

January 8, 2024 – Economic Commentary

The US nonfarm payroll figures released on Friday were largely positive, certainly in terms of forecasts for a “soft-landing. The 216,000 net new jobs added in December is a number consistent with low or falling unemployment rates and the jobs were widely distributed across industries; the US economy is nowhere close to a recession at this point. For those investors hanging their hats on forecasts for significant rate cuts by the Federal Reserve as early as March, the employment report was less pleasing. Specific concern was directed at the slightly higher-than-anticipated growth rate in average hourly earnings, which was taken as a reminder that inflationary pressures remain in place. Fed Chairman Jerome Powell has consistently said that the Fed’s analysis does not currently see a great threat from labor costs to the achievement of its inflation goals, and there is considerable evidence that the US labor market continues to loosen up. For example, lost in the attention given to the employment data was the Institute of Supply Management Purchasing Managers Index for the Services Sector, which fell to only slightly above the 50 mark that signifies expansion. This ISM PMI for Services was once a number the Fed watched closely and with great anxiety, as the service sector was considered the source of much of the worrisome labor market tightness. Nevertheless, the US inflation numbers scheduled for release this week and the fourth quarter earnings reports that follow will receive new scrutiny following the euphoria of investors after the last FOMC decision to hold rates steady (which admittedly sounds a great deal like a declaration of inflation victory by the Fed itself.)

Data to Watch:

1. US Consumer Credit Growth for November, released Monday, January 8
2. US Consumer Price Index for December, released Thursday, January 11
3. US Producer Price Index for December, released Friday, January 12

Suggested Reading:

1. [A Factory in Maine Proves 'Made in America' is Still Possible](#)
2. [U.S. recession still a threat; China growth stalls, and other 2024 investing risks](#)
3. [Productivity Gains From AI To Boost Economic Growth in 2024 and Beyond](#)

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