

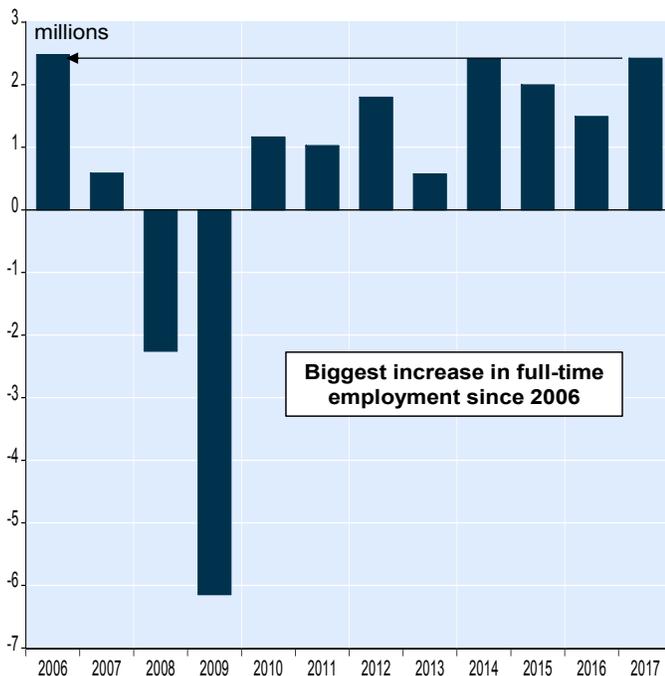
U.S. Watch

The post-hurricane U.S. employment rebound was not as good as expected. The establishment survey showed just 261K jobs created in October after a dismal 18K increase the prior month. Job creation was not widespread as evidenced by the worst diffusion index since May, while hourly earnings (just 2.4% year-on-year growth) were also very soft. The household survey too was disappointing with an employment decline of 484K in October and a sinking participation rate (the only reason the jobless rate fell to a 17-year low of 4.1%). But the U.S. labour market is far from capitulating. Even though full-time employment fell during the month, it is still up 2.4 million this year, the best performance since 2006. More importantly perhaps, cyclical sectors such as manufacturing and construction added jobs yet again, while temporary employment hit a record in October, both in absolute terms (3.075 million) and as a share of total employment (2.1%). As today's *Hot Charts* show, those developments are consistent with continued expansion of the U.S. economy. Taking the last two months together, non-farm payrolls grew on average 140K/month, a tally good enough to reduce slack in the labour market according to the Fed's own estimates. So, a U.S. interest rate increase is highly likely in December. As we've seen earlier this year, the Fed can hike rates even when wage growth and inflation are subdued.

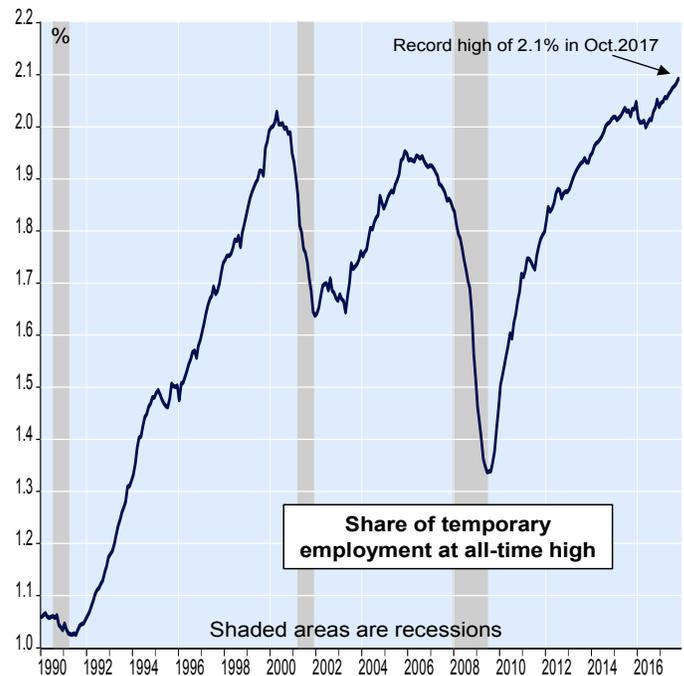
Krishen Rangasamy

U.S.: A labour market consistent with continued economic expansion

Full-time jobs created in the first 10 months of every year since 2006



Temporary employment's share of total employment



NBF Economics and Strategy (data via Datastream)

Hot Charts

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