

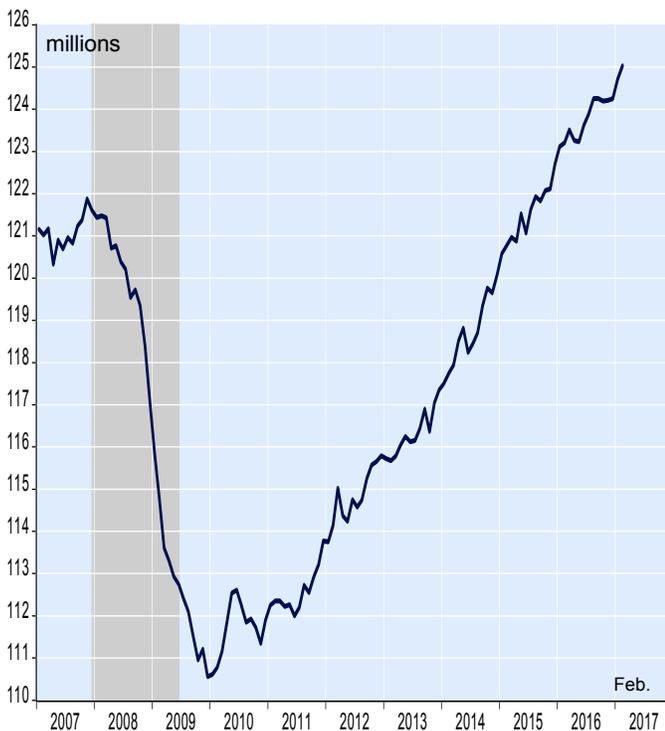
U.S. Watch

The U.S. labour market is booming according to latest employment reports. While warmer-than-usual weather probably helped boost February's numbers, underlying strength cannot be denied. Indeed, **the establishment survey's** consensus-topping 235K increase for February non-farm payrolls included large gains in cyclical sectors such as manufacturing and construction, both of which suggest the U.S. economy is on solid footing. Construction employment even rose by the biggest amount in a decade. And it wasn't just those sectors because job gains were broad-based as evidenced by the highest private sector diffusion index since 2015. Wages are also growing at a decent pace of 2.8% on a year-on-year basis. The **household survey's** increases in employment – full-time jobs crossed 125 million for the first time – and the participation rate (63% is the highest in a year) were also encouraging. As today's Hot Charts show, the participation rate for the age group 25-54 (the most cyclical cohort of the labour market) is now 81.7%, the highest since 2011. If, as we expect, the participation rate for that age group rises further (as the chart below shows, it has plenty of room to do so), that should keep wage growth in check as prime-age workers enter the labour force. Overall, the blockbuster jobs reports give the Fed the green light to raise interest rates at its meeting next week. While it hasn't hit its inflation target in five years, the Fed will nonetheless be encouraged by improving data and have more confidence that the recent uptick in prices can be sustained.

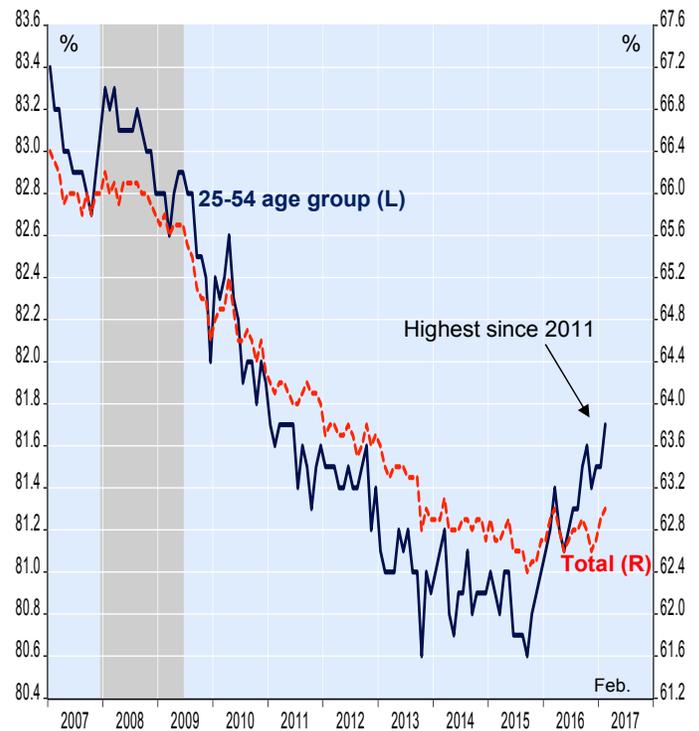
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U.S.: Labour market is booming

Full time employment



Participation rate



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