

## Cooler US jobs keeps a lid on confidence

Consumer confidence was a little firmer than expected, but the expectations number dipped and with broadening weakness being seen in the jobs market, households remain wary. Rising gasoline prices will put added pressure on household finances and hiring could slow further given rising geopolitical and economic worries

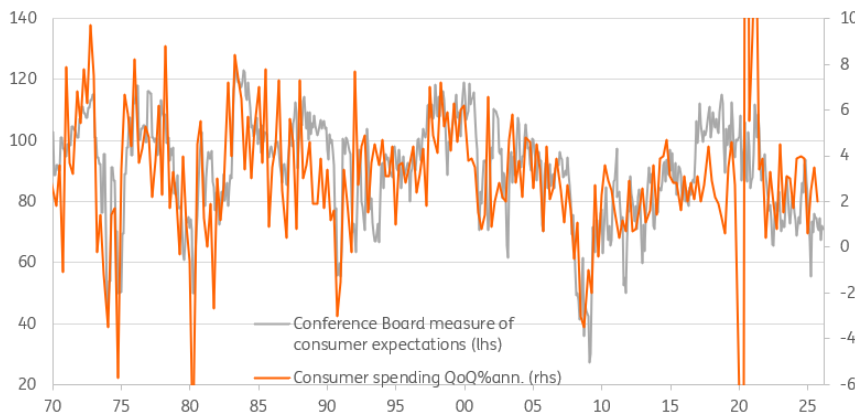


Even though consumer confidence rose in March, the jobs market outlook continues to remain weak

### Consumer expectations continue to slip

We've got a bit of a mixed picture in today's US data reports. The Conference Board measure of consumer confidence was better than expected, rising to 91.8 in March from 91.0 in February, but it was due to the current conditions component rising to 123.3 from 120, while the more important expectations component fell to 70.9 from 72.0. Within this section, the outlook or the jobs market is darkening with only 15.4% of respondents thinking there will be more jobs in six months while 27.9% think there will be fewer with the balance saying no change. The current level of consumer expectations six months ahead has historically been consistent with consumer spending growth of around 1% – see chart below.

## Consumer expectations & consumer spending QoQ% ann.



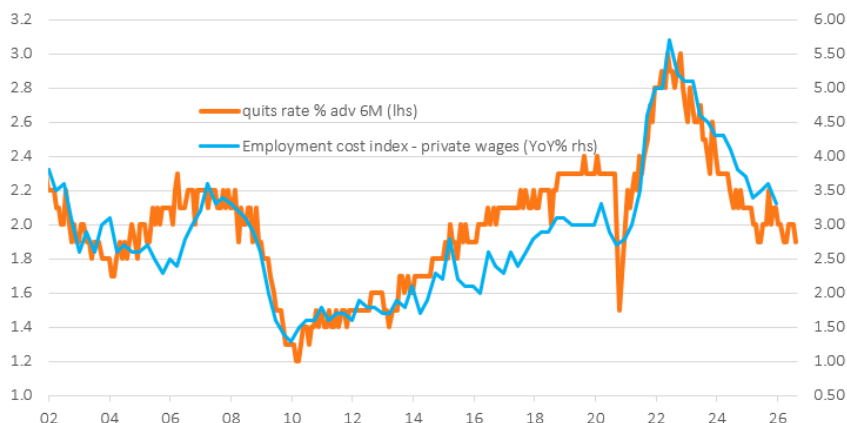
Source: Macrobond, ING

## Job vacancies fall more than expected as quits and hiring moderates

Separately, the Job Openings and Labor Turnover statistics show job openings falling to 6882k in February from an upwardly revised January print of 7240k. There was also a pick-up in lay-offs to 1721k from 1660k, while the number of job hirings fell 503k in the private sector and the quits rate dropped to 1.9%. None of this is good news for future wage growth, but that in itself will help to moderate second round price effects from higher energy costs, so the consolation is that it provides some comfort for the Federal Reserve.

Such a low quit rate implies very low worker turnover – so for employers there is no pressure to offer large wage increases to retain staff while there are now 0.91 jobs for every unemployed American. As recently as 2022, there were two job openings for every unemployed American, so this underscores how big a swing in the labour demand/supply balance there has been. This is consistent with wage growth historically at around just 3%, which is not great news for consumer spending, but at least limits the medium-term inflation threat.

## Slowing quits rate points to weaker wage growth ahead



Source: Macrobond, ING

## Friday's non-farm payrolls looks set to overstate the strength in jobs

Looking towards Friday's March jobs report, the consensus is currently for a 65k increase in non-farm payrolls versus February's actual reading of -92,000 and January's +126k. I strongly suspect that January's number overstated the strength while February overstates the weakness. January's reading was taken in the best week for weather in the first two months of the year, so there were more construction workers doing a job than you would normally expect. Likewise, February was taken when the weather was very cold and there was lots of snow disruption – remember you are only calculated as being employed if you are actually working that day. There was also quite a bit of strike action going on that will reverse in the March figures (Kaiser Permanente's 31,000 staff in California and Hawaii have now returned to work). As such, the March figure will look stronger than the true situation.

The main point I would make is that if the jobs market had stalled when the economy was looking in decent shape before the Middle East conflict got underway, an overlay of heightened geopolitical, economic and market angst is not going to incentivise business to suddenly start hiring now. Hence, this is why we still feel the Fed is more likely to cut than hike interest rates. There is a lack of demand impetuses to create a repeat of 2022 when a supply shock combined with a demand shock (4.5mn jobs added in 2022 alone, wage growth of 6%, stimulus checks, record savings levels, post-pandemic pent-up demand) to push inflation close to 10%. Instead, this time around, we see the oil price move as being demand destructive in that it reduces spending power for discretionary items.

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