

## Strong wages more important than hurricane depressed jobs data

Fed policymakers won't be too worried about any hurricane impact as they talk up a December hike



### Jobs report should help cement December Fed hike

With this month's payrolls number likely to be "written off" given the effect of recent hurricanes, a decent wage number should help cement market pricing of a December hike. But in reality, if the Fed decides not to move at the end of the year, it's unlikely to be because of economics. Instead, the new debt ceiling deadline falls almost right on top of the December meeting and given the divisive nature of US politics, it could go down to the wire. A substantial pick-up in market volatility on the possibility of a government shutdown could conceivably see the Fed delay until 2018 - although that's not our base case.

Here's what we expect from September's jobs report, due on Friday:

## Wage growth: The usual calendar quirks to generate a strong number

Markets were left disappointed by last month's wage figure, but as is often the case, much of it can be put down to a change in the number of workdays between months. Where two extra workdays depressed August's data, two fewer days in September should see a stronger reading this time around. Of course, these statistical quirks tell us nothing about the economics. The tight labour market and increasing job-to-job flows should drive up the pace of pay rises over coming months. But it is a slow-moving picture and we may struggle to see growth above 3% this year.

**2.6%** Wage growth (YoY%)  
(Consensus 2.5%)

## Fed to "write off" September jobs growth given hurricane distortion

There's little doubt this month's payrolls data will be depressed by the recent hurricanes. But so far, initial jobless claims have spiked less than in the aftermath of Hurricane Sandy in 2012, which in itself only caused a minor blip in payrolls. Back then, the Bureau of Labor Statistics said Sandy *"did not substantively impact the national employment estimates"*. We suspect the 75k consensus may be a touch low, but either way, the Fed will largely ignore this month's data. In any case, they are comfortable with consistently lower jobs growth as the economy closes in (or reaches) full employment.

**110k** Change in non-farm payrolls  
(Consensus 75k)

## Unemployment rate to hover near post-crisis low

Last month saw a "good" rise in the unemployment rate away from its post-crisis low, as more people entered the labour market, albeit without immediately finding a job. We expect the rate to stay stable at 4.4% this time, although this data can be pretty choppy between months.

**4.4%** Unemployment rate  
(Consensus 4.4%)

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