

## There's still life in the US jobs market, but challenges are mounting

Jobs growth beat expectations in April with wages jumping and unemployment hitting new lows. Yet, significant downward historical revisions still point to a softening jobs trend and with lead indicators and tightening lending conditions adding to the downside risks, we unfortunately expect unemployment to end the year higher than it is today



Health employment has been one of the strongest growth engines for jobs in the past six months

# 253,000

April increase in non-farm payrolls

### Labour market is more resilient than expected

The April labour report shows a strong headline US payrolls figure, but major revisions really cloud

the narrative on this. Non-farm payrolls rose 253k versus the 185k consensus, but there were a net 149k of downward revisions to the past couple of months spread pretty evenly between February and March. Private payrolls rose 230k versus the 160k consensus, but this "beat" was completely offset by a 66k downward revision to March (123k versus 189k initially reported).

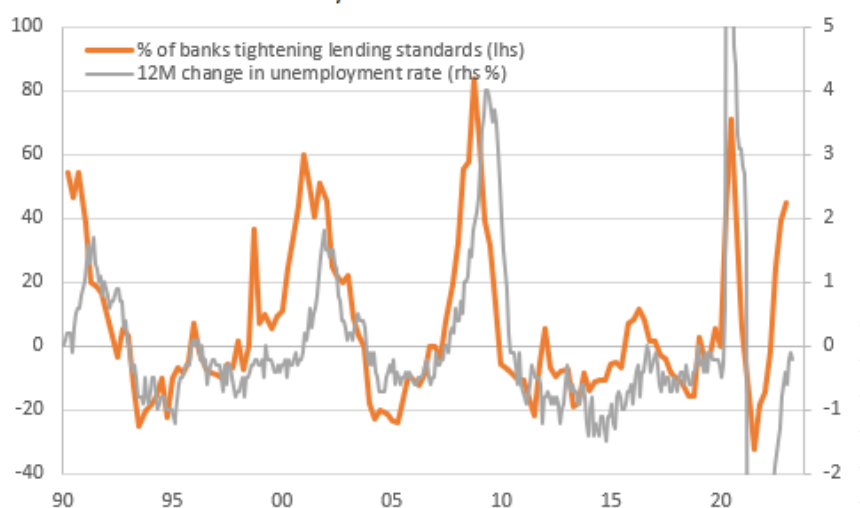
The details show April was yet another solid month for private education & health employment (+77k). This sector has really been the strongest growth engine for jobs over the past six months, averaging around 80k per month. Government was very firm again (+23k) while professional and business services was also good, rising 43k with manufacturing and construction adding jobs after seeing employment fall last month. Temporary help employment fell 23,000, which was the third consecutive monthly fall.

The wage story is stronger with average hourly earnings up 0.5% month-on-month versus the 0.3% consensus, resulting in the year-on-year rate of wage growth rising to 4.4% from 4.3%. This follows three consecutive 0.3% MoM prints and will keep some of the more hawkish Federal Open Market Committee (FOMC) members nervous about inflation pressures emanating from the labour market. Rounding out the numbers we see the unemployment rate dipping to 3.4% from 3.5% to match the cycle low seen in January.

## But challenges are mounting

It is difficult to come up with a firm conclusion after these numbers, but we would make the point that labour market data is the most lagging of all the data and you do tend to get somewhat contradictory signals at turning points. Certainly the lead indicators for the US economy are not pretty and the chart we keep referring to is the one showing banks tightening lending standards which always results in unemployment moving higher – banks pulling credit lines turns struggling businesses into failing businesses and unemployment climbs.

## Tighter lending conditions mean unemployment will climb



Source: Macrobond, ING

We should get the Senior Loan Officer Survey for first quarter 2023 released next week and we are certain it will show banks are becoming more cautious on their lending practices given the Fed referenced this post the FOMC announcement. Recent bank stresses mean that things will be even

worse today and deteriorating further in coming months. Unfortunately this leaves us to conclude that payrolls growth will continue to soften and unemployment will end the year higher than it is today.

## Author

**James Knightley**

Chief International Economist, US

[james.knightley@ing.com](mailto: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 [www.ing.com](http://www.ing.com).