PREVIEW: US nonfarm payrolls to be released December 8th at 13:30GMT/08:30EST

While the headline rate of payrolls is seen picking up in November, analysts have cautioned against interpreting it as a sign of labour market resurgence. Indeed, labour market proxies released in the month allude to a slowing of labour market conditions: the weekly initial jobless claims and continuing data for the survey week that coincides with the BLS jobs data ticked up; the ADP's gauge of payrolls, while a poor predictor of the official NFP data, missed expectations; business surveys have also noted that slowdown in hiring. Additionally, the JOLTS data series for October saw a large decline, confirming that the labour market is coming into what Fed officials call "better balance"; officials do not seem concerned about the slowdown, and have suggested that labour market conditions are still very strong. Meanwhile, average hourly earnings are seen rising in the month, but the annual rate is expected to fall slightly. Officials have indicated that they would like to see slower growth and further softening in labour market conditions to help bring inflation back to target.

EXPECTATIONS: The consensus looks for +180k nonfarm payrolls to be added to the US economy in November (prev. 150k); while that would be an acceleration in the rate of job additions vs October, it would still be cooler than recent averages (3-month average 204k, 6-month 206k, 12-month 243k). The unemployment rate is seen unchanged at 3.9% (Fed forecasts made in September pencilled in 3.8% by end-2023, and 4.1% by end-2024). Average hourly earnings are expected to rise +0.3% M/M, but the annual rate is seen easing to 4.0% Y/Y from 4.1% in October.

SOFTENING LABOUR MARKET: Analysts caution against interpreting the uptick in payroll growth as a sign of labour market resurgence, attributing it to the impact of the United Auto Workers strikes in October. Other indicators signal a labour market slowdown: the Fed's Beige Book noted declining labour demand; October's JOLTS data revealed a drop in job openings to 8.733mln from 9.35mln (sliding below the expected 9.3mln). Fed Chair Powell recently said that labour market conditions still remained "very strong", and it remains tight, but was moving into "better balance". Powell has also suggested that for the Fed to make further progress on bringing inflation back to target, further softening in labour market conditions will likely be needed.

LABOUR MARKET PROXIES: The ADP jobs data for November showed 103k jobs being added, missing expectations for 130k; the report also said that the median change in annual pay for job-stayers eased to 5.6% Y/Y (from 5.7%), while the median change in annual pay for job-changers eased to 8.3% Y/Y (from 8.4%). ADP noted that November saw moderate growth in hiring and another slowdown in pay gains; both goods and services saw weakness, with leisure and hospitality and manufacturing posting declines. Analysts cast doubt on the reliability of ADP's data to predict the official NFP print; Pantheon Macroeconomics said "ADP is a deeply unreliable guide to the official payroll numbers, with errors over the past year ranging from a 337K undershoot in January to a 348K overshoot in June," and added that it sees "no consistent pattern in the errors." During the comparable BLS survey period, initial jobless claims rose to 233k from 200k, with the four-week average increasing to 220.75k from 206.25k. Continuing claims also rose to 1.841mln from 1.783mln in the October survey window.

BUSINESS SURVEYS: S&P Global's manufacturing PMI data for November showed the Employment sub-index falling for a second straight month. It said that US producers "continue to focus on cost cutting by trimming headcounts, and have now taken the knife to payroll numbers for two consecutive months," adding that "barring the early months of the pandemic, the survey has not seen such a back-to-back monthly fall in factory employment since 2009." S&P said that the decline in employment could feed through to weaker consumer spending, but would also reduce wage bargaining power. Meanwhile, the services PMI report stated that employment rose at the weakest pace since October 2022. It was a similar story in the ISM survey data, where manufacturing employment contracted at a quicker rate. ISM said respondents continue to indicate a slowdown in hiring; attrition, freezes and layoffs to reduce head counts increased during the period, with layoffs and attrition the primary measures.

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