



# THE UNITED STATES ECONOMIC MONITOR

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The jump in April job openings was driven by a sector where the first estimate usually is revised significantly.

Other measures of openings have continued to trend down; low quits imply a real wage squeeze is ahead.

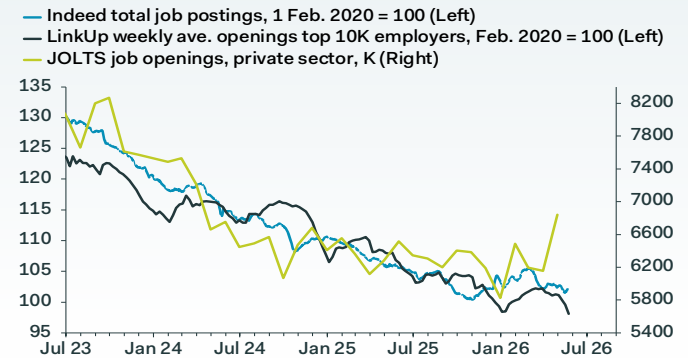
We doubt that the recent acceleration in corporate profits signals a sharp cyclical upswing.

## The jump in April job openings will be erased by revisions

We doubt that the jump in the JOLTS measure of job openings to a 23-month high of 7,618K in April, from 6,887K in March, is a reliable signal that labor demand is picking up. Openings in the professional and business services sector reportedly leapt by 668K to 1,715K, accounting for almost all the increase in overall openings. But openings in this sector have repeatedly shifted erratically in the first estimate, only for a more stable picture to emerge as more data are collected.

Other measures of job openings have continued to trend down recently. The LinkUp measure has dropped by 4% over the last three months, to reach its lowest level since Covid. Indeed's measure has slipped by 3% over the same period and now is back in line with 2025's lows. So we still look for a mere 50K increase in May payrolls, below the 85K consensus, despite the jump in the JOLTS data.

### UNOFFICIAL INDICATORS OF OPENINGS CONTINUING TO DECLINE



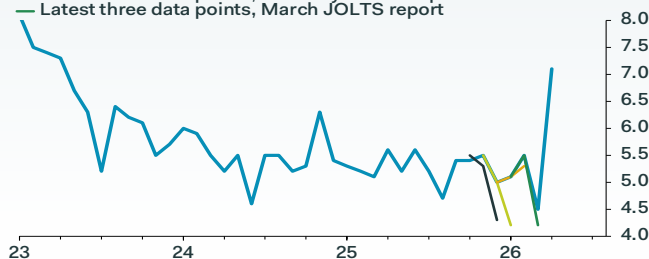
The overall layoff rate rose to 1.3%, from 1.2% in March, but it remains low by past standards. Layoffs, however, differ markedly by sector, with sectors quickly adopting AI seeing relatively high levels of layoffs, as our chart below shows. In addition, the number of layoffs notified in WARN filings by large companies increased to 36K in May, from 32K in April, topping its trailing 12-month average by 4K. This points to some modest near-term upward pressure on layoffs this summer, though Challenger's data, due Thursday, might present a more benign picture.

Meanwhile, the number of workers willing to take a risk and move to another job is continuing to dwindle, amid low confidence. The private sector quits rate fell to 2.1% in April, from 2.2% in March, slipping further below its 2015-to-19 average, 2.4%. The quits rate is one of the best leading indicator of wages; it points to year-over-year growth in the

### FIRST ESTIMATES OF PBS SECTOR OPENINGS ARE VERY NOISY

Job openings per 100 employees, professional and business services

- Latest estimate
- Latest three data points, December JOLTS report
- Latest three data points, January JOLTS report
- Latest three data points, February JOLTS report
- Latest three data points, March JOLTS report



### LAYOFFS REMAIN ELEVATED IN HIGH AI-ADOPTION SECTORS

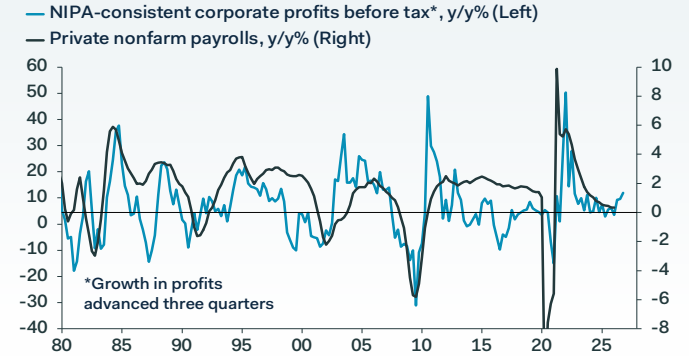
— Total layoffs in high-AI adoption sectors\*, K, six-month average



THE QUILTS RATE SIGNALS WAGE GROWTH HAS FURTHER TO FALL



GROWTH IN PROFITS HAS OFTEN LEAD PAYROLLS HISTORICALLY



ECI measure of wages and salaries slowing by a further half a percentage point by the end of this year. **Higher energy prices, therefore, look set to squeeze real wages, rather than trigger a spiral of wages and prices chasing each other higher.**

Are strong profits flagging a cyclical upturn?

With most companies now having reported their Q1 2026 earnings, S&P 500 EPS likely grew by just over 25% year-over-year, the fastest growth since late 2021, when the economy still was recovering from the Covid slump. Admittedly, S&P 500 EPS sometimes provide a distorted picture of profits in the broader US economy, given that they are tilted heavily towards the biggest companies. Also, they include the earnings of foreign subsidiaries, and are strongly influenced by financial engineering and accounting quirks. But the “macro profits” measure for Q1, released by the BEA last week, also shows an acceleration.

Year-over-year growth in NIPA-consistent pre-tax profits picked up to 12.0% in Q1— also the fastest pace since late 2021—from 9.6% in Q4. Unusually, the corporate sector

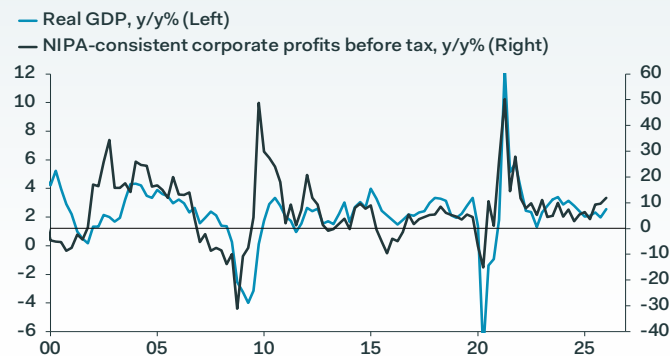
managed to expand its profits and pre-tax margins solidly despite the relatively weak demand backdrop suggested by the mediocre recent pace of GDP growth. At first glance, that looks like an encouraging cyclical signal, because growth in corporate profits often leads private payrolls and fixed investment by a few quarters.

If stronger growth in profits were prompting companies to consider expanding, however, we would have expected to see more of an upturn in the reliable survey indicators of hiring and capex intentions, and in business confidence. But this is not happening. Our preferred indicators of hiring intentions—see [here](#)—still look fairly weak. Meanwhile, the regional Fed surveys’ measures of capex intentions also are stuck a bit below their long-run averages, and the Conference Board’s measure of confidence among CEOs in Q2 reversed its tentative improvement in Q1.

Worries about how the energy shock might impact the economy, or how AI might upend existing business models, likely is prompting caution in many sectors, weakening the usual link between profits and hiring and capex intentions. But an alternative explanation is that profit growth is increasingly concentrated in a narrow set of tech-adjacent sectors. These sectors have high margins and can generate rapid earnings growth, but employ relatively few people and provide limited spillovers for broader demand. That would help to reconcile solid growth in profits with tepid GDP growth recently, plus the weak transmission to hiring plans.

**Either way, we are sceptical that strong growth in profits is an obvious sign hiring and investment outside of a few narrow AI-linked sectors is about to pick up.** We want to see clearer signs in the business surveys first.

MACRO PROFITS ARE PICKING UP DESPITE WEAK GDP GROWTH



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## THIS WEEK IN BRIEF

Note: "D" prefix denotes Datanotes for these releases.

### Monday, June 1

#### • D: ISM Manufacturing Survey (5)/10:00 EDT

The headline ISM index climbed to a four-year high of **54.0**, from 52.7, driven by gains in four of the five headline components. That said, we think a lot of the recent upturn in the manufacturing surveys reflects a rush to build stockpiles to protect against supply chain disruptions due to the conflict in the Middle East.

#### • Construction Spending (4)/10:00 EDT

Overall construction spending rose by **0.4%**, driven chiefly by another solid gain in new build residential spending. But weak home sales and a big inventory of unsold new homes still points to weaker homebuilding in the months ahead.

### Tuesday, June 2

#### • D: JOLTS Job Openings (4)/10:00 EDT

Openings jumped unexpectedly to **7,618K**, from 6,867K, but the gain was almost entirely due to a huge leap in openings in the professional and business services sector, where the numbers often are revised heavily. Other more timely indicators of labor demand have continued to deteriorate in recent months.

#### • Light Vehicle Sales (5)/Late Afternoon EDT

Industry body forecasts point to vehicle sales of about **16M** annualized in May, little changed from the 15.9M recorded in April. **Consensus: 16.0M.**

### Wednesday, June 3

#### • Mortgage Applications (5/29)/07:00 EDT

Mortgage purchase applications dropped by a further **0.4%** in the week ending May 22, reaching a six-week low. Meanwhile, the average 30-year conventional mortgage rate rose to 6.65%—its highest rate since August 2025—from 6.56% in the previous week.

#### • D: ADP Employment (5)/08:15 EDT

The 36K average weekly rise in ADP private payrolls in the four weeks to May 9 points to a month-to-month increase of about **145K**. **Consensus: 120K.**

#### • Factory Orders (4)/10:00 EDT

The advance durable goods orders report for April suggests that total factory orders probably rose by about **5%**. **Consensus: 4.3%.**

#### • D: ISM Services Survey (5)/10:00 EDT

The average ISM-relevant component of the regional Fed services surveys ticked up slightly in May, suggesting that the headline ISM services index also rose. We have pencilled in an increase to **54**, from 53.6. **Consensus: 53.7.**

### Thursday, June 4

#### • Challenger Job Cuts (5)/05:30 EDT

We look for around **80K** job cut announcements in May, down from 105K in April. **Consensus: N/A.**

#### • D: Initial Jobless Claims (5/30)/08:30 EDT

We look for a small rise in initial claims to **220K** in the week ending May 30, from 216K in the prior week. Seasonally adjusted claims recently have tended to pick up in the week containing Memorial Day. Meanwhile, we think continuing claims dropped to **1,775K**, from 1,786K in the previous week. **Consensus: N/A.**

#### • Productivity & Unit Labor Costs (Q1f)/10:00 EDT

We think last week's downward revision to Q1 GDP growth are consistent with productivity growth being revised to **0.6%**, from 0.8%. We also think growth in unit labor costs will be revised up to around **2½%**, from 2.3% previously. **Consensus: Productivity 0.7%, unit labor costs 2.4%.**

### Friday, June 5

#### • D: Employment (5)/08:30 EDT

We think payrolls rose by just **50K** in May. Our model points to a 95K increase, but it is based partly on a four-month advancement of the hiring intentions index of the NFIB survey, which has weakened sharply since January. In addition, payrolls have surprised to the downside after two straight above-consensus readings two-thirds of the time since 1998. We also expect the boost to payrolls in April from unusually warm weather to unwind in May. Meanwhile, we look for a small rise in the unemployment rate to **4.4%**, from 4.3% in April, and a **0.3%** rise in average hourly earnings. **Consensus: Payrolls 85K, unemployment 4.3%, AHE 0.3%.**

#### • Consumer Credit (4)/15:00 EDT

We expect another bumper increase in the stock of consumer credit in April, of about **\$20B**, as households borrowed yet more on credit cards to cover the jump in the cost of gasoline. **Consensus: \$18.0B.**

## EXPECTATIONS FOR THE FEDERAL FUNDS RATE

	Pantheon forecast (revised May 6)	Mid-point of target range, %			
		Market (FFFs) Latest*	1w. Δ <sup>^</sup>	Bloomberg Consensus	Fed SEP Median
Latest	3.625	-	-	-	-
Jun. 17 2026	3.625	3.63	+0.3	3.625	-
Jul. 29 2026	3.625	3.64	-1.6	-	-
Sep. 16 2026	3.625	3.69	-1.8	3.625	-
Oct. 28 2026	3.625	3.72	-0.7	-	-
Dec. 9 2026	3.375	3.80	+0.5	3.375	3.375
Jan. 27 2027	3.125	3.83	+0.9	-	-
Mar. 17 2027	2.875	3.89	+1.4	3.125	-

\* June 2 12:00 EDT. ^Change from seven days previously shown in bp

## PANTHEON'S FINANCIAL FORECASTS

	End-month:				
	12:00pm Tue.	Jun	Sep	Dec	Mar
Fed funds mid-point	3.625	3.625	3.625	3.375	2.875
2-year note	4.04	3.80	3.60	3.40	3.00
10-year note	4.45	4.20	4.00	3.80	3.60
30-year bond	4.96	4.90	4.70	4.50	4.20
Curve 10-2	41	40	40	40	60
Curve 30-2	92	110	110	110	120
S&P 500	7,615	7,000	7,000	7,100	7,200
Euro/Dollar	1.16	1.17	1.17	1.17	1.17
Sterling/Dollar	1.35	1.36	1.36	1.36	1.36
Yen/Dollar	160	155	153	150	150

## PANTHEON'S ECONOMIC FORECASTS

	Period average:						
	Q1 26	Q2 26	Q3 26	Q4 26	2025	2026	2027
GDP, q/q% ann.	1.6	1.5	1.0	1.8	-	-	-
GDP, y/y%	2.6	2.0	1.2	1.5	2.1	1.8	1.8
Change in NFP*, K	76	50	75	75	101	60	150
Unemp. rate, %	4.3	4.3	4.5	4.7	4.3	4.5	4.3
ECI Priv. wages, y/y%	3.4	3.0	2.9	2.8	3.5	3.0	2.8
CPI, y/y%	2.7	3.5	3.1	3.0	2.7	3.1	2.0
Core CPI, y/y%	2.5	2.7	2.6	2.5	2.9	2.6	2.0
Core PCE Def, y/y%	3.1	3.2	3.2	3.1	2.8	3.1	2.0
Bud. Bal., % GDP, FY	-	-	-	-	-5.8	-6.0	-6.0

\*Based on the initial published estimates for each month