

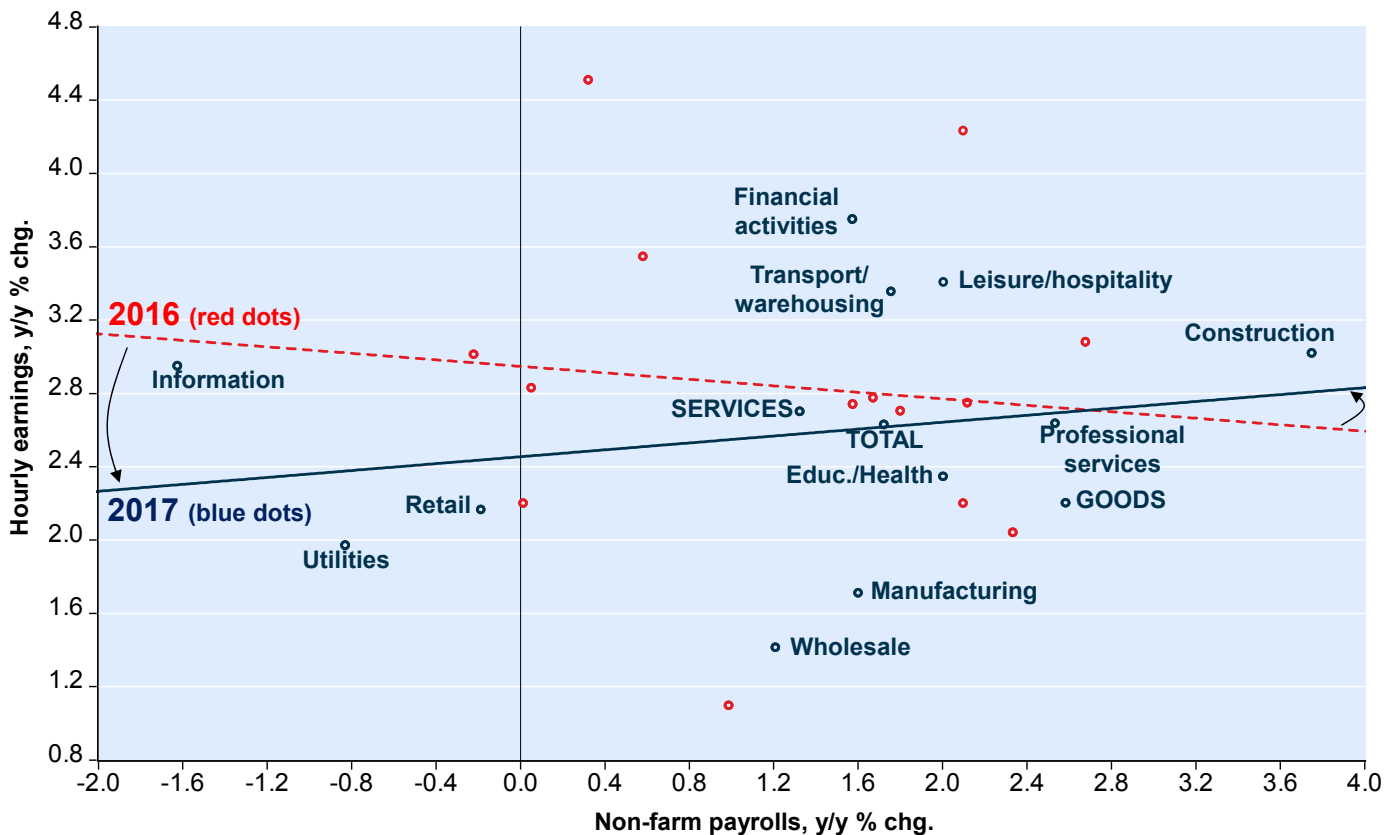
U.S. Watch

December's U.S. employment reports were a mixed bag, providing ammunition to both doves and hawks on the Fed. Doves will point to the deceleration in the pace of employment creation — the 148K increase for non-farm payrolls and the private sector employment diffusion index were both the lowest in three months — as well as losses in full time positions and soft hourly earnings, the latter at just 2.5% year-on-year. But hawks will say that a near-150K print is, according to the Fed's own estimates, good enough to reduce slack in the labour market. They will highlight gains in cyclical sectors such as manufacturing and construction and record temporary employment, all of which point to continued economic expansion. And while wage growth remains low, it is arguably heading in the right direction. As today's *Hot Chart* shows, unlike in 2016, job creation now seems to be tilting towards sectors with higher wage inflation.

Krishen Rangasamy

U.S.: Job creation now tilting towards sectors with higher wage inflation

Private sector non-farm payrolls and Hourly earnings, December 2017 versus December 2016



NBF Economics and Strategy (data via U.S. Bureau of Labor Statistics)

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