

January Employment

January Payrolls Up 200,000, Unemployment Rate Steady at 4.1 Percent

- Payroll Employment increased by 200,000 jobs in January.
- The Unemployment Rate for January was steady at 4.1 percent.
- Average Hourly Earnings increased by 0.3 percent in January.
- The Average Workweek in January decreased to 34.3 hours.

Labor data remains strong in early 2018. Payroll job growth beat consensus expectations of about 180,000 in January, posting a 200,000 job net gain. The unemployment rate remains at 4.1 percent for the fourth consecutive month. We still expect the unemployment rate to inch lower this year, but the slower rate of decrease is consistent with the eventually bottoming out of the unemployment rate below 4.0 percent. Average hourly earnings increased by 0.3 percent for the month, and were up by 2.9 percent over the previous 12 months, showing some upward pressure on wages consistent with the low unemployment rate. The workweek dipped by 0.2 hours to 34.3 in January. The dip in the workweek in January was led by a decline on manufacturing hours. This is not yet a trend, but it is worth watching to see if cooler auto production pulls manufacturing hours down this year.

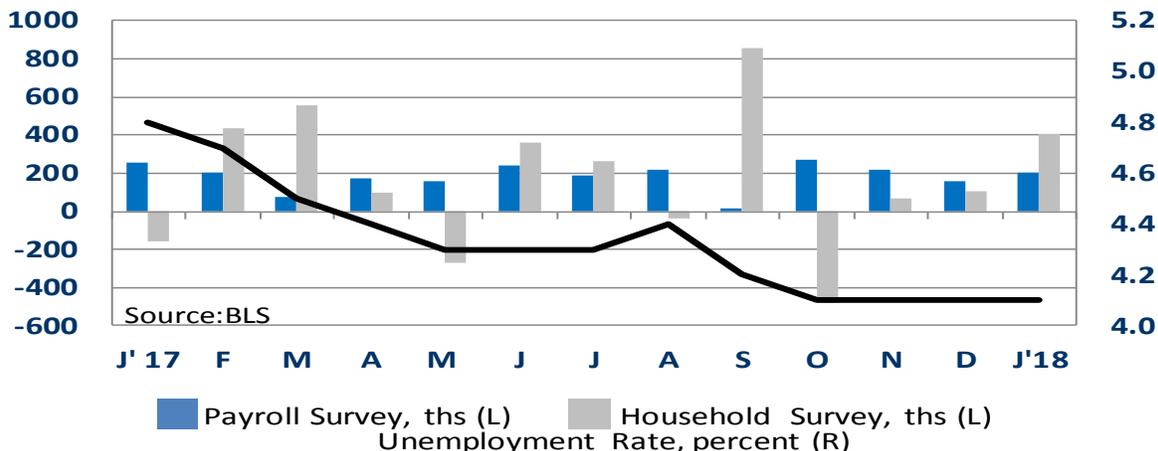
Job growth was moderate-to-strong across most industries. Mining and logging employment increased by 6,000 jobs, consistent with higher oil prices. Construction employment was up by a strong 36,000 net new jobs in January. Manufacturing employment was also strong, gaining 15,000 jobs for the month. Wholesale trade employment increased by 9,800 jobs in January. Retail trade gained 15,400 jobs after losing jobs in December. Transportation and warehousing employment was up by 11,100 jobs. Utilities lost 1,400 and information services employment dipped by 6,000. Financial services employment gained 9,000 jobs in January. Professional and business services gained 23,000 jobs. Education and healthcare added 38,000. Leisure and hospitality gained a strong 35,000 net new jobs in January. The government sector posted a small gain of 4,000 jobs.

Today's labor data for January adds to the evidence for ongoing economic momentum through the first quarter of 2018. Some of the factors that held down 2017Q4 real GDP growth to 2.6 percent may reverse themselves, potentially boosting real 2018Q1 GDP growth to well above 3 percent. We will be releasing our updated U.S. macroeconomic forecast early next week.

The positive economic data adds to the expectation that the Federal Reserve will increase the fed funds rate range by 25 basis points, to 1.50-1.75 percent, at the conclusion of the March 20/21 FOMC meeting. The implied probability of a March 21 fed funds rate hike is now up to 77.5 percent according to the CME Group.

Market Reaction: U.S. equity markets opened with losses. The 10-Year T-bond yield is up to 2.84 percent. NYMEX crude oil is down to \$65.60/barrel. Natural gas futures are up to \$2.86/mmbtu.

Good Job Growth to Start 2018



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