PREVIEW: US Nonfarm Payrolls report due on June 7th at 13:30BST/08:30EDT

Analysts expect the rate of monthly payroll additions to tick up slightly in May, although still remain beneath recent trend rates. Wage growth is seen accelerating slightly on a monthly basis, but is likely to be unchanged on an annualised basis; analysts have noted that the Quits Rate in the recent JOLTs data (for April) is consistent with a moderation in wage pressures ahead. Labour market proxies have been mixed in the month, with jobless claims little changed in the survey windows that coincide with the jobs report. The ADP's gauge of payrolls disappointed to the downside, however. The ISM surveys both saw a tick up in the employment sub-index, with the manufacturing sector's gauge back into expansion territory. Meanwhile, the consumer view of the jobs market has improved in the month. The market reaction will be based on both the headline and the wage metrics in conjunction; if both came in hot, analysts think it would pressure risk assets, and Treasury yields could rise; conversely, a miss on both may support Treasuries, but equities could succumb to the growth concerns narrative.

EXPECTATIONS: The consensus expects 185k nonfarm payrolls to be added to the US economy in May (vs a previous 175k; the three- and six-month averages both currently stand at 242k, while the 12-month average is at 234k). The unemployment rate is seen unchanged at 3.9%. The rate of average earnings is likely to pick up in the month, with analysts predicting +0.3% M/M (prev. +0.2%), though the annual rate of average earnings is seen unchanged at 3.9% Y/Y.

ADP DATA: The ADP's gauge of private payrolls reported additions of 152k jobs in the month, missing expectations (exp. 175k), with the payrolls services provider stating that both job gains and pay growth are slowing going into the second half of the year. "The labour market is solid, but we're monitoring notable pockets of weakness tied to both producers and consumers," its chief economist said. Within the ADP report, the median change in annual pay for job stayers was unchanged at +5.0% Y/Y, while the measure for job changers declined to 7.8% Y/Y from 9.3% in April; ADP said pay growth was also slowing into H2 of 2024.

WEEKLY CLAIMS: Initial jobless claims data for the week that coincides with the jobs report's survey period saw initial claims at 216k (vs 212k going into the April jobs data) while continuing claims ticked up from 1.774mln in the April period to 1.791mln in the May comparable window. "Initial claims for the May payroll reference period were broadly in line with April's, suggesting that the May nonfarm employment numbers are likely to remain solid," Oxford Economics said. "Job growth is likely to moderate further as the labour market rebalances, but we expect that will continue through a slowdown in hiring, not a notable pickup in layoffs."

BUSINESS SURVEYS: In the May ISM Services PMI Data, the employment sub-index contracted for the fifth time in six months, though at a slower rate, printing 47.1 from 45.9 in April. ISM said that "employment challenges remain, primarily attributed to difficulties in backfilling positions and controlling labour expenses," adding that "the majority of respondents indicate that inflation and the current interest rates are an impediment to improving business conditions." Meanwhile, the Manufacturing ISM's employment sub-index printed 51.1 in May from 48.6 in April, back above the 50 mark (which separates expansion and contraction) following seven straight months of being in contraction. ISM said that many respondents "are continuing to reduce head counts through layoffs (which accounted for 38% of reduction activity, down from 50% in April), attrition and hiring freezes." Respondents indicated an increase in staff reductions compared to April. "The approximately 1-to-1 ratio of hiring versus reduction comments is consistent with activity from November 2023 through March," ISM said.

CONSUMER SURVEYS: Within the Conference Board's gauge of US consumer confidence, consumers' overall assessment of the present situation was bolstered by the strong labour market. "Views of current labour market conditions improved in May, as fewer respondents said jobs were 'hard to get,' which outweighed a slight decline in the number who said jobs were 'plentiful.' Ahead, the Conference Board said that fewer consumers expected deterioration in future business conditions, job availability, and income.

FED: The Fed's most recent Beige Book, released at the end of May, noted that employment rose at a slight pace overall. It went on to say that a majority of Districts noted better labour availability, though some shortages remained in select industries or areas. The report stated that multiple districts said employee turnover had decreased, and hiring plans were generally mixed among the districts. Meanwhile, wage growth remained mostly moderate, though some Districts reported more modest increases. Several Districts reported that wage growth was at pre-pandemic historical averages or was normalising toward those rates. Speaking in mid-May, Fed Chair Powell said that the US jobs market was very strong, with shortages still apparent in many industries, though it was coming back into better balance (he cited the JOLTs data, which has been cooling, the falling quits rate, surveys, as well as easing wage growth), with the job market now about as tight as it was pre-pandemic. While there was a gradual cooling in the labour market, Powell still expects it to remain strong while rebalancing. Powell has also previously said that if any unexpected weakening in the labour market was observed (he emphasised 'unexpected'), then that could draw a policy response. At present, the Fed's economic projections (which will be updated at the June 12th FOMC confab) see the jobless rate rising to 4.0% this year, and Powell has also suggested that a couple of tenths in the unemployment rate would probably not qualify as "unexpected weakening".