

US jobs: Staying solid

Another strong US jobs report supports the view that the US economy has made a promising start to 2020. It may well be that the US-China trade deal has reduced uncertainty and provided a platform for growth. Nonetheless, coronavirus fears in an environment of already subdued global growth underlines the risk of softer figures ahead



225,000 January's change in non-farm payrolls (consensus 165,000)

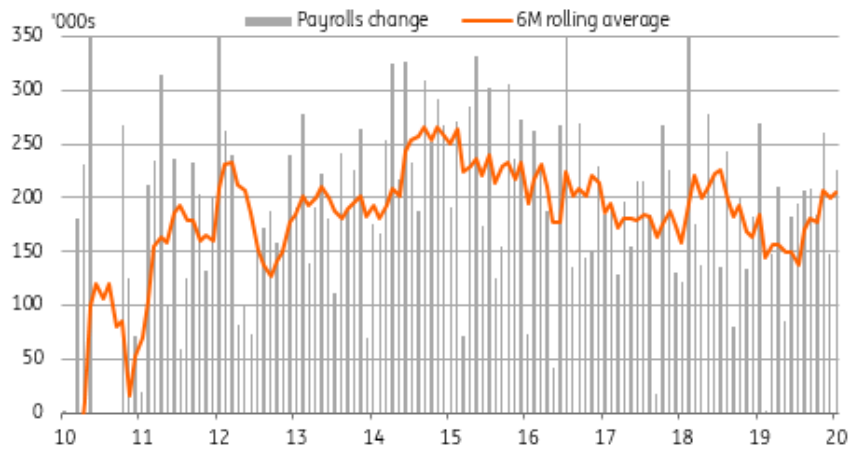
The January jobs report has delivered another set of strong figures with non-farm payrolls rising 225,000 with a 7k upward revision. The market had been anticipating a figure around the 165,000 mark, although the firm ADP report had seen expectations creep higher in the past couple of days.

As the chart below shows, the 6M rolling average for payrolls growth continues to hover just above the 200,000 mark (206,500). The details show strong construction employment (+44,000) thanks likely to the benign weather that has allowed building work to continue through the winter. Manufacturing unsurprisingly fell 12,000, which may in part be attributed to the Boeing situation,

while services employment rose 174,000.

Census worker hiring is starting to happen, but it is relatively small at the moment, but there was another really hefty increase in education and healthcare of 72,000 and we remain a little wary that leisure and hospitality continues to be such an important driver of jobs growth (another 36,000). This is a relatively low wage, low skill sector that has been responsible for 17% of all the jobs created in the US since October 2018.

Payrolls growth trending higher



Source: Bloomberg, ING

There were also upward revisions to the path of wages that meant annual growth is now at 3.1% versus 3% expected, despite the month-on-month change undershooting expectations. Nonetheless, we would emphasise this is well below where we should expect it to be given the supposed tightness of the jobs market. On this front unemployment ticked a little higher to 3.6%, but this was due to a jump in the labour market participation rate (people returning to the jobs market, which is in itself an good sign regarding household optimism).

Wages are up, but the trend is disappointing



Source: Bloomberg, ING

Today's jobs report, coupled with the strong ISM readings and good consumer confidence figures suggests an encouraging start to 2020 and offers support to our view that the China-US trade deal has provided a platform for stronger growth. Jobs continue to be created in decent numbers, but there is little wage inflation threat despite apparently tight labour markets. Consequently, with the Federal Reserve seemingly content with its current monetary policy stance, the prospect of any near-term interest rate moves seems limited.

Nonetheless, we have to be a little wary given the coronavirus outbreak has the potential to derail this story. Markets appear sanguine, but at the very least the disruption to Chinese factory output and logistics operations will impact US-Asia supply chains. The hit to the Chinese economy will also diminish the prospect of the US-China phase one trade deal delivering a meaningful uplift in demand for US made product. The threat that the coronavirus outbreak poses in an environment of already subdued global growth underlines the potential for medium-term US economic weakness.

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