

Is Trump tax uncertainty hitting business sentiment?

A surprise fall in the non-manufacturing ISM survey casts some doubt over the near-term growth outlook, and over Friday's jobs numbers.



USA

Source: ING

55.2

US Non-manufacturing ISM survey

Previously 57.6

Worse than expected

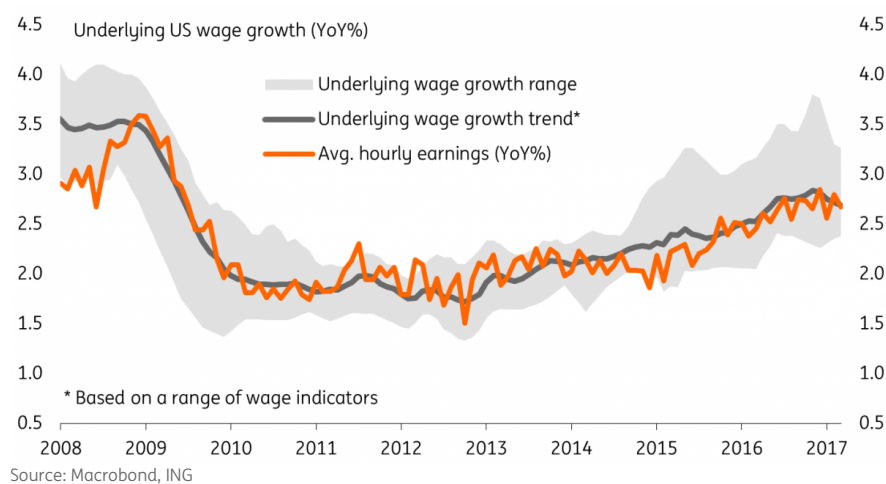
In theory, the survey is indicative of current business conditions. But whilst the latest reading is still consistent with robust growth, we can't help but wonder how much surveys such as the ISM have been buoyed by Trump-related optimism, and whether the recent uncertainty surrounding his tax plans is starting to weigh on sentiment.

For now though, markets will be more interested in whether the weak non-manufacturing ISM employment component hints at a softer jobs report on Friday. As always, we'd caution that the correlation between this survey and the official payrolls data is very weak. The same applies to the ADP data, which came out particularly strongly at 263k earlier today.

[Read more about our thinking on Friday's jobs report](#)

We're expecting a disappointing US labour report on Friday. We forecast non-farm payrolls growth to come in at 155k, as an unseasonal boost in construction employment in February corrects this time around. More importantly for the Fed, we think wage growth could disappoint, and will struggle to break above 3% YoY until much later in the year. That's one of the reasons why we think there is still a risk that the Fed only hikes once, rather than twice, more in 2017.

Progress on wage growth has been slow



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