

#### Contributors

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Chart 1

#### May Changes in US Non-Farm Payroll Employment

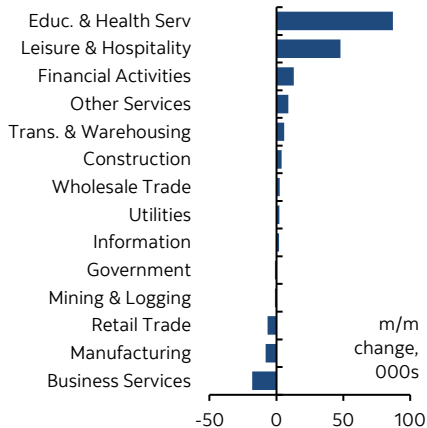
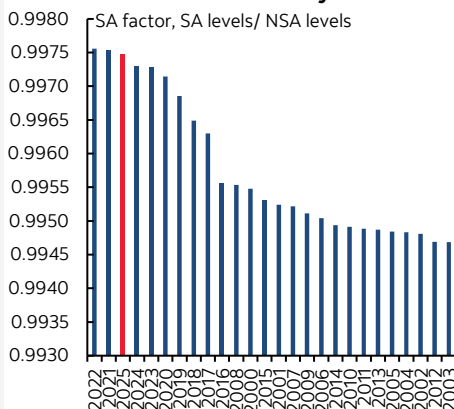


Chart 2

#### Comparing US Payroll SA Factor for All Months of May



## Nonfarm Payrolls: Goldilocks Would Approve

- The US job market remains resilient
- Payrolls were up solidly
- The market reaction may be more about resetting the fear factor
- Weather effects were surprisingly strong to the downside...
- ...but SA factors are probably overstating job growth
- Wage growth accelerated
- Hours worked are strongly supportive of GDP growth
- Trump's absurd interpretation and policy prescription

#### US nonfarm payrolls, m/m 000s / UR %, May:

Actual: 139 / 4.2

Scotia: 180 / 4.2

Consensus: 126 / 4.2

Prior: 147 / 4.2 (revised from 177 / 4.2)

This was a goldilocks jobs report. It avoided the fear factor of a worse reading which probably explains why positioning swings are driving yields higher and a flatter Treasury curve while equities gain along with the dollar. July cut pricing has all but been wiped out and September went from a full 25bps cut priced to 18bps. The broad takeaway is one of resilience for now, but with forward-looking risks aplenty.

Nonfarm payrolls were up by 139k which drove down the middle zone between consensus and my estimate. I'll take it.

By sector, services carried the day as expected with a rise of 149k as goods sector employment was flat (-5k). Breadth was ok, not great (chart 1). Within goods, construction (+4k) and manufacturing (-8k) were little changed. Within services, most of the hiring was concentrated in private education and health (+87k) and leisure and hospitality (+48k).

US payrolls were overstated in May for the same inflated-SA factor reason (chart 2). Seasonal hiring was within norms in the US (chart 3).

Chart 4 shows the range of outcomes for m/m payrolls at other SA factors below the near-records of recent years. Payrolls would have been considerably weaker.

The unemployment rate held steady at 4.2% as expected by consensus and Scotia, but I would fade that as largely meaningless. That's because it's derived from the companion household survey that was wonky again as it reported that

Chart 3

#### Comparing US Payroll NSA for All Months of May

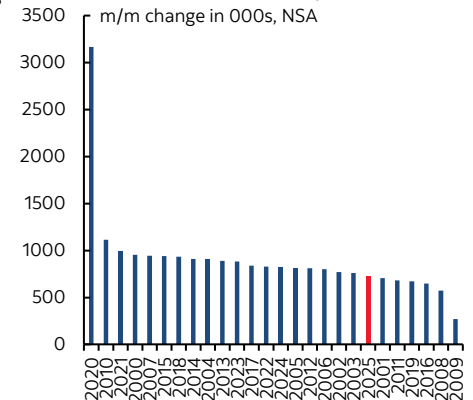
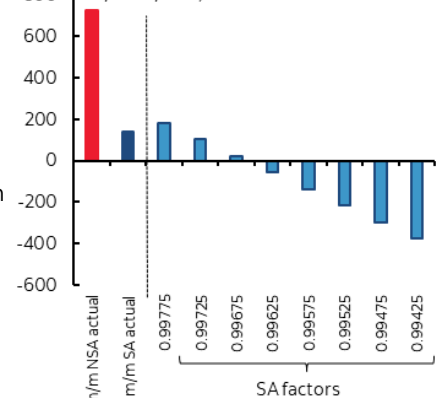


Chart 4

#### US Nonfarm Payroll Scenarios



the labour force fell by 625k folks which was a little less than the 696k drop in employment within the household survey. The US household survey has ginormous confidence bands and has been super volatile this year including one month when the swings were over 2 million.

There were downward revisions to US payrolls at 147k (177k prior) for April with -95k for the past two months combined.

Government hiring was flat (-1k) as 22k federal jobs were wiped out by this was offset by state/local government hiring. DOGE is kicking in (chart 5) but state and local governments are soaking them up (chart 6)!

US wage growth was up 0.4% m/m which accelerated from the soft 0.2% prior gain. Chart 7 shows that wage growth was the hottest since January in m/m annualized terms.

US aggregate hours worked were up 0.1% m/m SA in May and are tracking a rise of 2.2% q/q SAAR in Q2 which is solid for GDP defined as hours worked times labour productivity. Q2 hours worked are clocking in at the fastest rate of growth since 2022Q3 (chart 8).

The household survey's measure of the number of folks who were unable to work due to bad weather landed at 108k. I'm surprised it was that high. The effect dampened the household survey's employment reading as this was a very high reading compared to normal months of May in history (chart 9).

Trump pounced on the numbers, advising the Fed to cut 100bps immediately. Righto, I'm sure Powell will get right on that, lol. Trump's self-serving policy prescription involves misreading the jobs report on balance, and ignores the other half of the Fed's dual mandate. Inflation is likely to accelerate over the summer months because of Trump's policies. Cutting 100bps isn't even in Trump's interest in my view; the long-end would blow up on inflation risk that would soar into midterm elections. He again lamented that the ECB is cutting but the Federal Reserve did not; then again, Europe didn't foolishly impose a massive tariff shock on all imports coming into the country while expanding on a fiscal deficit to GDP ratio of around 7%!!

Chart 5

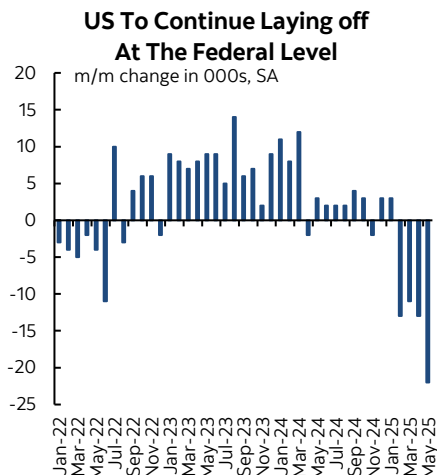


Chart 6

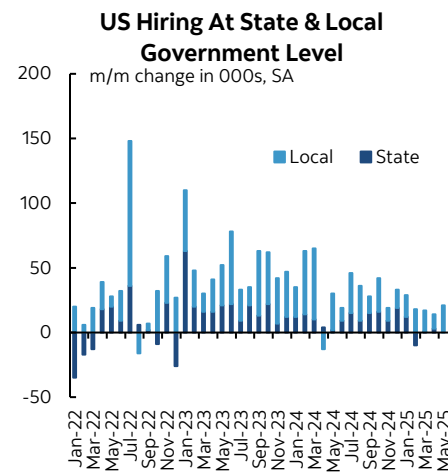


Chart 7

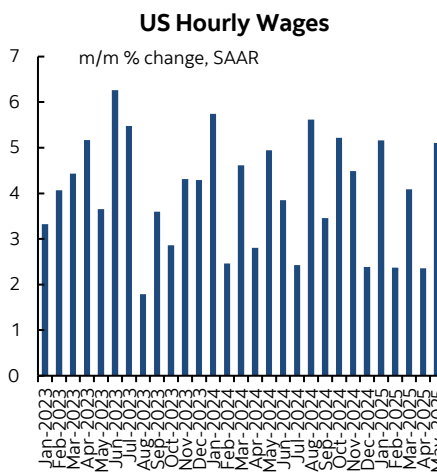


Chart 8

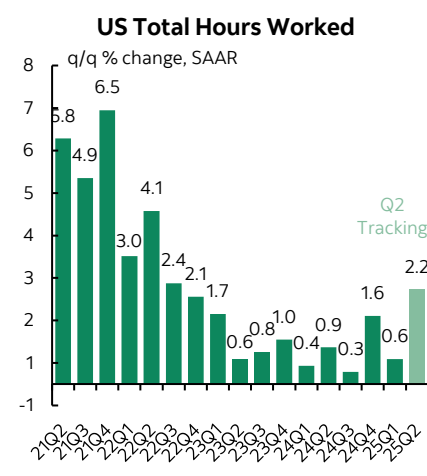
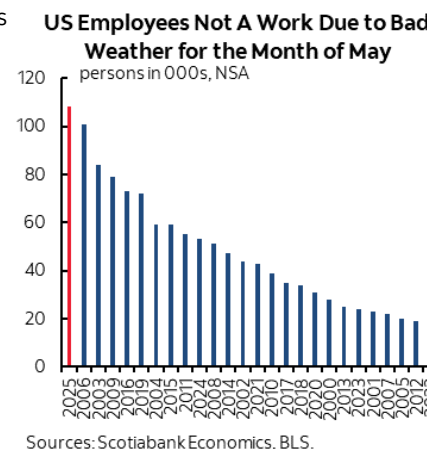


Chart 9



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