

FOCUS: GLOBAL MACRO

US LABOUR MARKET

- The unexpectedly large increase of 339,000 in non-farm payroll employment in May was almost twice as much as the expected consensus, but there were some negative aspects in the employment report. The household survey measure of employment experienced a significant decline, causing the unemployment rate to rise to a seven-month high of 3.7%.
- The increase in May was seen across various sectors, with professional & business services adding 64,000 jobs, government adding 56,000, health care contributing 52,000, and leisure & hospitality adding 48,000. There were only slight declines in employment in the manufacturing, information, and credit intermediation sectors.
- In contrast, the alternative household survey measure suggests that employment decreased by 310,000 last month. With the labour force increasing, this pushed the unemployment rate up by 0.3% to 3.7% from 3.4%. This is driven by a decrease in reported self-employment, which could be attributed to the gig economy and small businesses not doing well.
- As labour market conditions slightly improve, the upward pressure on wage growth is diminishing. Despite a 0.3% month-on-month increase in May, the annual rate of average hourly earnings growth dropped to 4.3% from 4.4%. This is still below the current inflation and it is a cause for concern as the US economy is largely consumption-driven. On top of that, consumer loans in terms of credit card debt have been at all-time high. At the time of writing, the market is pricing in a 75% probability of no rate change in the upcoming June FOMC Meeting.

	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Non Farm Payrolls (000s)	370	568	352	350	324	290	239	472	248	217	294	339
Unemployment Rate (%)	3.6	3.5	3.7	3.5	3.7	3.6	3.5	3.4	3.6	3.5	3.4	3.7
Consumer Loans:												
Credit Cards (US\$Billions)	877.7	891.66	901.7	913.01	923.68	930.6	935.86	946.85	956.01	969.28	982.18	986.89

Source: LifeGoal Investments, FRED, Trading Economics, Capital Economics.
Data as of 5 June 2023.