

*Market Monitor – United States*

## Job growth surprised to the upside, while inflation accelerated

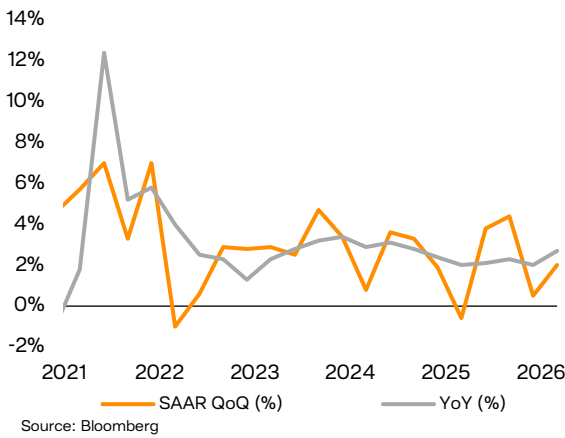
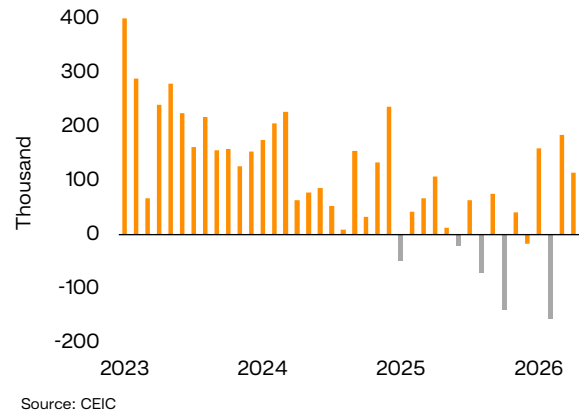


- The US economy regained momentum in Q1 2026.
- Payrolls exhibited unexpected strength in April.
- CPI inflation rose again in April, reinforcing an extended hold by the Fed.

### The US economy grew solidly in Q1 2026

**The US economy regained momentum in Q1 2026.** Real GDP expanded at a seasonally adjusted annual rate (SAAR) of 2.0% in Q1 2026, rebounding from the 0.5% pace observed in Q4 2025. On a year-on-year (YoY) basis, growth edged up to 2.7%, faster than 2025's annual rate of 2.1%. Consumer spending moderated slightly, as growth of personal consumption expenditure (PCE) eased to 1.6% SAAR in Q1 2026 from 1.9% in Q4 2025, contributing +1.08 percentage points (ppts) to headline GDP growth. Services consumption remained resilient, but goods demand was relatively soft. Meanwhile, investment advanced by 8.7% SAAR, up from 2.3%, adding +1.48 ppts to headline growth. Equipment and intellectual property products surged by 17.2% and 13.0%, respectively, likely driven by the ongoing AI mega trend. Government spending rebounded, expanding by 4.4% after contracting by 5.6% amid the government shutdown in the previous quarter. Regarding trade, both exports and imports posted strong growth, rising by 12.9% and 21.4% respectively, while wider trade deficits led to a drag on growth.

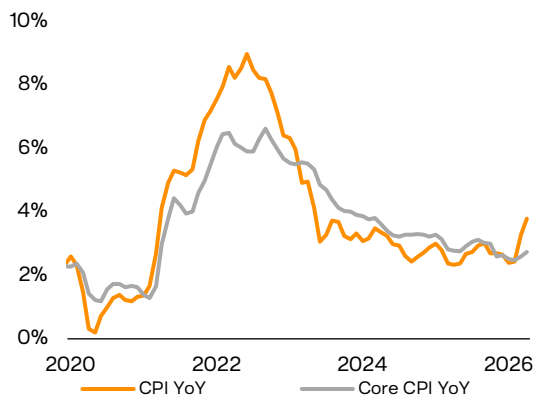
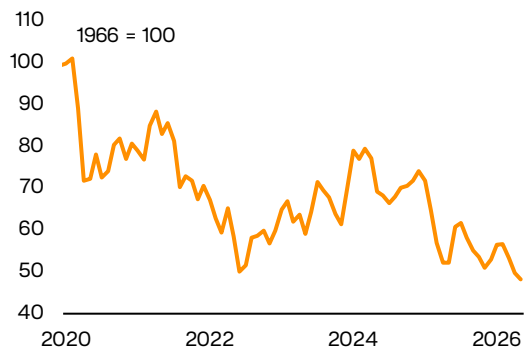
**While Q1 growth signalled resilience, underlying risks remain.** First, inflation pressures have yet to fully dissipate, particularly in the context of potential prolonged energy shocks and supply chain disruptions as tensions in the Middle East persisted. Second, soaring energy prices could erode household purchasing power, especially among the lower-income segment. Third, government fiscal positions would be under greater strains, given the Pentagon's estimate of USD 25 billion in war-related expenditures as well as elevated treasury bond yields. These factors suggest that geopolitical uncertainty could affect the trajectory of US growth. That said, robust investment in AI-related fields, reinforced by solid corporate profits and a boost from tax cuts, is set to provide a solid stabilising force for the US economy through the rest of 2026.

**US GDP growth**

**Change in non-farm payrolls**


### Payrolls exhibited surprising strength in April

**April's labour market report showed a strong gain of 115,000 nonfarm payrolls.** This pace of job growth was far above market consensus of around 65,000. However, the estimates for February and March were revised down by a combined 16,000 jobs, underscoring that the underlying momentum is softer than the headline figure suggests. In addition, the household survey reported a decline of 226,000 in employment. Concurrently, the number of full-time workers plunged by 424,000, while part-time workers rose by 123,000, while the unemployment rate held steady at 4.3%. Wage growth edged up slightly to 3.6% YoY and 0.2% month-on-month (MoM). The overall picture pointed to an apparently steady but fragile labour market, with structural risks such as AI-driven displacement in technology sectors adding to headwinds.

**CPI inflation picked up in April.** Headline CPI inflation rose 0.6% MoM and 3.8% YoY in April, after rising by 0.9% and 3.3% in March, driven by the rise in energy prices. In the meantime, core CPI inflation (which excludes food and energy prices) also picked up, up 0.4% MoM and 2.8% YoY from 0.2% and 2.6%, respectively. While the price growth for most other services components remained stable, shelter prices rose sharply by 0.6% MoM and 3.3% YoY, serving as a major driver of core CPI inflation. While the uptick in shelter prices raised risks of reviving underlying inflation, the acceleration was expected as a possible one-time catch-up after last year's government shutdown disrupted rent data collection. Overall, the report revealed that geopolitical tensions are amplifying cost pressures, complicating the Federal Reserve's policy stance and reinforcing concerns about household purchasing power even as the broader economy shows signs of resilience.

**US CPI Inflation**

**University of Michigan Consumer Sentiment Index**


**Consumer sentiment reached a historic low.** The University of Michigan consumer sentiment index slipped to 48.2 in April, with households citing rising energy prices and declining real income expectations as key concerns. Meanwhile, the US Conference Board consumer confidence index inched up slightly but hovered around a low level of 92.8, reflecting caution surrounding business activity and the labour market. On balance, as sentiment is likely to be weakened by geopolitical uncertainty as well as high gasoline prices, it remains to be seen whether these subdued survey indicators will translate into real economic data in coming months.

### The Fed held rates steady amid divisions

**The Federal Open Market Committee (FOMC) voted to keep the federal funds rate steady at 3.50 to 3.75% during its April meeting, marking a third consecutive pause this year.** Notably, four members dissented in the meeting, representing the largest split since 1992. Governor Stephen Miran favoured a 25-basis-point cut, while Beth Hammack, Lorie Logan, and Neel Kashkari opposed including an easing bias in the policy statement. This bias pointed to a readiness to adjust monetary policy if risks arise, in which three dissenters viewed such guidance as premature. Besides, Powell, confirmed his intent to remain on the Fed board following the end of his term as Chairman. His continued presence will complicate Kevin Warsh's ability to implement reforms amid sharp divisions within the FOMC. Furthermore, concerns over inflation, driven by high oil prices and geopolitical tensions, have raised the bar for rate cuts in 2026.

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