earnings rose 0.2%MoM/3.6%YoY, which was below the 0.3%/3.8% consensus prediction.

The details show private education and healthcare services added 46k jobs, while transportation and warehousing added 30k and retail contributed 22k, with leisure and hospitality employment increasing 14k. Manufacturing lost 2k though, with information dropping 13k and financial activities losing 11k. Over the past twelve months, the US has added 238k jobs, or just under 20k per month on average, most of which have come in the past two months.

## Job gains remain concentrated in three sectors

The chart below shows the cumulative increase in employment since December 2022, with just three sectors accounting for all the jobs added over that time frame. Moreover, the past two payrolls numbers are at odds with the demand surveys we have seen from the ISM and are stronger than the data reported by ADP. The birth-deaths adjustment the Bureau of Labor Statistics uses to compensate for under-coverage of small firms did make a strong contribution of 391k on a non-seasonally adjusted basis. This was similar to last year, but much stronger than previous April periods, which perhaps raises the prospect of eventual downward revisions. For now, though, the overall tone of the report confirms the market pricing that stable interest rates are the likely path forward.

## Cumulative employment growth since December 2022 with sectoral breakdown (000s)

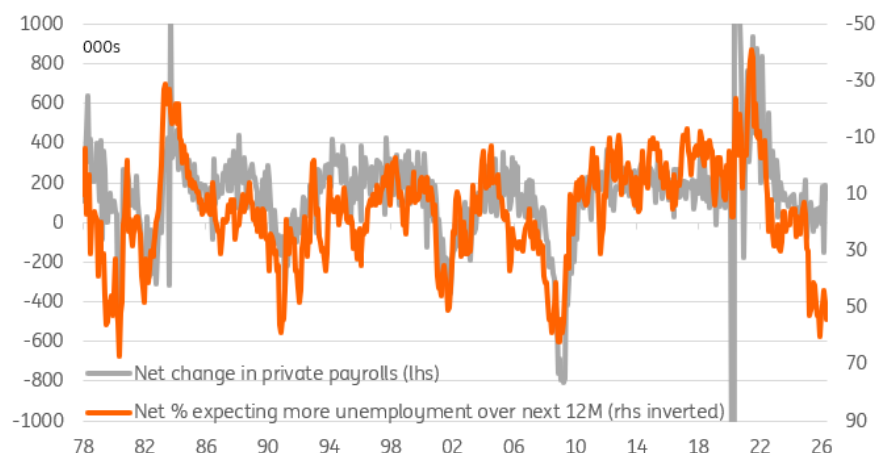


Source: Macrobond, ING

## Consumers aren't feeling the improvement

Nonetheless, we are doubtful that these firmer March and April numbers mark the start of a sudden upward trend in job creation. It certainly isn't corroborated by private sector demand indicators, nor consumer confidence readings about the state of the jobs market – see the chart below where the University of Michigan measure of unemployment fears remains at highly concerning levels.

## University of Michigan sentiment on unemployment risks remains bleak



Source: Macrobond, ING

In an environment of ongoing geopolitical, economic and market uncertainty, companies are going to be wary and we suspect we will revert back to that 20k per month trend again soon. We also see wage pressure remaining under downward pressure given there are fewer job openings (6.866mn) than there are unemployed Americans (7.373mn). As such, real household disposable income growth is likely to continue flat lining as higher gasoline prices keep inflation elevated. That is not a good story for consumer spending.

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