Our guide to Friday's US jobs numbers

Expect a reasonable US jobs report as the effect of the hurricanes in September finally wears off

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Jobs growth

After the hurricanes in September, it's been hard to make any real sense of the past few jobs reports. But three months later, we're inclined to say December's numbers should be close to 'normal'. That probably means a return to the underlying trend - something in the region of 170,000 - although an over-correction after a couple of bumper readings can't be ruled out.

That said, mid-December appears to have been fairly warm and relatively dry, which may have allowed construction projects and other weather-dependent activities to continue for longer than usual. As December's payrolls data is typically one of the most correlated months to weather patterns, this would be a tailwind for overall jobs growth - although admittedly the effect could be somewhat marginal.

But whatever happens, with the economy essentially at full employment, the Fed is well aware jobs growth should be slowing - meaning a sub-consensus number shouldn't bat too many eyelids.

170k

Change in non-farm payrolls

ING Forecast ('000s)

Wage growth

Where policymakers have become less interested in jobs growth, they've become more focused on wage growth - and that's reflected in the market reaction to US jobs reports. November's wage growth was a tad disappointing, although again we would put some of this down to the hurricane-effect continuing to ripple through.

We're looking for a slight increase in month-on-month growth in December, although this will be at least partly down to a calendar quirk relating to the number of workdays. There was one less workday in December than November, and given that wage growth is an hourly average, this tends to result in an artificially higher growth number.

Statistical noise aside, we still expect wage growth to grind higher over coming months given the sheer strength of the jobs market, although evidence from 2017 suggests it is a slow-moving ship. More broadly, we agree with the Fed's assertion that most of last year's inflation dip was 'transitory'.

2.5%

Average hourly earnings

ING Forecast (YoY%)

Unemployment rate

Following a rough couple of months, barely anything changed in the household survey measure of the jobs market last month. A similar story in December would keep the unemployment rate at 4.1%, although we see a risk of a dip to 4.0% should there be a sizable drop in the number of unemployed workers.

Either way, it will end a year that has seen a remarkable fall in the unemployment rate - something that bodes well for the wider economy in 2018.

4.1%

Unemployment rate

ING Forecast

> We suspect inflation will show signs of life this year, but we are also seeing the Fed broadening its arguments for rate hikes.

Policymakers are warning about financial stability risks, as well as "rich" asset prices. Throw in the possibility of three percent growth this year, as a well as a hawkish rotation in regional voters, and we think the Fed will follow through with its ambition to hike three times in 2018.

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