

US Nonfarm Payrolls Disappointed, But Wages Did Not

U.S., Change in Non-farm Payrolls SA (m/m 000s) / UR (%) / y/y wage growth (%), November:

Actual: 155 / 3.7 / 3.1

Scotia: 200 / 3.7 / 3.0

Consensus: 198 / 3.7 / 3.1

Prior: 237 / 3.7 / 3.1 (revised from: 250 / 3.7 / 3.1)

- US job growth clearly disappointed expectations, but be mindful of the statistical noise surrounding the report even if markets rarely take this point into consideration. The cumulative miss of about 55,000 jobs including mild negative revisions—that took away 12,000 jobs over the prior two months—is well within the realm of statistical noise. There is a +/-115,000 90% confidence interval surrounding nonfarm payroll estimates. The US 2 year yield was not significantly affected by the report perhaps because a) the pace of job creation is still likely to be viewed as positive by the Fed relative to the assumed pace of growth in labour supply, and b) because wage growth held in at its fastest pace in about nine and a half years.
- What is constructive is that wage growth held in at 3.1% y/y so that insulates against some of the downside surprise to headline jobs.
- The unemployment rate held at 3.7% but the U6 underemployment rate moved up by two-tenths to 7.6%. Both still remain at (UR) or toward (U6) cycle lows.
- 161,000 jobs were created in the private sector as government shed 6k jobs entirely at state/local levels for the second month in a row. Goods sectors added 29k jobs while services added 132k as both categories decelerated. Within goods, manufacturing was up 27k and drove the gain. Within services, trade (retail/wholesale) and transport added 53k with retail jobs up 18k. Business services were up 32k but temp help didn't drive much of that (+8k). Education/health added 34k jobs and leisure/hospitality added 15k jobs.
- Hours worked fell 0.2% m/m after a large 0.5% prior gain.

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