

The U.S. Employment Update

Economic Update | 09th January 2023

Mixed Picture Of U.S. Labor Market

Event	Actual	Consensus	Previous
Unemployment Rate	3.5%	3.7%	3.6%
Non Farm Payrolls	223K	200K	256K

Highlights:

- The U.S. Employment Report for December was mixed, offering signs that the labor market is strong but also providing clues that demand for workers is cooling.
- The U.S. economy added 223,000 jobs, more than expected, and the unemployment rate fell to 3.5%. But wage growth also slowed and weekly working hours continued to decline, which show slowing momentum.
- Average hourly earnings rose 0.3% after 0.4% in the prior month. That lowered the YoY increase in wages to 4.6% from 4.8% in November.
- In December, average hourly earnings of private-sector production and nonsupervisory employees rose by 6 cents, or 0.2% to \$28.07.
- Notable job gains occurred in leisure and hospitality (67K), health care (55K), construction (28K), and social assistance (20K) while employment changed little in manufacturing (8K), retail trade (9K) and government (3K).
- Payroll employment rose by 4.5 million in 2022, an average monthly gain of 375K, compared to 562K per month in 2021 and 168K in 2019.
- Among the major worker groups, the unemployment rate for Whites fell to 3.0% in December. The jobless rates for adult men (3.1%), adult women (3.2%), teenagers (10.4%), Blacks (5.7%), Asians (2.4%) and Hispanics (4.1%) showed little or no change over the month.
- The number of long-term unemployed (those jobless for 27 weeks or more) declined by 146,000 to 1.1 million in December. This measure is down from 2.0 million a year earlier. The long-term unemployed accounted for 18.5% of all unemployed persons.
- This report boosted the odds of a soft landing, in which the Fed succeeds in taming inflation while minimizing pain to the labor market. Wage growth slowed, which is what the Fed wants to see. The participation rate increased and the unemployment rate remained low. This is giving confidence that the job market could remain resilient as inflation declines. This report could give the Fed room to slow its rate hikes, stepping down to a 25 basis-point increase when it meets at the end of the month. Market expects the Fed to roll out two more 25 basis-point increases, bringing the terminal rate to 5% in March.

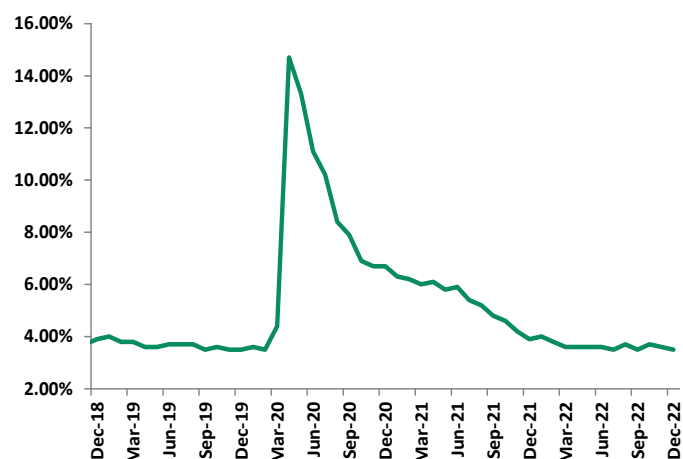
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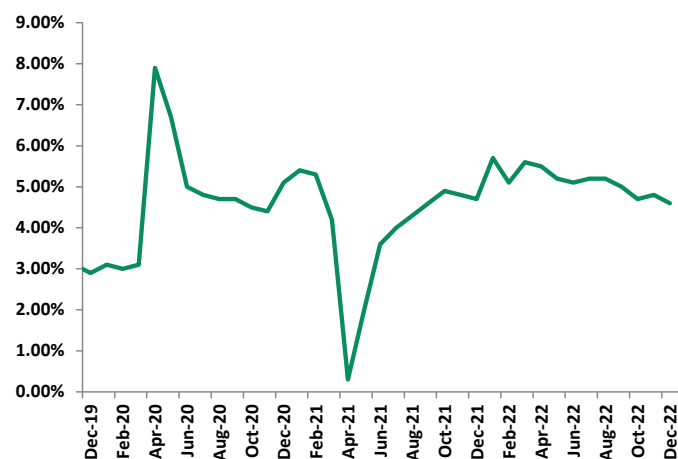
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Fig 1: U.S. Unemployment Trend



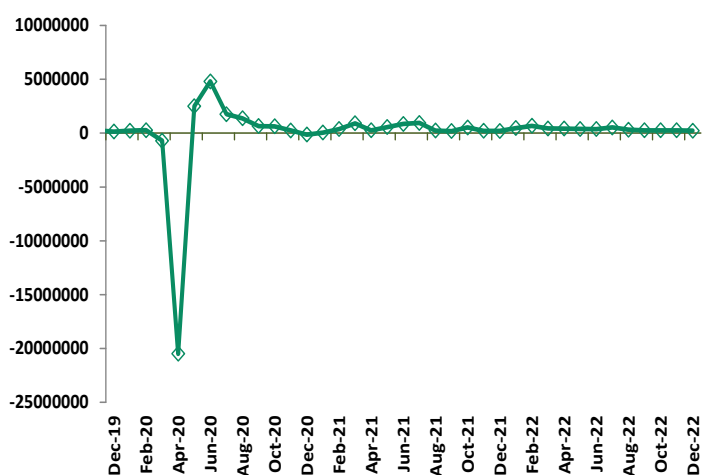
Source: U.S. Bureau of Labor, SMIFS Research

Fig 2: U.S. Average Hourly Earnings Trend YoY



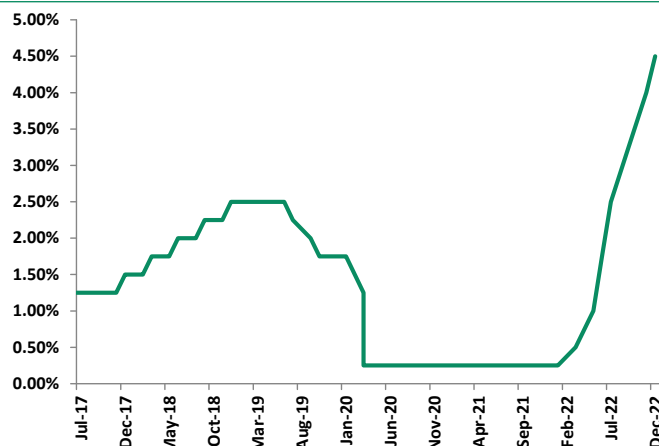
Source: U.S. Bureau of Labor, SMIFS Research

Fig 3: U.S. Nonfarm Payroll



Source: U.S. Bureau of Labor, SMIFS Research

Fig 4: U.S. Interest Rate Trend



Source: U.S. Bureau of Economic Analysis, SMIFS Research

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