

# 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

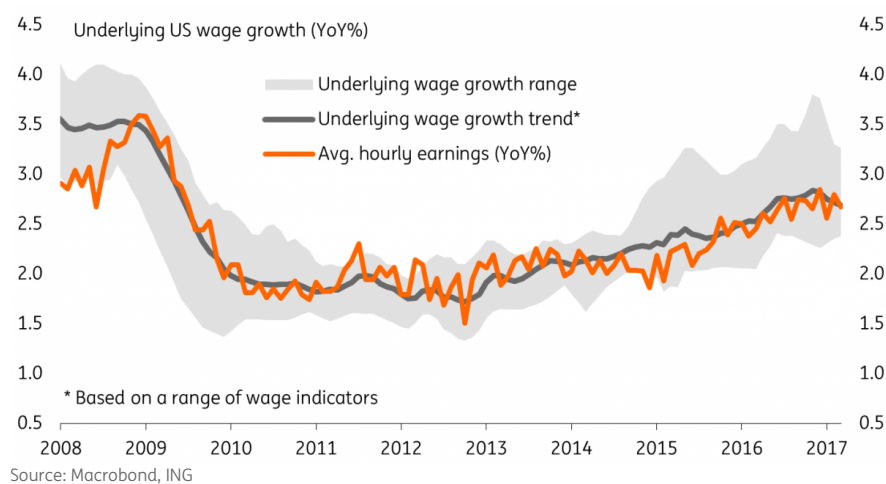
In theory, the survey is indicative of current business conditions. But whilst the latest reading is still consistent with robust growth, we can't help but wonder how much surveys such as the ISM have been buoyed by Trump-related optimism, and whether the recent uncertainty surrounding his tax plans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



### 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 [www.ing.com](http://www.ing.com).