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Economic Research

Economic Briefing

Mixed US labor market data

5 January 2024

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The US economy created 216 thousand new jobs in November, more than in October and more than expected. However, the previous months' data were revised downwards by a significant 71 thousand. The trend in employment is losing momentum, even if job gains stabilized in recent months. Ultimately, the labor market is still quite robust, which supports our view that the US Federal Reserve will not cut interest rates as early as the market has priced in.

The data ...

In December, nonfarm payrolls the US increased 216 thousand. This was more than expected (consensus 170 thousand, Commerzbank forecast: 150 thousand) and more than in October (173 thousand). However, taking into account the downward revision of the October and November figures by a combined 71k, the employment data is even slightly disappointing. The unemployment rate remained at 3.7% (consensus and Commerzbank forecast 3.8%).

... and the background

The employment report for December is mixed. Job growth in December, the unchanged low unemployment rate and the 0.4% increase in average hourly earnings from November are surprisingly strong. Weak points, on the other hand, are the downward revisions of recent months and the fact that the total volume of hours work actually shrank in December as employees worked shorter hours on average.

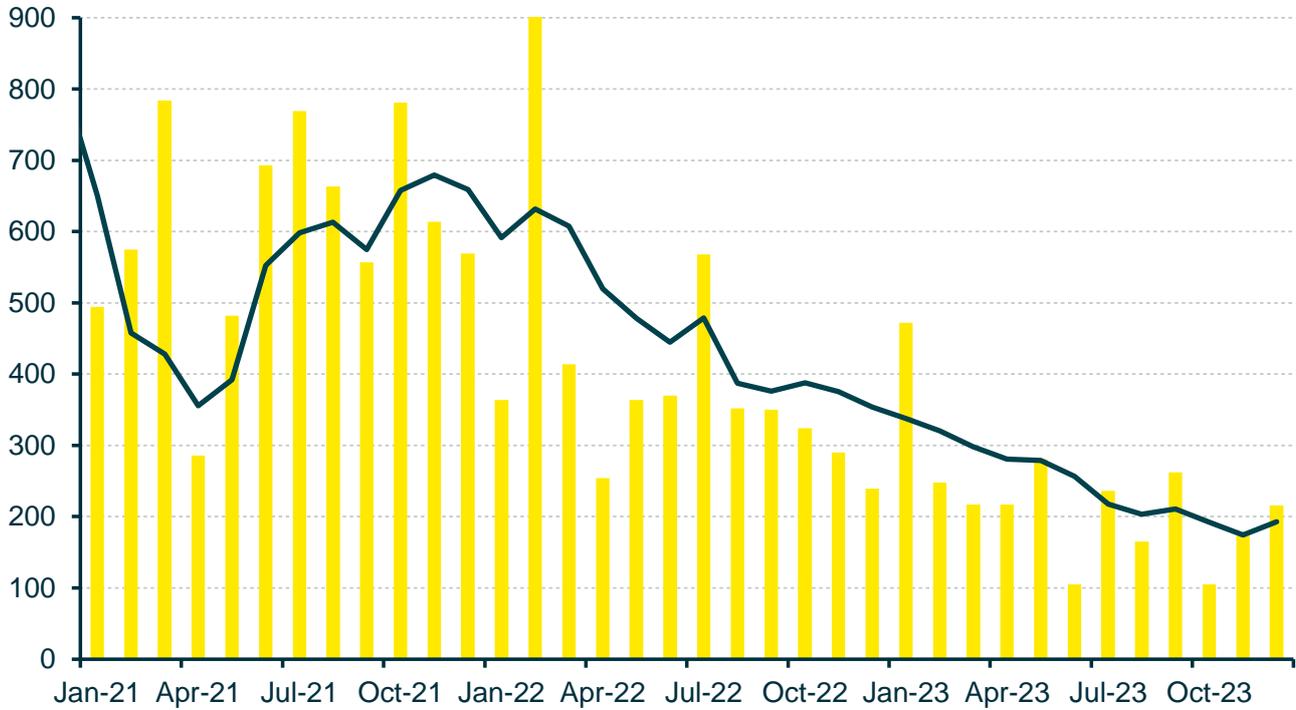
The longer-term picture is similarly mixed: the trend in employment growth measured by the six-month average continues to point downwards. This is consistent with our forecast that the US economy is losing momentum. However, there has hardly been any downward movement in recent months (Chart 1). This is likely to be taken by many as an indication that the US economy could achieve a soft landing.

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Chart 1 - Payroll growth slows on trend, but shows less downward momentum in recent months

nonfarm payrolls, month-on-month change in thousands. Line: six-month moving average



Source: S&P Global, Commerzbank Research

For the Fed, data are moving in the right direction

Some areas of the labor market are showing noticeable signs of cooling, but the number of newly created jobs has stabilized in recent months. This should reinforce the Fed's assessment that supply and demand in the labor market are increasingly coming into balance (data published yesterday shows a further decline in job openings). However, job growth is still too high from a demographic perspective, with a trend of around 100 thousand new jobs per month being sufficient to provide the growing population with jobs. This means that no rapid interest rate cuts are to be expected; we are sticking to our forecast that the Fed will not cut interest rates before May.

Table 1 - US employment report

	Dec-23	Consensus	Nov-23	Oct-23	Sep-23	six month average
Nonfarm payrolls	216	170	173	105	262	193
Unemployment rate	3.7	3.8	3.7	3.8	3.8	3.7

Source: BLS, Bloomberg, S&P Global, Commerzbank Research



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In accordance with ESMA MAR requirements this report was completed 5/1/2024 15:09 CET and disseminated 5/1/2024 15:09 CET.

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