Article | 2 June 2023

# Mixed messages on US jobs leaves the market little wiser

Companies are reporting a jobs surge in May, yet households are telling us employment plunged. Who to believe? Well, with wage growth continuing to soften and hours worked edging lower the market is thinking the June FOMC meeting "skip" narrative still holds. We agree but are nervous that a hot core CPI print on 13 June could yet tip the balance



339,000 Number of jobs added in May

## Jobs blast through expectations

The May US jobs report showed the economy added 339,000 jobs in May, well above the 195,000 consensus expectation – the range of 100,000-250,000 was a narrow one. Upward revisions to the past two months totalled 93,000, underscoring the strength of job creation. This is a survey of

Article | 2 June 2023

employers and it shows that private employment rose 283,000 with private education & health yet again the key jobs engine, adding 97,000 while leisure and hospitality increased 48,000 and professional/business service added 64,000. Government employment rose by 56,000 while manufacturing and IT saw employment fall by 2000 and 9000, respectively.

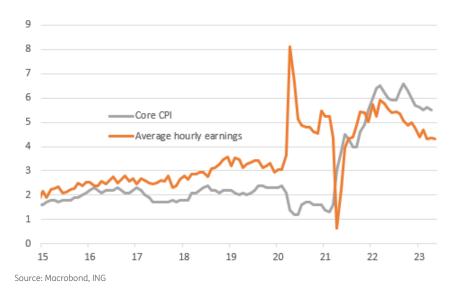
3.7% May unemployment rate

### But unemployment and wages tell a different story

However, we then have the unemployment rate jumping to 3.7% from 3.4%. This is calculated from a different survey – one of American households, such as yours or mine. It showed household employment fell 310,000 while the number of Americans classifying themselves as unemployed rose 440,000! So pick which survey you prefer and react accordingly.

Rounding out the numbers we have average hourly wage growth moderating, as expected, to 0.3% month-on-month from last month's 0.5% (downwardly revised to 0.4%). This leaves the annual rate of hourly earnings wage growth at 4.3% - which as the chart below shows is moving in a direction the Federal Reserve would like to see. The contradiction between strong demand for workers amid an apparent dearth of supply yet softening wage pressures is remarkable, but something the Fed will happily take.

#### Wages growth is undershooting inflation (YoY%)



# June "skip" still most likely, but a hot CPI print could make it a very close call

Market rate hike expectations have edged a little higher on the back of this very mixed report. Such divergent outcomes between the household survey and the payrolls number mean that the June FOMC "skip" narrative is seemingly holding for now. Remember, too, that labour data is the most

Article | 2 June 2023

lagging of all the data releases and is the worst guide for where the economy is actually heading.

We'll get to hear a lot of unscheduled Fed speakers in the next couple of hours as they get in ahead of the midnight cut-off for commenting on rates ahead of the 14 June FOMC meeting and that will help firm up expectations a little more. Our house view is that we are at the peak for the Fed funds target range, but we have to remember that we get CPI the day ahead of the June 14 FOMC meeting and a 0.4% MoM print for the core rate (as the consensus is currently expecting) or 0.5% could yet swing the market back in favour of a hike.

#### **Author**

James Knightley
Chief International Economist
james.knightley@ing.com

#### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit http://www.ing.com.

Article | 2 June 2023