

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



Source: Shutterstock

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 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.

Author

James Smith

Developed Markets Economist, UK

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.