US Nonfarm Payrolls (April) due 8th May at 13:30BST/08:30EDT

SUMMARY: The April US jobs report is expected to show a clear moderation after March's 178k gains, with headline NFP seen at 65k, and the unemployment rate unchanged at 4.3%. Average hourly earnings are expected to rise 0.3% M/M, lifting the Y/Y rate to 3.8% (from 3.5%). Traders will be looking to see if the March strength was flattered by temporary factors, including returning healthcare strikers and weather-related payback, or whether the labour market remains resilient enough to keep the Fed comfortable staying on hold. Analysts say that a soft headline print could therefore be dismissed as noisy, given March's distortions; a number above consensus, however, could ease stagflation concerns, and add to the hawkish narrative, reinforcing the case for an extended pause.

EXPECTATIONS: Headline NFP is expected at 65k. Some have argued that March's 178k figure overstated the underlying pace; stripping out strike-related distortions, the two-month average points to job creation of just 20-30k. Analysts at Barclays see a flat print, arguing that the end of the nurses' strike, unwinding weather effects, and payback for March's unusually favourable birth-death adjustments will collectively weigh on the headline. The unemployment rate is expected to remain unchanged at 4.3% (note: the FOMC's March economic projections, which are due to be updated in June, projected an unemployment rate of 4.4% this year), while average hourly earnings are expected to rise by +0.3% M/M (prev. 0.2%), and 3.8% Y/Y (prev. 3.5%).

LABOUR MARKET PROXIES: Proxies are mixed; ADP reported 109k private payrolls in April (exp. 120k); Pantheon Macroeconomics cautions against reading too much into the print, however, noting that ADP's average absolute forecast error versus the initial BLS estimate over the past twelve months has been 85k. Pantheon's own model points to a first estimate of slightly below 100k, with a roughly 20k calendar drag tied to Easter timing, implying a 75k headline print. Meanwhile, initial jobless claims for the reference week came in at 215k (vs 205k into the March survey), and continuing claims eased to 1.785mln (from 1.816mln into the March report); claims fell further, to beneath 200k in the week that followed, which some models are treating as a positive signal, though analysts at Barclays note that the standard claims-based models project strong gains partly because they infer momentum from March's elevated print.

CONSUMER CONFIDENCE: The Conference Board's April consumer confidence survey painted an improved picture of labour market conditions. The jobs differential edged up by 1.4 points to +7.5; the share reporting jobs as "plentiful" was little unchanged at 27.3% (vs March's 27.4%), while those describing jobs as "hard to get" fell to 19.8% (from 21.3%). Forward-looking indicators were also slightly less negative, with the share expecting fewer jobs in six months declining to 26.9% (from 27.8%).

BUSINESS SURVEYS: Business surveys are leaning on the soft side: the ISM Manufacturing employment sub-index fell to 46.4 in April (from 48.7 in March), extending what is now a 31-consecutive-month run of contraction. The survey said that 60% of respondents indicated that they are managing headcounts, rather than actively hiring; 34% are using layoffs, 43% relying on attrition. Only five of eighteen manufacturing industries reported employment growth. The ISM Services employment index also remained in contraction at 48.0, but improved from the prior 45.2. S&P Global's flash PMI data for April showed employment rising only marginally following a slight fall in March, the weakest two-month picture since late 2024, with manufacturing headcounts falling for the first time in nine months; services job gains were described as marginal, with firms citing resignations, labour shortages, uncertain demand, elevated input costs, and cost-cutting imperatives.

MIDDLE EAST WAR IMPACT: The ongoing conflict in the Middle East continues to cloud the outlook. The war's direct imprint on April payrolls data is expected to be limited; many analysts think that any meaningful labour market spillover will be seen after a lag. Still, hiring appetite among corporates appears to have softened in response to the uncertainty. During the survey window, the Iran conflict was dominating newsflow, which some believe could drag on hiring; Oxford Economics notes the war risk cannot be dismissed simply because it has not yet registered in the hard data. Analysts generally think that the energy shock will likely hit the inflation outlook, which has been a hurdle for the Fed to continue to endorse policy easing ahead.

FED IMPLICATIONS: At his final press conference as Fed Chair, Powell said the labour market was softening, noting low job gains, weakened labour demand, and low quits and hiring. Powell reiterated that employment was not a source of inflation. However, the Fed's focus has now shifted to inflation, with Powell suggesting policy was in a good place to wait and see while energy and tariff risks continue. At the April meeting, the Fed retained its easing bias, but the debate shifted in a hawkish direction, with three dissenters and several non-voters arguing that it should be removed. Powell also acknowledged that more officials now view a rate hike as roughly as probable as a cut. Some think that a move to neutral guidance could come as early as the June meeting given the dissent seen in April, however, incoming Fed Chair Warsh has signalled a preference for lower rates (and tighter balance sheet policy), potentially complicating the bias removal. A soft headline print could therefore be dismissed as noisy, given March's distortions; a number above consensus, however, could add to the hawkish narrative and reinforce the case for an extended pause.

JPM SCENARIOS: The JPM US Market Intelligence desk notes that high-frequency indicators were mostly positive in the month, but technical factors could weigh on April payrolls. It said a stronger NFP print may ease stagflation concerns, though an outsized rise above 200k could raise overheating concerns; it does not think the data will shift Fed rate hike expectations. The desk adds that options expiring on 8th May indicate that the market is pricing a c. 1.3% swing in the S&P 500; its scenarios are:

- Payrolls 125k+: SPX move range would be between -1% and +1%.
- Payrolls between 85-125k: SPX move range would be between 0% and +0.75%.
- Payrolls between 45-85k: SPX move range would be between -0.50% and +0.50%.
- Payrolls between 5-45k: SPX move range would be between -0.50% to +0.25%.
- Payrolls below 5k: SPX move range would be between +0.50% to +1.0%.