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Economic Briefing

US labor market remains robust

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Dr. Christoph Balz ^{AC}

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In the US, employment rose by 227,000 in November, roughly as expected. However, around 100,000 of these jobs were due to special effects. Overall, the US labor market remains robust, even though the unemployment rate rose slightly. The US Federal Reserve is likely to cut interest rates further, but could soon slow down the pace of policy easing.

The data ...

In November, non-farm payrolls in the US rose by 227k. This was roughly in line with expectations (consensus 210k, Commerzbank 220k). However, the figures for September and October were revised upwards to 255k and 36k respectively (previously reported: 223k and 12k). The unemployment rate rose slightly from 4.1% to 4.2% (consensus 4.1%, Commerzbank forecast 4.2%). Average hourly earnings rose relatively sharply by 0.4% mom. Year-on-year, wages rose by 4.0%, the same as in October.

... and the interpretation

When interpreting the November employment numbers, it should be noted that storms and a major strike had depressed the job growth in the previous month by an estimated 100,000. With the end of the strike and the severe weather, the increase was inflated by the same amount this time. The underlying trend is therefore more likely to be in the range of 100 to 150 thousand. However, today's report confirms the view that the weak October figures were due to special effects and did not signal an end to the recovery in the labor market. Another positive aspect is that employment growth in the last two months is better than initially reported.

At the same time, the decline in wage growth is stalling. Since the spring, these wage growth has been moving sideways at around 4%, which indicates that the labor market remains tight.

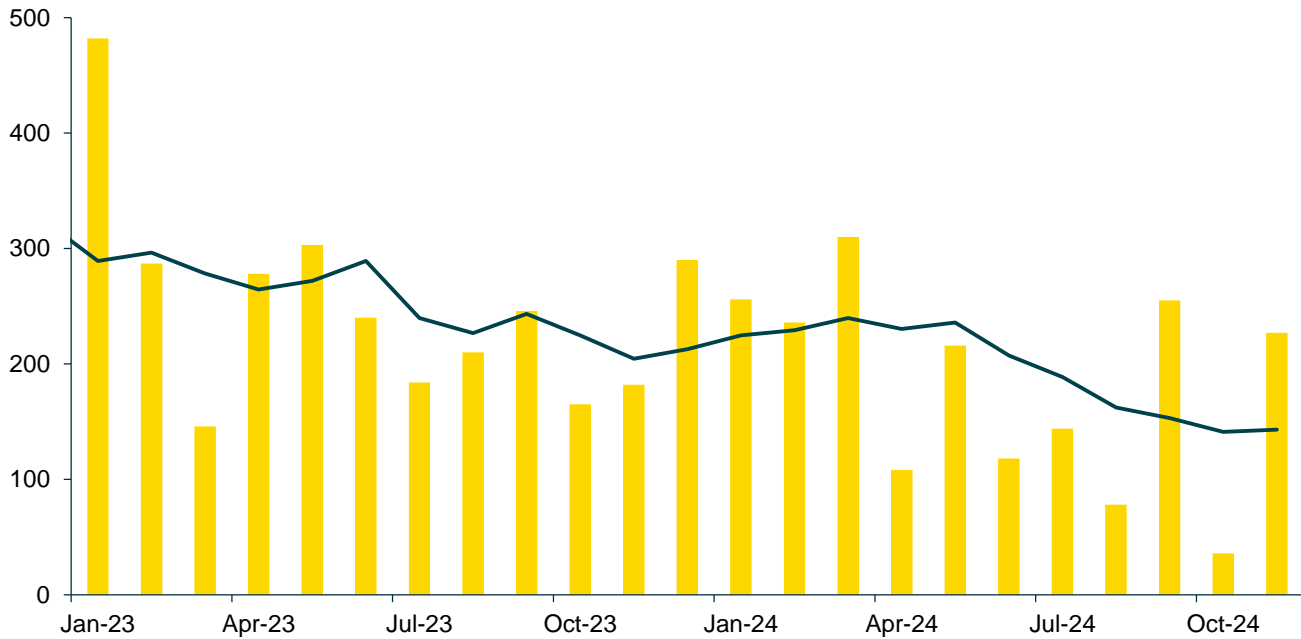
One small fly in the ointment, however, is the rise in the unemployment rate to 4.2%. It was only higher in July. Moreover, the increase is not due to more people entering the labor market, but rather to the fact that fewer people had a job, according to the relevant household survey. However, this statistic is less reliable. Therefore, it is best to wait for the next employment reports to see if this is a trend.

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Chart 1 - One-offs dampened payroll gain October but lifted it in November

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



Source: BLS, S&P Global, Commerzbank Research

The Fed is likely on the way to the next interest rate cut

The Federal Reserve has pointed out repeatedly that it does not want to see a further cooling in the labor market. In this respect, the Fed should be pleased that today's report shows the expected rebound in payrolls. However, it is likely to pay close attention to the rise in the unemployment rate. After all, in the past, the unemployment rate only rose significantly when the economy slid into a recession.

Ultimately, the Fed is likely to continue its policy of moving the Fed funds rate out of restrictive territory and towards a neutral level. However, the numbers do not provide any reason to hurry. We continue to expect a 25 basis point interest rate cut at the next meeting on December 18. But for the period after that, the risk increases that the Fed may not move at each meeting.

Table 1 - US employment report

	Nov-24	Consensus	Oct-24	Sep-24	Aug-24	six month average
Nonfarm payrolls	227	210	36	255	78	143
Unemployment rate	4.2	4.1	4.1	4.1	4.2	4.2

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



Analysts

Dr. Christoph Balz ^{AC}

Senior Economist

+49 69 9353 45592

christoph.balz@commerzbank.com

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Commerzbank Offices

Frankfurt

Commerzbank AG
DLZ - Gebäude 2,
Händlerhaus
Mainzer Landstraße 153
60327 Frankfurt
Tel: + 49 69 136 21200

London

Commerzbank AG
PO BOX 52715
30 Gresham Street
London, EC2P 2XY
Tel: + 44 207 623 8000

New York

Commerz Markets LLC
225 Liberty Street, 32nd
floor,
New York,
NY 10281-1050
Tel: + 1 212 703 4000

Singapore

Commerzbank AG
128 Beach Road
#17-01 Guoco Midtown
Singapore 189773
Tel: +65 631 10000