

US NOVEMBER JOBS REPORT MIXED BUT LIKELY ENOUGH FOR FED HIKE THIS MONTH

The November US employment report was mixed, but likely enough for the FOMC to hike at its December 13-14 meeting.

Total US nonfarm payrolls increased a solid 178k into November (+1.6% yr/yr), in line with the Consensus forecast. Net revisions totaled -2k, with job gains revised up by 17k in September, but down by 19k in October to 208k and 142k, respectively. Total personal incomes likely grew at a slower pace in November, as average hourly earnings fell 0.1% m/m and aggregate hours worked advanced by a slight 0.1% m/m.

The household survey revealed a sizable 0.3pp decline in the unemployment rate to 4.6% which fell **partly for the “wrong” reason as the labor force participation rate ticked** down 0.1pp to 62.7%. Still, the decline in unemployment rate is impressive as the level of unemployment fell 387k and household employment increased 160k. The employment-population ratio was unchanged at 59.7%.

The FOMC’s measure of long run unemployment is 4.8%, so with the unemployment rate below that mark and at its lowest level since August 2007, it may be difficult for them not to hike.

The swings in the monthly change in average hourly earnings in October and November (strong 0.4% m/m gain in average hourly earnings in October, followed by the 0.1% decline in November) were likely due to calendar quirks. On a yr/yr basis, average hourly earnings were up 2.5% still within its recent 2.5-2.8% range. That said, wage growth in the goods sector was troubling falling off notably on the month (see Chart below). It will be worth noting if this trend continues in coming months, looking past short-term volatility.

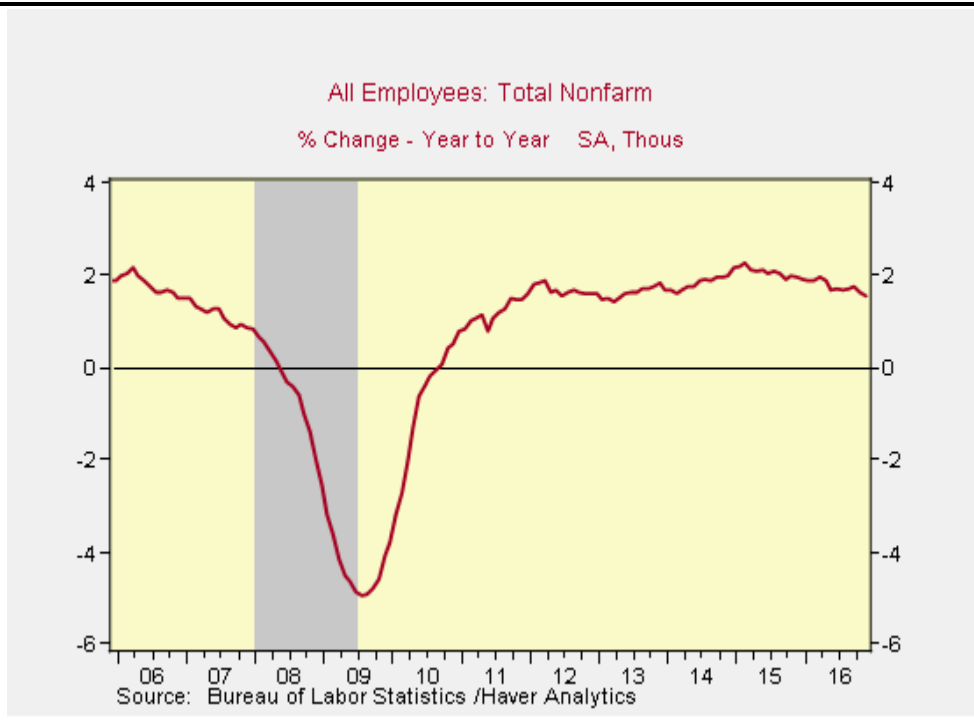
The government added a net 22k jobs in November, as state and local governments added 19k jobs after keeping their payrolls flat over the last couple of months. Expect to see a ramp-up in hiring for state and local governments in the medium term when the Trump administration and Congress implement sizable infrastructure spending program (see [“US: stronger growth, higher rates, more uncertainty”](#) for a discussion of our revised economic forecasts).

By industry, goods employment rose by 17k primarily due to construction employment. The manufacturing sector shed jobs for the fourth straight month, but prospects in the sector may be improving - most regional manufacturing surveys reflected better sentiment in November and pro-business reform along with likely looser regulations on businesses should lead to an acceleration in activity which should increase demand for new workers. The mining and logging sector seems to be finally working its way out of the two year malaise increasing payrolls for the second month in two years (see Chart).

Service sector employment increased by 139k, below its recent average. The information sector shed 10k jobs and notably, the retail sector shed 8k jobs after shedding 9k jobs in October, troubling news for the holiday season. Although employment for couriers and messengers was up by 6k, decent signal about expected online shopping demand, aggregate transportation and warehousing employment was up by a mere 9k.

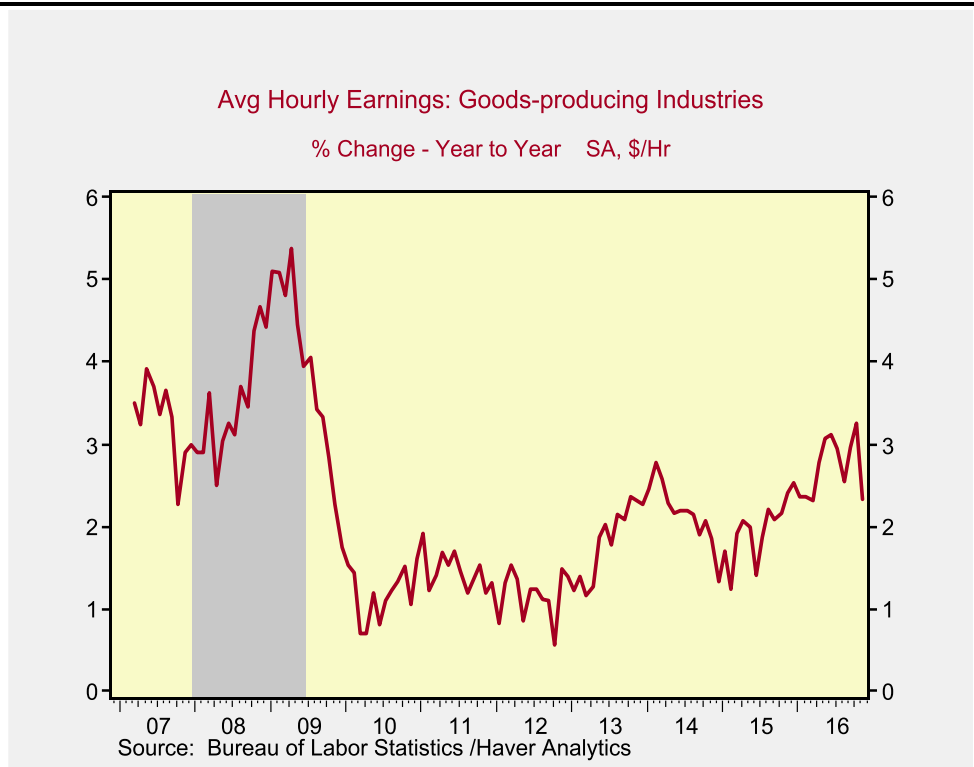
02 December 2016

Chart 1: Total nonfarm employment (yr/yr, %)



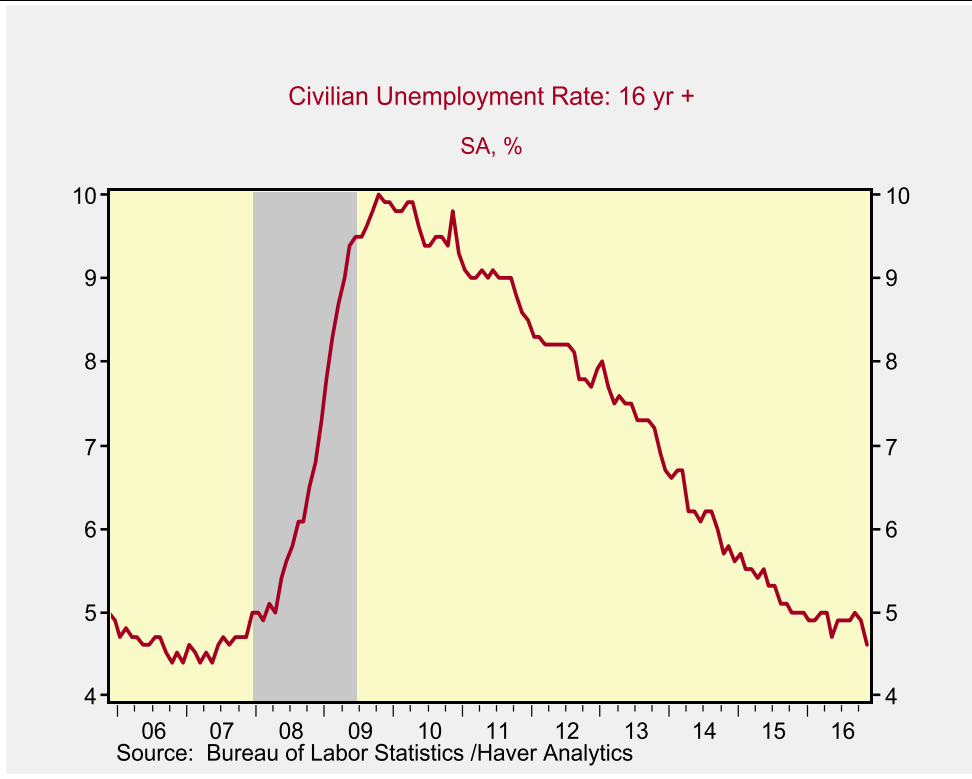
Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 2: Average hourly earnings: goods-producing industries (yr/yr, %)



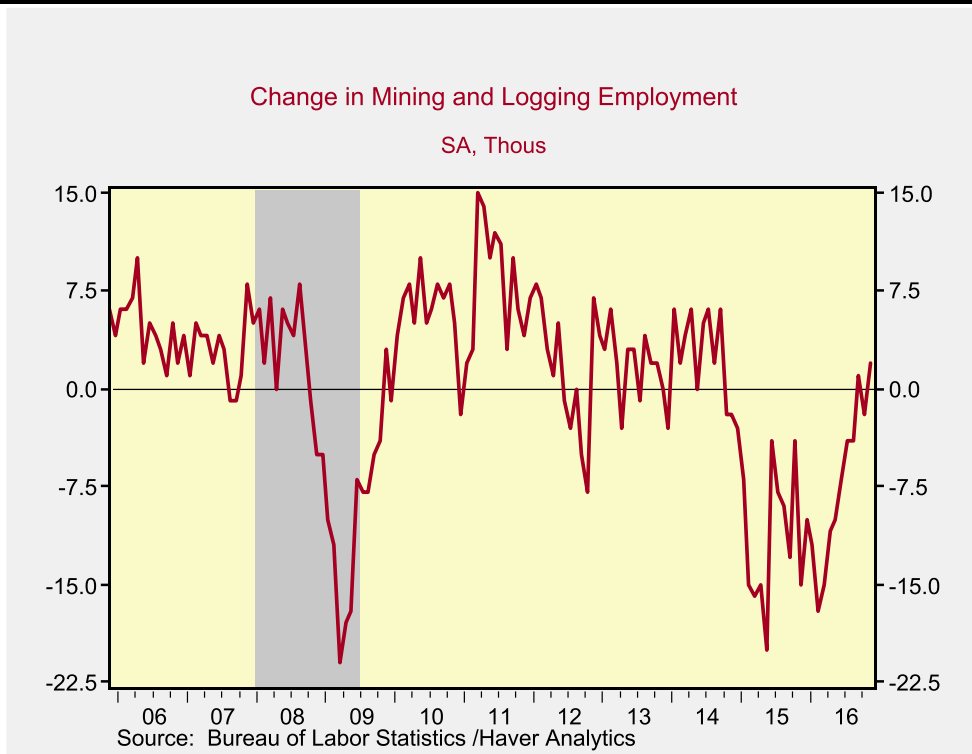
Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 3: Civilian unemployment rate



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 4: Change in mining and logging employment



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

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