

US Wage Growth Hits 9+ Year High

United States, Nonfarm Payrolls (000s) / Unemployment rate (%) / wages y/y (%), November:

Actual: 250 / 3.7 / 3.1

Scotia: 210 / 3.6 / 3.1

Consensus: 200 / 3.7 / 3.1

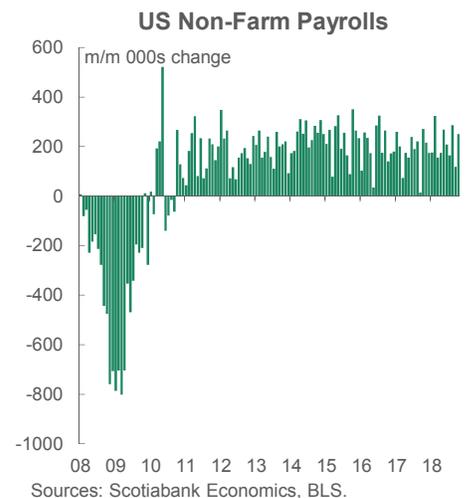
Prior: 118 / 3.7 / 2.8 (revised from: 134 / 3.7 / 2.8)

- US wage growth accelerated and hiring activity rebounded. The effects marginally reinforced the morning's sell-off in Treasuries. The morning's gain in US equity futures has cooled off but on a combination of Fed tightening concerns plus dampened optimism surrounding headlines on US-China trade negotiations.
- Overall hiring beat expectations even after including revisions. Net revisions to the prior two months were zero as September was revised a little lower but this was offset by an upward revision to hiring in August.
- Nominal wage growth hit the fastest since April 2009 at 3.1% y/y. If CPI was little changed in October then real wage growth would have picked up somewhat in year-ago terms for the second consecutive month. What drove wage growth higher was a combination of base effects and a modest month-ago rise of 0.2%.
- The unemployment rate held steady at 3.7% as it is derived from the household survey that registered a 600k jump in jobs but a slightly bigger 711k jump in the size of the labor force to largely cancel out the effects upon the UR. **Nevertheless, the unemployment rate remains at its lowest since December 1969. The U6 underemployment rate of 7.4% is the lowest since April 2001. The participation rate moved up two ticks to 62.9%.**
- The private sector added 246k jobs while government was little changed (+4k).
- The service sector rebounded from just 79k jobs created in September to adding 179k in October. Trade/transport added 37k (-8k prior), mostly due to transport, while the other rebounds were in leisure/hospitality (+42k, 0 prior) and education/health (+44k, 26k prior). Temp help was flat with overall business services adding 35k. The financial sector was little changed again and so were most other sectors.
- Total hours worked were up 0.5% m/m which was the biggest gain since July.
- All told, this report reinforces how ludicrous is the claim that the Fed is over tightening monetary policy. Please see the chart below showing the real effective Fed funds policy rate plotted with US recession periods. A US recession has never followed a real rate around zero; in fact we're about 2 ½ percentage points away from the minimum real rate that was followed by a downturn. Our forecast is for four more rate hikes by 2019Q3.

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