

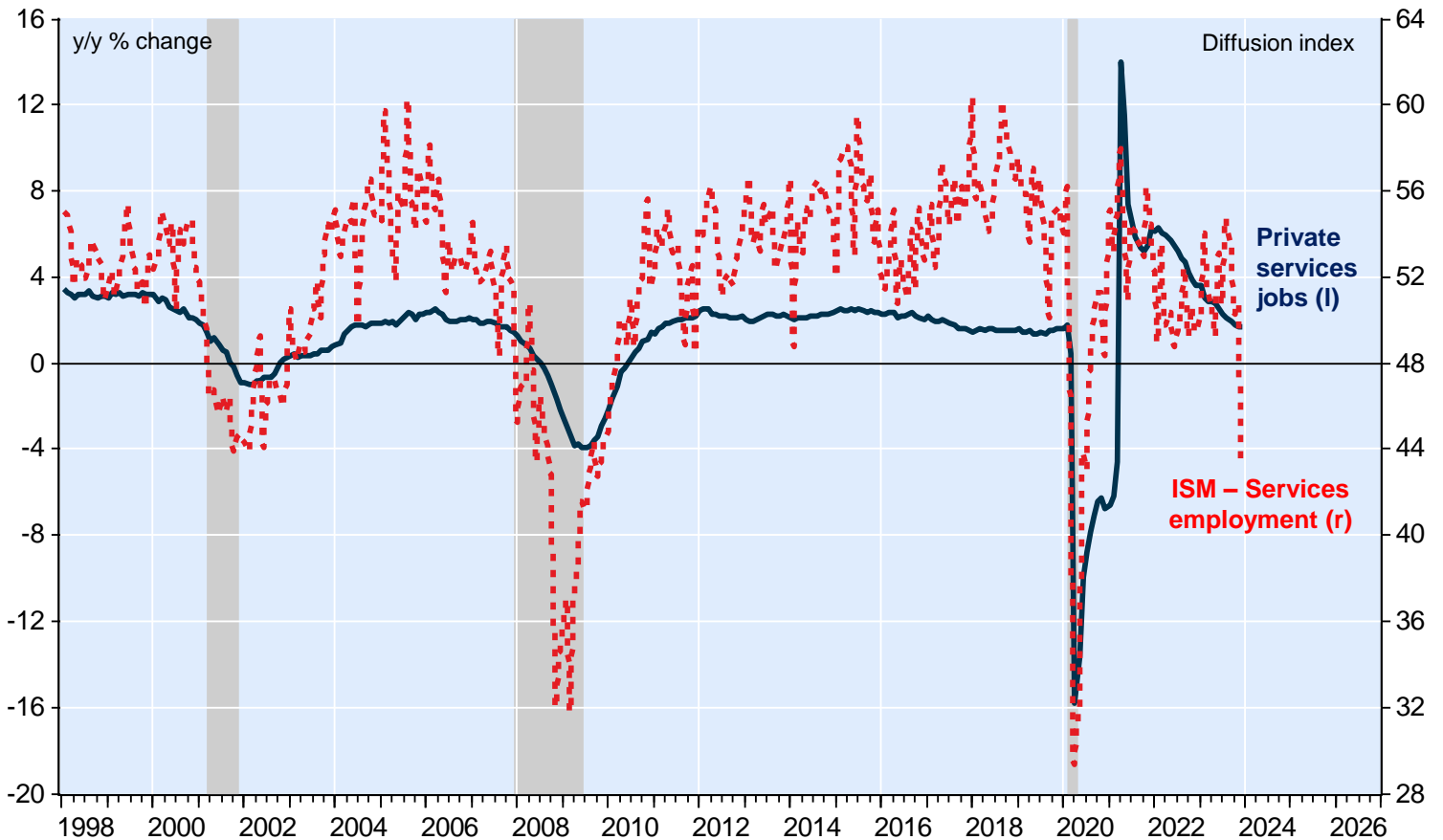
## U.S. Watch

By Matthieu Arseneau

U.S. employment data from the BLS were mixed in December. On the one hand, the establishment survey (non-farm payroll) continued to show a solid pace of hiring and wage pressures. On the other hand, the household survey showed a significant decline in full-time employment. So which is it, a stronger or weaker labour market trend for the months ahead? Perhaps we should look to the just-released ISM services report to settle the score. The employment index posted a sharp contraction of 7.4 points in December, which is unprecedented outside of a recession. As today's Hot chart shows, the current level of the index at 43.3 usually coincides with a significant deterioration in private service sector employment in subsequent months. Since this category represents a whopping 72% of salaried employees, it raises doubts about the resilience of the labor market in the months ahead. In a [special report](#) published before the holidays, we shared our doubts that the soft landing was a done deal. This morning's ISM data is a reminder that we're still at altitude and not immune to turbulences.

### U.S.: Soft-data suggest labour market resilience could be short-lived

Private services jobs and ISM services employment diffusion index



NBF Economics and Strategy (data via Refinitiv)

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