

## Disappointing US wage growth unlikely to worry the Fed

Hurricanes continue to distort the jobs numbers, but with the economy flying, a disappointing wage figure is unlikely to knock the Fed off-course



Source: iStockphoto

For markets, a further disappointment in wage growth will be the key takeaway from today's data. November's growth in average hourly earnings came in below consensus at 0.2%, following a downward revision to October's figure, although it's still probably worth taking these numbers with a pinch of salt.

Back in September, job losses from the hurricanes were highly concentrated in low-wage sectors, and taking them temporarily out of the sample artificially boosted the average level of pay. November's disappointment could simply be a further correction to this blip.

---

*The Fed will most likely write off this report*

---

A similar logic can probably be applied to the payrolls numbers. On the face of it, a 228,000 increase in jobs during November looks good, but at least some of this is probably down to people

returning to work after the disruption. Either way though, policymakers are less bothered by jobs growth these days - they know that the rate of employment growth should be expected to slow as the remaining slack in the economy erodes.

**2.5%** Wage growth  
(YoY%)

Worse than expected

Given all the noise, the Fed will most likely write off this latest jobs report. Wage growth was disappointing, but given the sheer strength of the jobs market, we would still expect pay to accelerate gradually through next year. More broadly, we agree with the Fed's assertion that most of this year's inflation dip was 'transitory'.

Throw in three-percent economic growth next year, as well as the hawkish rotation in regional Fed voters, and we expect a rate hike next week to be followed by three more in 2018.

## Author

### James Smith

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@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>.