

The April Jobs Report: Spring Breeze

May 06, 2022

This report does not constitute a rating action

U.S. nonfarm payrolls felt like a spring breeze, with a stronger-than-expected 428,000 job gains in April. The prior two months were revised down by a net 39,000, according to the Bureau of Labor Statistics' (BLS) April jobs report, bringing total job gains closer to consensus estimates of 400,000.

But with every spring, there are bug bites. The unemployment rate from the household survey held at 3.6% (just above the pre-pandemic low of 3.5%), but for the wrong reasons—353,000 people got jobs and even more people (363,000) left the labor force. The labor force participation rate dipped to 62.2% from 62.4% in March. An increasingly tight jobs market bodes poorly for labor productivity and growth.

The report also gives the Fed reason to aggressively fight the huge price run-up, convinced that the U.S. economy can absorb tighter Fed policy and still grow. We see the Fed raising rates each meeting in 2022, with at least three back-to-back 50-basis-point (bps) hikes. The risk is for more tightening.

Our Take On The BLS' Jobs Report

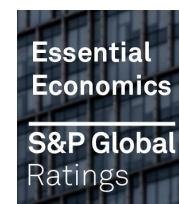
Not everything was positive. Job gains were strong in April, but continued bottlenecks in the jobs market are weighing on economic activity. The labor-force participation rate is at 62.2, a 45-year low. Hours worked held at 34.6 hours, supporting our belief that the pandemic-driven pickup in longer hours by fewer workers is no longer in vogue.

Wages and inflation. Workers continued to enjoy fatter paychecks, with average hourly wages up by 0.3% for the month and 5.5% over last April. But higher overall CPI (Consumer Price Index) price gains, at a 40-year high, will continue to take a bite out of paychecks, with wage gains, in real terms, still stuck in negative territory. Inflation risks are also climbing higher on further supply-chain disruptions from the Russian-Ukraine conflict and as China's zero-tolerance policy slows mobility.

CONTACT

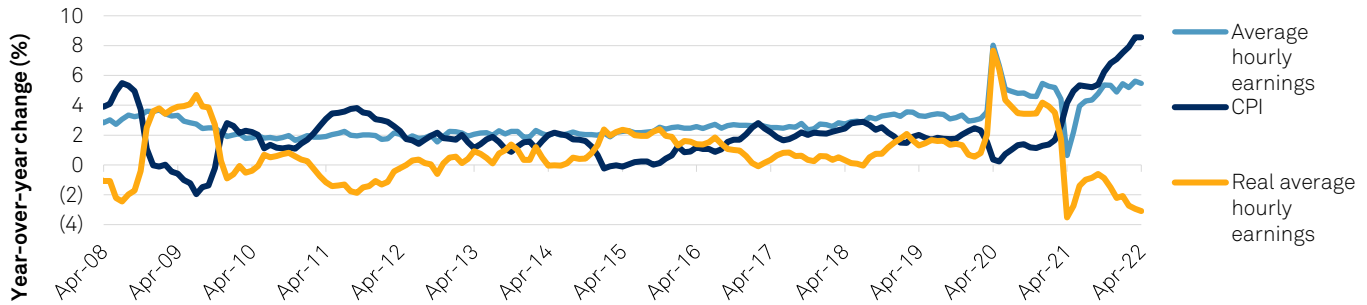
Beth Ann Bovino
U.S. Chief Economist
55 Water Street, New York, NY
+1 212 438 1652
bethann.bovino@spglobal.com

FOLLOW US ON LINKEDIN AND SUBSCRIBE!



A big bang. Although the Fed’s liftoff was gradual, with a 25 bps hike in March, the solid jobs report and inflation readings at four-decade highs give the Fed more reason to follow a "big bang" approach. As expected, the Fed raised rates by 50 bps at its policy meeting in May and announced it would start quantitative tightening this June. While this is the first time since 2000 that the Fed has raised rates by 50 bps, we don’t believe it will be the last. The Fed is already behind the curve, so baby steps won’t work this time if it’s going to catch up. We expect another 50 bps rate hike in June and wouldn’t be surprised if the Fed goes for the trifecta, with a third 50 bps hike in July. Despite recent statements, we can’t rule out chances that the Fed decides to rip off its monetary accommodation band-aid quickly, with a 75 or 100 bps move this year.

Average Hourly Wage Gains Climb Higher But Are Negative In Real Terms



Note. April CPI is an estimate. Sources: U.S. Bureau of Labor Statistics and S&P Global Economics. Copyright © 2022 by Standard & Poor’s Financial Services LLC. All rights reserved.

The views expressed here are the independent opinions of S&P Global’s economics group, which is separate from, but provides forecasts and other input to, S&P Global Ratings’ analysts. The economic views herein may be incorporated into S&P Global Ratings’ credit ratings; however, credit ratings are determined and assigned by ratings committees, exercising analytical judgment in accordance with S&P Global Ratings’ publicly available methodologies.

Copyright © 2022 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

Australia: S&P Global Ratings Australia Pty Ltd holds Australian financial services license number 337565 under the Corporations Act 2001. S&P Global Ratings' credit ratings and related research are not intended for and must not be distributed to any person in Australia other than a wholesale client (as defined in Chapter 7 of the Corporations Act).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.