

## Messy US jobs data shouldn't derail a December rate hike

A hurricane distorted jobs report won't bother the Fed; US tax plans and the Fed Chair race are far more interesting



Source: Federal Reserve

One of the Fed's big challenges at the moment is convincing markets that inflation is on the rise. But whilst we're generally optimistic that price-pressure is continuing to build, this Friday's jobs report is unlikely to help the Fed's cause. Wage growth looks set to miss estimates, although in reality hurricanes will again make the overall report very tricky to read.

For the Fed, it's unlikely to dissuade the committee from hiking again in December. But for markets, this week's data will be overshadowed by the long-awaited Fed Chair decision and ongoing noise surrounding Trump's tax plan.

Here are the key things we're looking out for in Friday's report...

### Massive Hurricane rebound makes jobs growth hard to read

Pinning down exactly how many jobs were temporarily lost due to the hurricanes is very tricky. But

at the minimum, we know Florida alone shed 137,000 jobs. Assuming an underlying growth trend of around 150k, it's quite likely we'll get a reading in excess of 300,000 this time around.

But whatever the case, the Fed is unlikely to pay much attention to this data. Even in "normal" months, policymakers are much less sensitive to movements in job growth as the economy increasingly hones in on full employment.

**320k** Change in non-farm payrolls  
 ING forecast (Consensus 310k)

## Wage growth hasn't escaped the Hurricane's wrath either

At face value, the 0.5% wage growth seen in September was very strong. But like employment, this didn't fully escape the Hurricane effect. Most people who couldn't get to work because of the storms were highly concentrated in the leisure sector. As the wage level in this industry is typically lower than average, it's possible that by temporarily removing these workers from the sample, the overall level of pay was artificially higher.

The usual calendar quirk also likely played its part:

*2 fewer workdays in September = fewer hours in the month = higher average hourly earnings*

Both of these things will have the reverse effect on wage growth this time, which is why we see risks of a weak October reading.

But again, this is all just noise. Fundamentally, we are still seeing signs that wage growth is gradually on the rise as the jobs market tightens and job-to-job flows continue to pick-up. That's a key reason why we think the Fed will hike at least twice next year.

**2.6%** Wage growth (YoY%)  
 ING forecast (Consensus 2.7%)

## Unemployment rate

Last month, this is where things got slightly bizarre. Unlike the payrolls measure, the Bureau of Labor Statistics said the household survey wasn't impacted by the hurricanes. And according to this survey, the economy added almost a million jobs in September - the biggest monthly increase in almost four years. That helped drag the unemployment rate down to 4.2%.

As always, it's worth remembering these numbers can be very choppy, so we'd take them with a hefty pinch of salt. This also means we could well see the unemployment rate tick back up to 4.3% in October if we get a partial reversal of last month's gains.

# 4.3%

## Unemployment rate

ING forecast (Consensus 4.2%)

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