

## US jobs: Headline disappoints, but it will turn round

US payrolls growth of 157,000 is disappointing but there were upward revisions, and forward-looking indicators suggest more big jobs gains to come



Source: Shutterstock

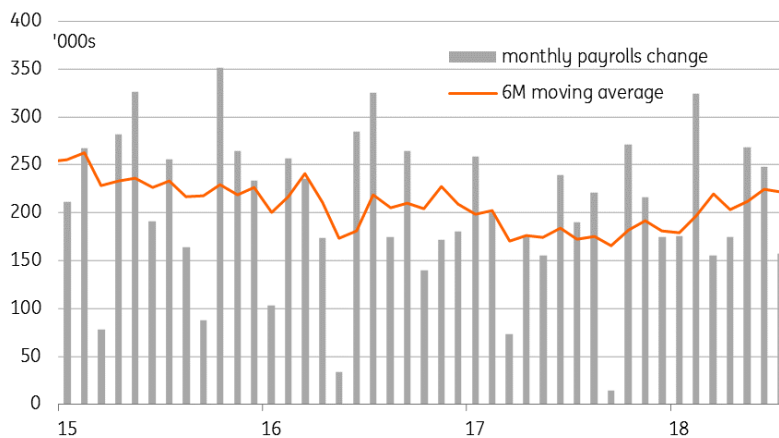
**157,000** Number of job gains in July

### Mixed report

The July US jobs report shows payrolls rising 157,000 versus the 193,000 Bloomberg consensus, but there were 59,000 upward revisions to recent history so overall it's close to market predictions. Wages rose 0.3% month-on-month, in line with expectations, which leaves the annual rate of wage growth at 2.7%. The unemployment rate moved back down to 3.9% from 4% while U6 underemployment is at 7.5% versus 7.8% previously.

The headline payrolls number is softer than hoped given the rise in the ISM employment component, the strong ADP private payrolls report (219,000) and another really firm NFIB employment data release. Nonetheless, the marked step up in employment gains versus 2017 remains in evidence. Last year averaged 182,000 jobs per month whereas the first seven months of 2018 have averaged 215,000 job gains. This will help underpin consumer sentiment and spending through the rest of the year.

## Monthly change in US nonfarm payrolls



Source: Bloomberg

## Outlook still looks good

In terms of the outlook for employment, the fact that the economy is growing so strongly bodes well for ongoing job creation. There are certainly worries about protectionism and its potential economic impact, but we also have to remember that the stimulus from tax cuts dwarfs the tax hit from higher tariffs. As such we are still expecting the US economy to expand 3% this year.

This view is seemingly supported by the employment numbers released by the National Federation of Independent Businesses yesterday. According to them, the proportion of small businesses with unfilled vacancies has never been higher in the survey's 45-year history and nor has the "job creation plans" for the coming three months.

## NFIB: Unfilled job openings (% with at least one unfilled opening)



Source: Macrobond

So the US has an economy that is growing incredibly strongly with a robust jobs market. At the same time, consumer price inflation is set to hit 3% next week with the core rate (ex-food and energy) coming in at 2.3%. This will ensure the Federal Reserve keeps hiking rates, with September and December moves looking probable.

### 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 <http://www.ing.com>.