

US jobs growth slows... temporarily

The US posted a disappointing 148,000 jobs growth figure in December, but with the economy growing at 3% this is likely to be temporary while upside wage risks remain



Source: Shutterstock

148,000

Job creation in December 2017

... versus the market's 190,000 prediction

The US employment report for December shows a soft headline payrolls increase of 142k versus the 190k consensus prediction and there was a net 9k downward revision to the last two months. Other than that the report was in line with market expectations since unemployment stayed at 4.1% (to 3dp it has dropped from 4.121% to 4.095%) and wage growth rose 0.3% month-on-month and 2.5% year-on-year. There still may be some distortions relating to the hurricanes, but they are likely to be minor.

Goods producing employment rose 55k, so the disappointment came from services this time, which saw employment growth of just 91k – the weakest since the 24k outcome at the time of the hurricanes. We will look to see if this is also reflected in the ISM non-manufacturing employment component, which is due out at 10am ET. If not, then it would hint that upward revisions are likely in next month's jobs report.

With the economy growing strongly (we expect 3% GDP growth this year) and business sentiment at such high levels, we expect the US to continue creating jobs in significant numbers. Unemployment should soon break below 4%, but the big uncertainty remains wages. Pay growth is remarkably weak relative to previous cycles, but we feel that in the current positive economic environment the risks remain to the upside through 2018. As such, inflation pressures are likely to gradually build in the US economy, which in our view will lead to a minimum of three interest rates hikes from the Federal Reserve this year.

Author

James Knightley

Chief International Economist

james.knightley@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 <http://www.ing.com>.