

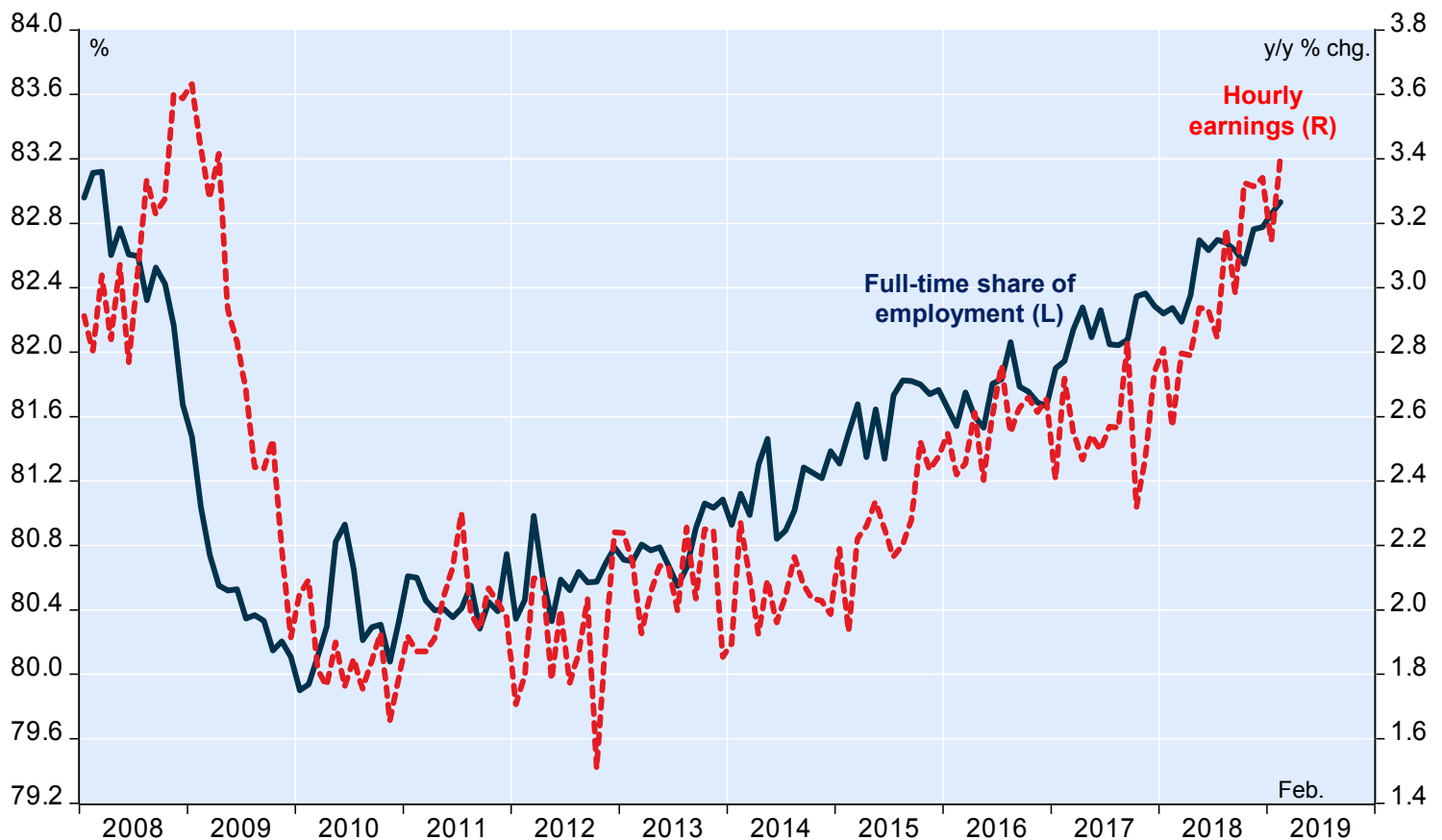
U.S. Watch

By Krishen Rangasamy

February's U.S. employment reports were mixed, with a strong household survey contrasting sharply with an awful establishment survey. The latter's meagre +20K print for non-farm payrolls (NFP) was the worst since September 2017. Should the Federal Reserve be concerned about the state of the U.S. economy? While Q1 GDP growth is set to be weak because of the government shutdown last January, a subsequent rebound is more likely than not. More importantly, even February's ugly NFP had a pretty side to it in the form of continued gains in temporary employment. Why is this important? That variable is a good leading indicator and, by reaching a record in February, it hints at the extension of economic expansion over the near term. Also the Fed will be encouraged by hourly earnings which were up 3.4% on a year-on-year basis, the highest since April 2009. The increase in wage inflation comes courtesy of a tightening labour market as evidenced by the household survey's +255K print in February which pushed the jobless rate down to 3.8%, i.e. close to multi-decade lows. Moreover, as today's *Hot Chart* shows, with the household survey's job creation tilting towards full-time positions (which tend to be better remunerated than part-time positions), nobody should be surprised that wage inflation is heating up once again.

U.S.: Wage inflation heats up again as full-time employment soars

Full-time share of employment versus hourly earnings



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