United States: Jobs and Wages Off to a Good Start in 2018

HIGHLIGHTS

- The establishment survey shows that 200,000 new jobs were created in January following December’s 160,000 new jobs (revised from 148,000).

- The construction sector created 36,000 jobs and manufacturing gained 15,000.

- There were 139,000 net hires in private sector services, following a gain of 111,000 jobs in December. Retailers created 15,400 jobs, and the food services sector saw 31,100 new jobs created. The health care and education sector gained 38,000 workers. Professional services added 23,000 hires to payrolls.

- January’s results came with an annual revision of data. The revision improved employment’s 2017 gains, taking them from 2,055,000 to 2,173,000. This result is still lower than the 2,344,000 jobs created in 2016.

- The unemployment remained at 4.1% in January for the third consecutive month.

- The average hourly wage rose 0.3% in January following a 0.4% increase in December. The annual change went from 2.7% (revised from 2.5%) to 2.9%.

COMMENTS

After experiencing a lull in December, job creation picked up again in January. The result even exceeded consensus expectations, which called for a 180,000 new jobs.

Certain sectors that had underperformed in December have since picked up steam. This is particularly true for the retail sector, whose gain was almost entirely due to a rebound in clothing store hires. There was a second consecutive decrease in employment in accounting services, which was probably due to the tax reform. The extremely cold weather at the beginning of the month does not appear to have affected construction.

The annual revision of the establishment survey data coupled with strong monthly wage increases in December and January resulted in the strongest annual change in average hourly wages since May 2009.

IMPLICATIONS

The year is off to a good start for workers. The situation points to an increase in key rates by Jerome Powell’s Federal Reserve (Fed) in March. Continued wage acceleration could even prompt Fed leaders to increase the pace of key rate hikes.

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