

PREVIEW: US NFP due Friday 6th December 2024 at 13:30GMT/08:30EST

SUMMARY: Headline NFP is expected to show 200k jobs were added in November, up from the 12k reported in October. However, the prior headline was distorted due to the impacts of Hurricanes and strikes at Boeing. These lost jobs in October will be readded in the November report, and ING estimates this base figure to be around 109k. Analyst expectations range from 155-275k. The Unemployment Rate is expected to tick up to 4.2% from 4.1%, but beneath the September Fed median dot plot view of 4.4% (note, the unemployment rate was not distorted by weather or strikes, as it is part of the household survey), with forecasts ranging between 4.0-4.3%. Wages are expected to rise by 0.3%, cooling from the prior 0.4% pace while the Y/Y is expected to ease to 3.9% growth from 4.0%. However, the latest Fed minutes showed that some participants highlighted that wage increases were unlikely to be a source of inflationary pressure in the near future. The data will be used to help shape expectations for the December FOMC meeting, where the vast majority of analysts expect a 25bps rate cut, while money market pricing is assigning a c. 73% probability of such an outcome. The clearest signal we have had was from Fed Governor Waller, who said that he favours leaning towards a 25bps rate cut in December, although if the upcoming data between now and the meeting affects his forecasts for inflation, his assessment may change. Many others on the Fed have stressed they are keeping options open and will make decisions based on the totality of data. After the NFP report, next week sees the release of the CPI and PPI reports ahead of the December 18th FOMC.

EXPECTATIONS: Headline NFP is currently expected to show 200k jobs were added to the economy, a marked acceleration from the prior 12k which was distorted due to the impacts of Boeing strikes and Hurricanes. Those jobs are expected to be added back into this data, which ING estimates to be around 109k (based on state data and the end of Boeing strikes). Note, analyst expectations range from 155-275k. The unemployment rate is expected to tick up to 4.2% from 4.1%, with expectations ranging between 4.0-4.3%, while the median Fed estimate for end-2024 (released in September), pencilled in 4.4%. Wages are expected to rise by 0.3%, cooling from the prior 0.4% pace while the Y/Y is expected to ease to 3.9% growth from 4.0%.

FED IMPACT: This data will be key for helping cement December rate cut expectations. The vast majority of analysts (94/106), in a poll between 12-20th November, expect a 25bps rate cut. Money market pricing also leans this way, pricing in 18.2bps of easing, which implies a 73% probability of a 25bps rate cut, but a notable 27% of rates being left unchanged. There was a dovish shift after Governor Waller on Monday said he is leaning towards a 25bps rate cut in December, but it still depends on how upcoming data before the meeting affects his inflation outlook. We looked to Fed Chair Powell to confirm this view but he spoke little on near-term monetary policy. Some at the Fed have stated that the labour market is unlikely to be a source of inflation, and the minutes revealed that downside risks to employment since September have diminished. The December meeting will also see the release of updated dot plots. Looking through year-end, the Fed median dot (released in September) implies rates at 4.4%, one further rate cut from the current target. For 2025, money markets price in rates at 3.75-4.00%, above the current Fed median of 3.25-3.50%.

RECENT DATA

CLAIMS: Initial jobless claims for the week that coincides with the BLS survey window eased to 215k heading into the November data (vs 242k for the comparable period in October), while continuing claims picked up from 1.888mln to 1.907mln. Pantheon Macroeconomics said "the recent pick-up in continuing claims broadly supports the idea that the flow of initial claims still is high enough for unemployment to continue to rise," but it is "a fool's errand" to attempt to precisely forecast the month-to-month changes in the unemployment rate using the continuing claims data."

ISM: The November Manufacturing ISM PMI saw the employment component rise to 48.1 from 44.4, but still beneath the 50.3 level, which "over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment", showing that manufacturing job growth slowed in November, but not as fast as the pace in October. The ISM Services PMI saw the employment component fall to 51.5 from 53.0, remaining in expansion for the fourth time in five months, but at a slower expansion than October. Note, ING downplayed the impact of the ISM reports on employment, stating "The relationship with non-farm payrolls and the ISM employment components has broken down in recent years and so we don't expect this outcome to seriously shift the consensus for Friday's jobs report."

JOLTS: The October JOLTS headline rose to 7.744mln, up from the prior 7.372mln, which was revised down from 7.443mln, above the expected 7.475mln but within the forecast range of 7.2-7.9mln. The vacancy rate ticked up to 4.6% from 4.4% (revised down from 4.5%), while the quits rate rose to 2.1% from 1.9%. Although the data is for October, analysts at Oxford Economics highlight that the difference between hires and separations lends downside risk to their forecast for a sizable rebound in the November nonfarm employment - noting the data points to a still strong, albeit cooling, labour market.

ADP: Headline ADP printed at 146k in November, down from the prior (revised down from 233k) 184k, a touch beneath the 150k forecast. Within the report, the pay metrics saw median change in annual pay for job stayers rise to 4.8% from 4.6%, while for job changers pay increased to 7.2% from 6.2%. The Chief Economist at ADP highlights that "While overall growth for the month was healthy, industry performance was mixed. Manufacturing was the weakest we've seen since spring. Financial services, leisure and hospitality were also soft." Given the data comes ahead of the NFP report on Friday, Pantheon Macroeconomics "recommend disregarding ADP's estimate due to its woeful recent track record".

LAYOFFS: The Challenger Layoffs report announced 57.7k job cuts in November, +3.8% from October, and up 26.8% Y/Y. "November saw downstream cuts to Automotive suppliers and parts manufacturers, as well as ongoing cuts in Consumer and Industrial Manufacturing. Technology also saw a high number of layoff announcements, as that sector continues to undergo significant changes," said Andrew Challenger, Senior Vice President of Challenger, Gray & Christmas, Inc.

