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Economic Research

Economic Briefing

US labor market remains in good shape

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Table of contents

The US labor market remains in robust shape. Employment rose by 143,000 in January. At the same time, the unemployment rate fell slightly and wages rose more sharply again. Fed Chairman Powell is likely to feel vindicated in his assessment that there is no rush to cut interest rates further.

The data…

In January, the US job market added 143k jobs. This was slightly less than expected (consensus 170k, Commerzbank 170k). The unemployment rate fell from 4.1% to 4.0%. Average hourly earnings rose sharply by 0.5% from the previous month. In year-on-year terms, wages rose by 4.1%, after 4.1% in December (previously reported as 3.9%).

… and the background

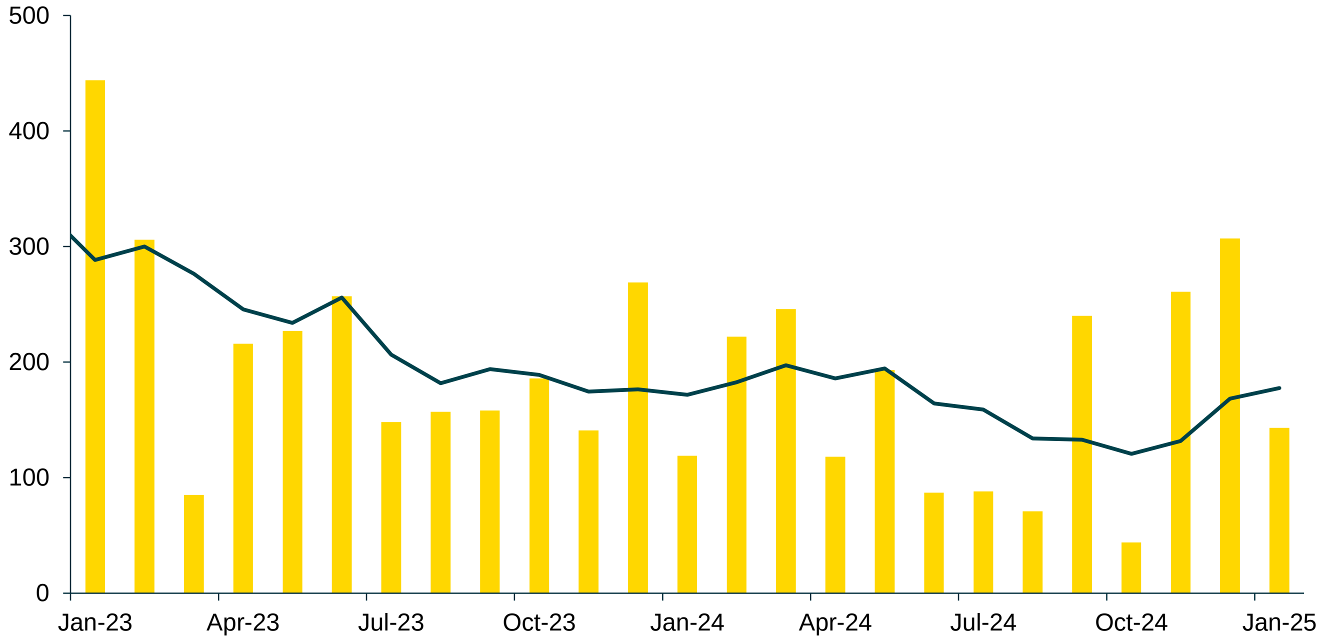
The US labor market remained robust at the beginning of the year. Employment growth continues to be decent, even if it was somewhat lower than expected. In addition, the job growth in November and December was revised significantly upward. The six-month moving average, which reflects the trend, has thus actually picked up again in recent months (Chart 1). At the same time, the unemployment rate fell slightly in December.

Wages also show that the labor market is still quite tight. Average hourly earnings rose sharply from December to January. In addition, the December data was revised upwards. Hourly wages no longer indicate any clear slowdown over the last year. However, there are methodologically better wage indicators that at least so far still show a decline in wage pressure.

The data on hours worked was weaker. Those who had a job worked fewer hours on average in January than in December, and the total number of hours worked by all employees also fell compared with the previous month.

Chart 1 - Payroll gains seem to have accelerated again on trend

nonfarm payrolls, month-on-month change in thousands. Line: six-month moving average



Source: BLS, S&P Global, Commerzbank Research

Significant revisions

Every year, the revisions to the labor market data are taken into account for the January figures. This means that the figures obtained on the basis of surveys are corrected using more complete information:

- **Nonfarm payrolls**. The payrolls are obtained by surveying businesses and government agencies (the so-called establishment survey). These figures are compared with the almost complete unemployment insurance data as part of the annual revision and adjusted for the previous March – the benchmark month. This time, there was a relatively extensive revision; the March payrolls were revised downward by 598,000 non-seasonally adjusted (a revision of -0.4%). However, the revision was smaller than announced in August based on preliminary estimates (-818,000).

- **Population and alternative employment figures:** In December, the Census Bureau already reported a significant upward revision of the population figures, due in part to the unexpectedly high level of immigration. These new figures are taken into account when calculating data such as the labor force, employment or unemployment, which are obtained on the basis of a survey of private households. Unlike the establishment survey, back data are not revised. Therefore, the employment numbers based on the household survey jumped by 2.2 million in January.

Despite the revisions, the big picture has not changed much: the US labor market had a good year in 2024.

Fed to pause for longer?

The labor market remains robust, with the gradual cooling that is emerging in some other indicators not being confirmed by the employment data. Federal Reserve Chairman Powell recently said that “we don't need to be in a hurry to adjust our policy stance".

Today's data are not likely to trigger a change in thinking. We previously expected an interest rate cut at the next meeting in March. However, since the probability of this has now decreased significantly, we will review this forecast after next week's CPI.

Table 1 - US employment report

	Jan-25	Consensus	Dec-24	Nov-24	Oct-24	six month average
Nonfarm payrolls	**143**	170	307	261	44	178
Unemployment rate	**4.0**	4.1	4.1	4.2	4.1	4.1

Source: BLS, Bloomberg, S&P Global, Commerzbank Research

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