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Resilient Payrolls Will Reinforce Powell's Patience

- **The fear factor was positively surprised, but SA factors likely overstated the gain**

Nonfarm payrolls, m/m 000s, SA, April:
Actual: 177 / 4.2
Scotia: 165 / 4.2
Consensus: 138 / 4.2
Prior: 185 / 4.2 (revised from 228 / 4.2)

Nonfarm payrolls remained resilient again and the unemployment rate remains low. The outcome will feed Chair Powell's patience mantra next Wednesday.

Payrolls were up by 177k in April which was above consensus and closer to my estimate. Breadth wasn't great and revisions dented it a bit, but that feels like quibbling given the apprehension into each report as Trump's trade wars bite— and bite they soon will.

Revisions knocked 58k off payrolls concentrated over the past couple of months, most of which came out of March (-43k downward revision to 185k).

The unemployment rate was steady at 4.2%. It is derived from the companion household survey that showed jobs up 436k and the labour force increasing by 518k. The household survey is ridiculously noisy, like many limited sample surveys.

There was ok breadth by sector (chart 1). Goods employment was up 11k entirely due to construction jobs while manufacturing was flat again (-1k). Services were up 156k and led by private education/health (+70k) followed by smaller gains in several other sectors.

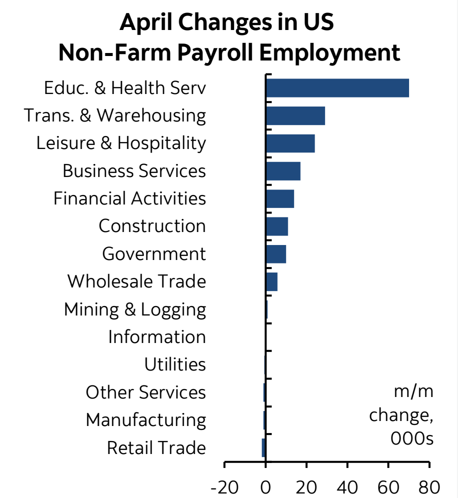
Seasonal adjustment factors overstated payrolls growth. April's SA factor was again one of the highest in history which reflects the recency bias in the calculations (chart 2).

Government was up 10k despite a 9k drop in federal government employees as continued state and local government hiring was offsetting. This may well continue.

Wage growth was just 0.17% m/m SA for the slowest rate of growth since August 2023 (chart 3). The three-month moving average is 0.2% SA and so it's slowing, but still decent. The FOMC is likely to stick to the line that there is limited risk to inflation from wage growth in any event.

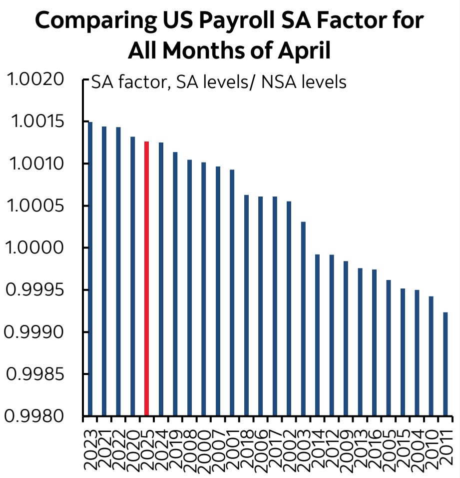
Hours worked were up by just 0.1% m/m SA. Hours worked are tentatively tracking a 2.1% q/q SAAR gain in Q2 which is a plus for Q2 GDP. Also watch for a reversal of the import leakage effect in Q2 that could feed a rebound in GDP. Final domestic demand will remain the focus.

Chart 1



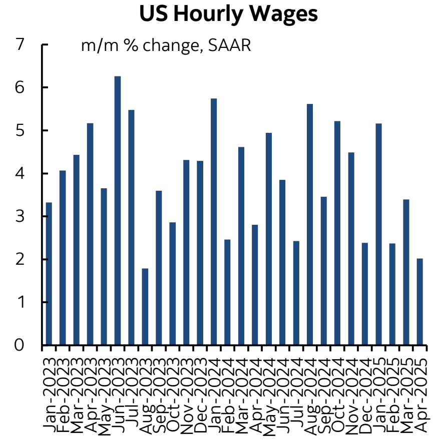
Sources: Scotiabank Economics, US BLS.

Chart 2



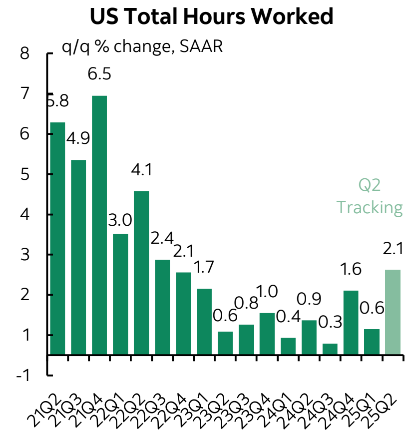
Sources: Scotiabank Economics, BLS.

Chart 3



Sources: Scotiabank Economics, BLS.

Chart 4



Sources: Scotiabank Economics, BLS.