

## Another Month of Robust Job Growth

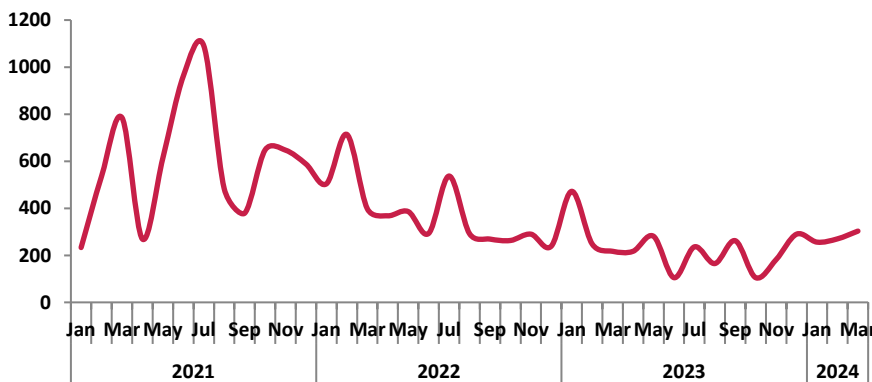
- US non-farm payroll employment rose 303k in March
- Revisions to the two prior months were higher, adding 22k from the previously reported figures
- Unemployment rate ticked down to 3.8%
- Average hourly earnings increased by 0.3% MoM, 4.1% YoY
- Labor force participation rose to 62.7%
- March jobs report shows labor market and US economy are still going strong

The US employers delivered another outpouring of jobs in March, adding a sizzling 303,000 workers to their payrolls and bolstering hopes that the economy can vanquish inflation without succumbing to a recession in the face of high interest rates. Job gains in the two prior months were also revised higher with the change in total nonfarm payroll employment for January was revised up by 27,000, from 229,000 to 256,000, and the change for February was revised down by 5,000, from 275,000 to 270,000. With these revisions, employment in January and February combined is 22,000 higher than previously reported.

Though most industries added jobs last month, hiring was mainly concentrated in three categories: healthcare and private education, leisure and hospitality and government accounted for nearly 69% of the hiring. The bulk of service sector gains (212k) concentrated in health care & social assistance (81.3k) and leisure & hospitality which grew by 49k jobs and, in a major milestone, finally caught up to its February 2020 pre-pandemic levels, as demand for dining out and other experiences has continued to swell. Government hiring remained robust in March, adding 71k jobs mostly in local government, as the sector has remained flush with cash. Job growth has also begun to spread into industries that had gone slack over the past year. Hiring across the construction sector (+39k) rose by the fastest pace in nearly two-years. Retail added 18k jobs, mostly in general-merchandise employers.

The unemployment rate dipped from 3.9% to 3.8%. The jobless rate has now remained below 4% for 26 straight months, the longest such streak since the 1960s. The labor force participation rate rose to 62.7% Average hourly earnings were up 0.3% MoM and rose 4.1% YoY.

**Chart 1: US Non-Farm Payrolls ('000)**

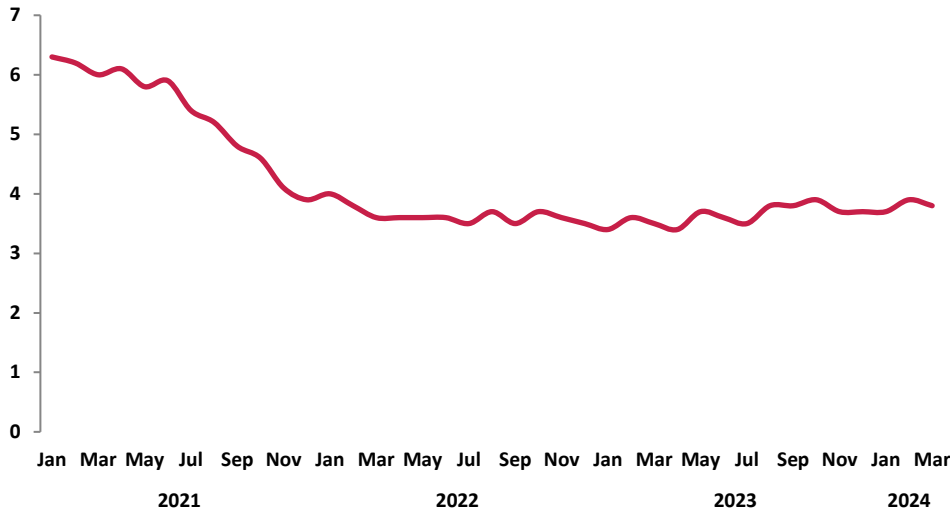


Source: Bloomberg, BIMB Securities

**Imran Nurginias Ibrahim**  
 imran@bimbsec.com.my  
 (603) 2613 1733

The household survey's separate measurement of employment also showed a robust gain of 498k in March, which far outstripped the 29k decline in the number of unemployed and led the labor force to expand by 469k. Consequently, the unemployment rate ticked down 0.1 percentage points to 3.8% while the labor force participation rate rose 0.2 percentage points to 62.7% and the employment-population ratio at 60.3%. The labor force's improvement coincides with labor demand stabilizing at an elevated level and quits moving sideways at a low level. The unemployment rate has been in a narrow range of 3.7% to 3.9% since August 2023. A broader measure that includes discouraged workers and those holding part-time positions for economic reasons held steady at 7.3%.

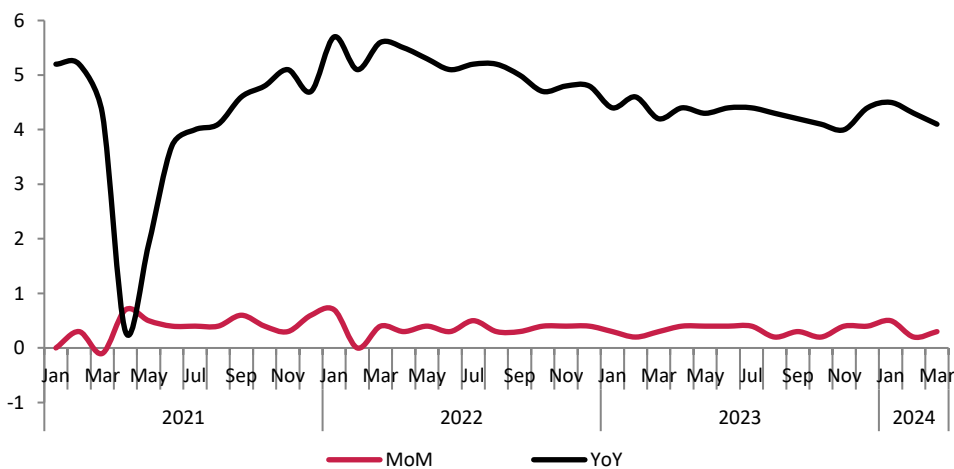
**Chart 2: US unemployment (%)**



Source: Bloomberg, BIMB Securities

Normally, a blockbuster bounty of new jobs would raise concerns that a vibrant labor market would force companies to sharply raise pay to attract and keep workers, thereby fanning inflation pressures. But the March jobs report showed that wage growth was mild last month, which might allay any such fears. Average hourly wages were up 4.1% YoY, the smallest year-over-year increase since mid-2021. From February to March, though, the average hourly pay did rise 0.3% after increasing 0.2% the month before.

**Chart 3: US average hourly earnings (%)**



Source: Bloomberg, BIMB Securities

## March jobs report shows labor market and US economy are still going strong

Another month, another burst of strong job gains. Employers added 303,000 jobs in March. It was the 39th straight month of job growth and a much larger gain than forecast. On aggregate, the labor market remains healthy and has yet to show any meaningful signs of cooling. Over the past three months, job gains have averaged 276,000 – slightly stronger than the 251,000 averaged in 2023. Through the first quarter, the US economy added an impressive 829,000 new jobs – nearly a 200,000 more than in the fourth quarter of last year.

The continued strength in hiring suggests less urgency for policymakers at the Federal Reserve to lower the target range of the fed funds rate. Recent comments from FOMC members have homed in on the jobs market's underlying momentum as justification to wait and allow for more inflation data. Overall, the message was consistent: policymakers are in no rush to cut rates. With the labor market still strong and the economy humming, the FOMC can afford to be patient and wait for clearer signs that inflation is on a sustainable path back to 2% before dialling back the policy rate. Before the payroll report, markets had priced in a roughly 60% chance of the FOMC cutting its target range by 25 bps in June. That probability is sitting closer to 51% at the time of this writing and bets are now more evenly split between June and July (with 49% probability of rate cut).

The spotlight will fall on CPI inflation data and the minutes of the latest Fed meeting, both on Wednesday. These will help investors decide whether the Fed will cut rates in June. With US markets continuing to live and breathe monetary policy guidance, the minutes from the March FOMC meeting will be scrutinised for insights despite more recent comments from Fed officials. If nothing else, policymakers are data dependent, hence the additional focus on the upcoming US CPI data.

The March consumer price data demand increased attention after consumer inflation surprised to the upside at the start of the year. At a high level, we expect the bumpy and stubbornly slow retreat in inflation was on full display in March. Forecasts suggest inflation reaccelerated, with the CPI rate seen at 3.4% in March from 3.2% previously. However, the core rate is anticipated to tick down to 3.7%. The difference most likely reflects the rally in oil during the month, as the core figure excludes the effects of energy prices. This would translate into a mixed report for the Fed. A decline in the core rate would suggest the broader trend of disinflation continues, even if rising energy prices are keeping headline inflation elevated.

Any upward surprise in the upcoming CPI release could fully push market expectations of the first rate cut to July.

**DEFINITION OF RATINGS**

BIMB Securities uses the following rating system:

**STOCK RECOMMENDATION**

<b>BUY</b>	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
<b>TRADING BUY</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
<b>HOLD</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>TAKE PROFIT</b>	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
<b>TRADING SELL</b>	Share price may fall by more than 15% in the next 3 months.
<b>SELL</b>	Share price may fall by more than 10% over the next 12 months.
<b>NOT RATED</b>	Stock is not within regular research coverage.

**SECTOR RECOMMENDATION**

<b>OVERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
<b>NEUTRAL</b>	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
<b>UNDERWEIGHT</b>	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

**Applicability of ratings**

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

**Disclaimer**

This report has been prepared for information and educational purposes only and are not recommendation or endorsement to sell or solicitation to buy any securities, subscription of financial products or otherwise to be taken as investment advice of any form or kind and neither should be relied upon as such. The information herein was obtained or derived from publicly available information, internally developed data and other sources believed to be reliable. Whilst all reasonable care has been taken to ensure that all information and data are accurate and the opinions are fair and reasonable, we do not represent or warrant their accuracy, timeliness, completeness and currentness or applicability of such information for any particular purpose. The investments advice or idea discussed or recommended in this report may not be suitable for all investors. Any recommendation presented in this report is general in nature and does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this report. The investors are advised to conduct own research and seek independent professional advice prior to taking any investment or investment related decisions. The directors and employees of BIMB Securities Sdn Bhd and BIMB Group of Company may from time to time have a position in either the securities mentioned or may provide services to any company and affiliates of such companies whose securities are mentioned herein. BIMB Securities Sdn Bhd and BIMB Group of Company accept no liability for any direct, indirect or consequential losses, claims and damages arising from any use of this report. BIMB Securities does not have a financial interest in the securities or other capital market products of the subject company(ies) covered in this report. Unless stated otherwise, BIMB Securities is not a market maker in the securities or other capital market products of the subject company(ies) covered in this report. BIMB Securities did not receive compensation for corporate finance services from the subject company(ies) in the past 12 months. BIMB Securities did not receive compensation or benefit (including gift and special cost arrangement e.g., company/issuer-sponsored and paid trip) in relation to the production of this report. The analyst(s) who prepared this research report is/are prohibited from receiving any compensation, incentive or bonus based on specific transactions or for providing a specific recommendation for, or view of, a particular company.

**Printed and published by**

**BIMB SECURITIES**

**BIMB SECURITIES SB (290163-X)**

*A Participating Organisation of Bursa Malaysia Securities Berhad  
Level 34, Menara Bank Islam*

*No 22, Jalan Perak,*

*50450 Kuala Lumpur.*

*Tel: Tel: 03-2691 8887 Fax: 03-2691 1262*

<http://www.bimbsec.com.my>



Noorhayati Maamor  
Head of Research