

## Soft US jobs report reinforces the message that the Fed's work is done

Labour market numbers are always the last thing to turn in an economic cycle so the softening in employment and wage growth and the rise in the unemployment rate makes it all the more likely that the Federal Reserve won't hike interest rates again



US payrolls rose 150,000 in October, below consensus, indicating the Fed may be done with rate hikes

# 150,000

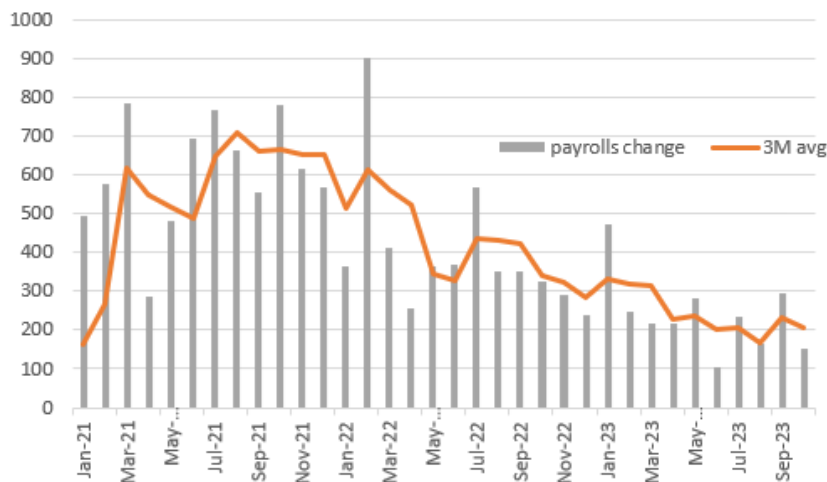
 Payrolls gain in October

### Payrolls momentum continues to soften

Today's US jobs report is softer than predicted everywhere you look. Payrolls rose 150k in October versus the 180k consensus while there were 101k of downward revisions to the past two months. The unemployment rate ticked up to 3.9% from 3.8% (consensus 3.8%) while wages came in at 0.2% month-on-month/4.1% year-on-year, whereas the consensus was 0.3%/4.0% with revisions impacting the flow a little there. It is down from 0.3%/4.3% last month and when you strip out the

pandemic distortions it is the weakest annual pace of wage gains since before the pandemic struck. Below is a chart of the monthly change and the 3M average, showing the decelerating trend in employment growth.

### Monthly change in non-farm payrolls & 3M moving average (000s)

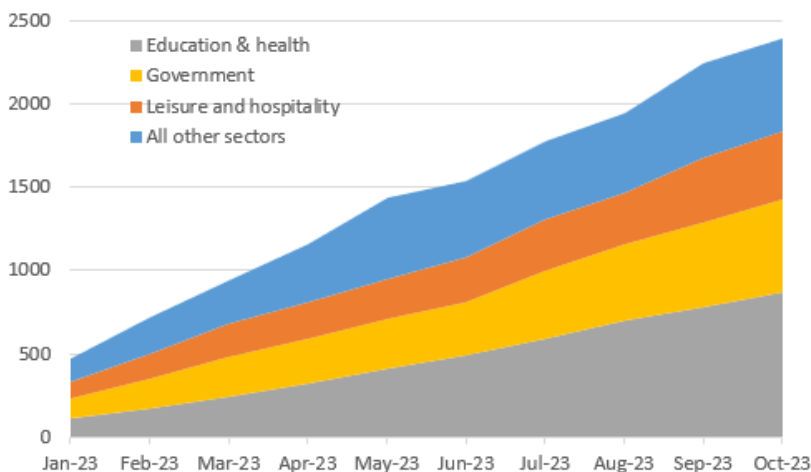


Source: Macrobond, ING

### Jobs growth concentrated in just three areas

The details show manufacturing employment fell 35k, which was impacted by the auto strike action and associated knock-on effects with suppliers. All the strength was again concentrated in government (+51k) and education and health (+89k). Year-to-date employment in education/health is up 3.5%, leisure and hospitality is up 2.5% and government is up 2.5%. The rest of the economy has seen employment rise just 0.6%.

### Where the jobs have come from in 2023 (Cumulative increase in employment in 2023 000s)



Source: Macrobond, ING

The rise in the unemployment rate and underemployment rate (to 7.2% from 7%) despite the participation rate dropping back to 62.7% from 62.8% points to a loosening labour market, a message reinforced by the weaker wage growth. This should give the Fed a bit more confidence that inflation can continue its softening trend, especially in the wake of the big falls seen in gasoline prices.

## The Fed just needs to sit and wait

Low response rates from businesses and households to create this data have reduced the credibility of the report and are intensifying inconsistencies (household employment fell 348k, for example, despite payrolls rising 150k). But the US is not alone. This is something that is being experienced across developed markets and means we are seeing (and will continue to see) significant revisions. Nonetheless, payrolls is the number that markets focus on and with unemployment rates and wages softening it all reinforces the view that the Fed is finished hiking interest rates.

### Author

#### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).