



New year, new data!

We take a look at the important economic data that will be released next week. In the US, employment data should show that the labor market is cooling but remains solid. In the euro area, inflation is likely to have picked up in December, but only temporarily. We also expect poor figures again from German manufacturing.

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US labor market cools but remains solid

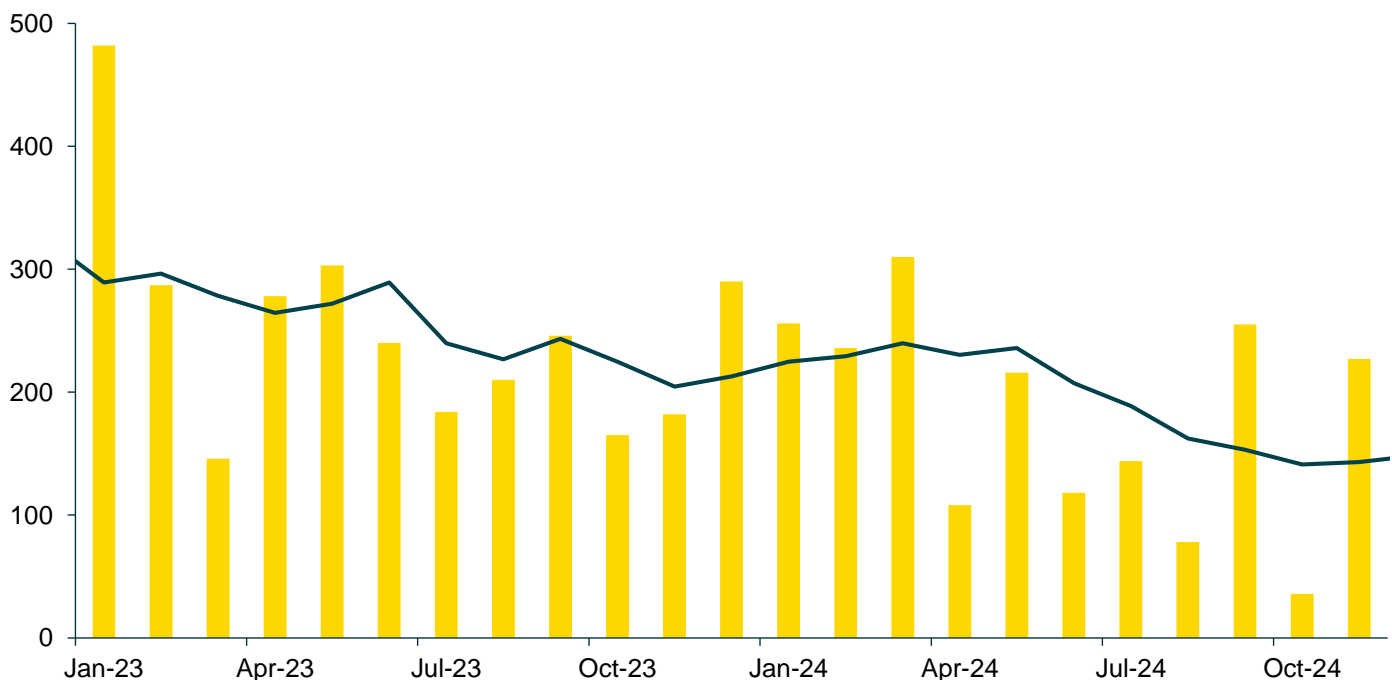
The US labor market was strongly influenced by extraordinary factors in the last two months. Hurricanes and strikes slowed the increase in employment in October to just 36,000, while the waning of these factors in November caused an increase of 227,000. A more meaningful indication of the state of the US labor market is likely to be the average for the two months (132,000). Accordingly, we expect the December figures due next week to show an increase in this range (150,000).

This would be a solid gain, but would continue the trend towards slower job growth (Chart 1). At the same time, most other labor market indicators are also weakening slightly: there are fewer job openings and more people out of work, unemployed people view their job loss as more permanent rather than temporary, and the Atlanta Fed’s median wage growth (a better measure of wage pressure than the hourly wages from the employment report) has slowed. At the same time, however, consumer spending remains robust, a slump of the labor market appears unlikely.

The Federal Reserve has repeatedly emphasized that it is not seeking to further weaken the labor market. An increase of 150,000 jobs would keep the door open for further moderate interest rate cuts, but would not signal an urgency for such a step at the next meeting at the end of the month.

Chart 1 - One-offs dampened payroll gain in 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

Euro inflation rises to interim high

Euro area inflation is likely to have risen to 2.5% in December (Chart 2). The increase from November is mainly due to energy prices which fluctuate more strongly than those for other goods. On the one hand, gasoline and diesel have become more expensive in

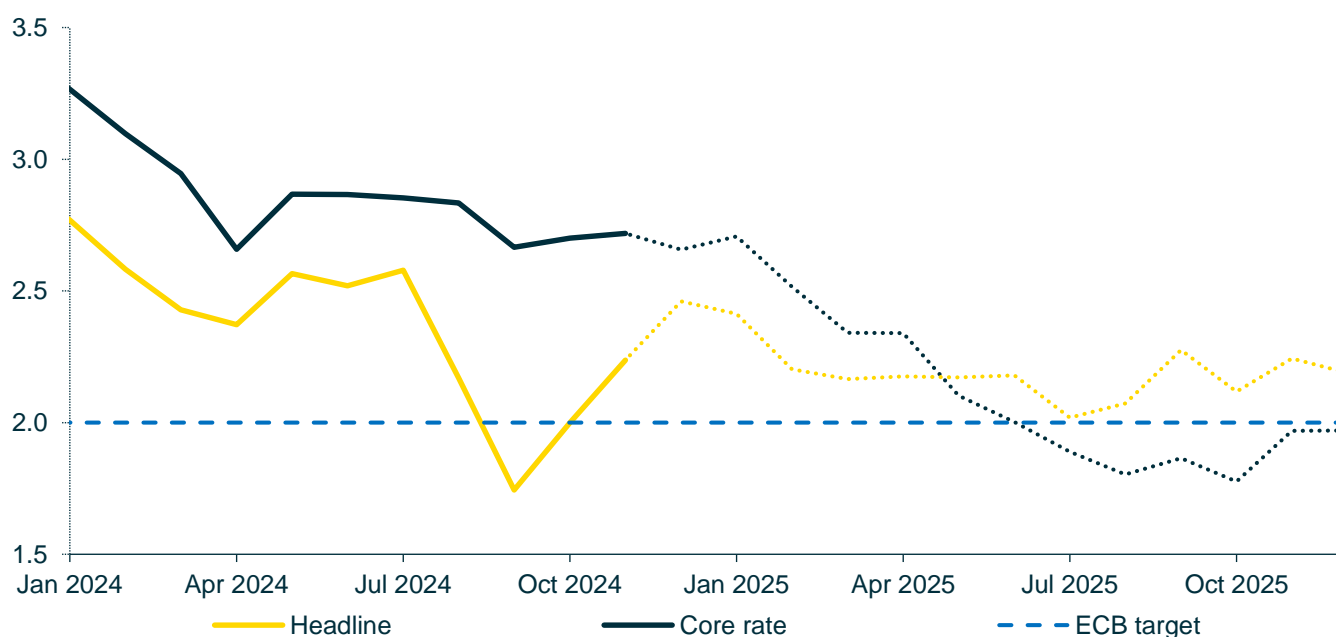


December. On the other hand, falling prices in the past year are no longer included in the comparison, causing the year-on-year rate to rise (base effect). The core rate, excluding the more volatile prices of energy and food, is expected to remain at 2.7% in December.

Although the price of CO2 and various insurance premiums will rise in January, pushing up headline inflation, inflation is likely to fall overall in the first half of 2024. The continued weakness of the euro area economy supports this view. Accordingly, we continue to expect the ECB to cut interest rates four times by a total of 100 basis points by mid-year.

Chart 2 - The inflation rate has risen until the end of 2024

Harmonized consumer price index in the euro area, year-over-year rates in %, from December 2024 Commerzbank forecasts



Source: Eurostat, Commerzbank Research

German manufacturing still in crisis

German industry is likely to report weak figures again next week. We expect a significant decrease of 2.5% in new orders for November from the previous month. After all, the figure for October benefited from a number of bulk orders, and the details of the Ifo business climate point to a further weakening of demand for German industrial products. In this context, manufacturing output is also likely to have fallen by 1% in November, continuing its downward trend. This would also further increase the likelihood that the German economy contracted again at the end of the year, following the surprising, slight increase in the third quarter.

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