

U.S. Data Review

- Employment: strong payroll growth
- Growth of average hourly earnings decelerates, but still brisk
- ISM services: back within a comfortable range

Michael Moran
Lawrence Werther

Daiwa Capital Markets America
michael.moran@us.daiwacm.com
lawrence.werther@us.daiwacm.com

January Employment

- Nonfarm payrolls surged 517,000 (0.33 percent) in January, markedly stronger than the average of 291,000 (0.19 percent) in the prior three months and far above the expected gain of 188,000. In addition, upward revisions to previous data were substantial (discussed below).
- Payroll growth in January was broadly based, with several industries standing out on the firm side. The construction industry added 25,000 jobs in January (0.32 percent), despite challenges in the housing sector. In addition, the professional and business services area added at a brisk clip (82,000, or 0.36 percent versus an average of 41,000 in the prior six months), and the healthcare area added 79,000 jobs (0.38 percent). Job growth in the leisure and hospitality category jumped by 128,000 (0.78 percent) after registering growth of 64,000 in December. The temporary help area attracted attention recently, as job cuts averaged 45,000 in November/December, possibly suggesting that firms were taking initial steps to downsize, but this area partially rebounded in January (+26,000 or 0.85 percent).
- Benchmark revisions published with the January report showed that total employment as of March 2022 was 568,000 greater than previously believed (seasonally adjusted; 506,000 before seasonal adjustment). These jobs were allocated to results from April 2021 through March 2022. The undercount led the Bureau of Labor Statistics reestimate results after the March benchmark month, which led to a cumulative boost of 245,000 jobs after seasonal adjustment to the April-December 2022 results.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	163	146	3.7	7.2	168	125	60.8	9.3	4,407	0.2	34.4
2020	-774	-686	8.1	13.7	-739	-329	56.8	12.6	7,227	0.5	34.6
2021	606	574	5.4	9.4	510	138	58.4	16.1	4,914	0.4	34.8
2022	401	380	3.6	6.9	264	213	60.0	8.7	3,930	0.4	34.6
2022 Monthly											
Jan.	364	345	4.0	7.1	1,041	1,223	59.7	9.6	3,735	0.7	34.6
Feb.	904	897	3.8	7.2	468	229	59.8	9.3	4,137	0.0	34.7
Mar.	414	423	3.6	6.9	738	439	60.1	8.3	4,168	0.6	34.7
Apr.	254	226	3.6	7.0	-346	-351	59.9	8.2	4,034	0.3	34.6
May	364	343	3.6	7.1	317	328	60.0	8.7	4,317	0.4	34.6
June	370	382	3.6	6.7	-242	-276	59.9	8.2	3,631	0.4	34.6
July	568	493	3.5	6.8	215	-12	59.9	8.3	3,925	0.5	34.6
Aug.	352	306	3.7	7.0	422	724	60.1	8.6	4,140	0.3	34.5
Sep.	350	344	3.5	6.7	156	-95	60.1	8.5	3,843	0.3	34.6
Oct.	324	299	3.7	6.7	-257	27	60.0	8.4	3,664	0.4	34.6
Nov.	290	228	3.6	6.7	-66	-119	59.9	8.8	3,688	0.4	34.5
Dec.	260	269	3.5	6.5	717	439	60.1	8.9	3,878	0.4	34.4
2023 Monthly											
Jan.	517	443	3.4	6.6	894	866	60.2	9.1	4,050	0.3	34.7

Source: Bureau of Labor Statistics via Haver Analytics

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- Average hourly earnings rose 0.3 percent from an upwardly-revised reading in December (0.4 percent versus 0.3 percent first reported). The shift led to a slowing in the year-over-year increase to 4.3 percent from 4.6 percent in December. The year-over-year increase has slowed from the recent high of 5.9 percent in March of last year.
- The unemployment rate dipped 0.1 percentage point to 3.4 percent. The employment report is showing a huge change in employment as measured by the household survey (894,000) that outpaced a gain of 866,000 in the size of the labor force. However, these changes are largely the result of adjustments to population controls that are part of the revision process and thus current data are not directly comparable to previous figures. Had the new population controls not been implemented, the unemployment rate still would have ticked lower, but the report would have shown modest changes in employment and the labor force (84,000 and -5,000, respectively).
- The average workweek increased 0.3 hour to 34.7 hours, suggesting a strong month for production -- a view supported by a jump of 1.2 percent in the index of work time.

ISM Services Index

- The service sector index published by the Institute for Supply Management jumped 6.0 points in January to 55.2, nearly offsetting all of the drop in the prior month and returning the measure to the range in place in the second half of 2022, although still shy of robust results in 2021 and early 2022. The jump in January suggests that the retreat to a sub-50 reading in December reflected statistical noise rather than a fundamental shift.
- The new orders component accounted for most of the advance in the headline index, surging 15.2 points to 60.4, a reading in the upper portion of the range from the current expansion (chart). With orders firm, the business activity index rose 6.9 points to 60.4, better than the average of 57.9 for 2022 but trailing the average of 64.5 for 2021. Although new orders and business activity increased sharply, the employment index rose only 0.6 point to 50.0. This measure has been bouncing within a range centered on 50.0 since early last year. The supplier delivery index rose 1.5 points to 50.0. Although up on a month-to-month basis, we would not view the change as a sign of supply-chain problems. The index is in the low portion of the pre-pandemic range and the magnitude of the change in January is within the bounds of normal volatility.
- All told, a favorable report, one that should dispel concerns that may have been generated by the 49.2 reading in December.

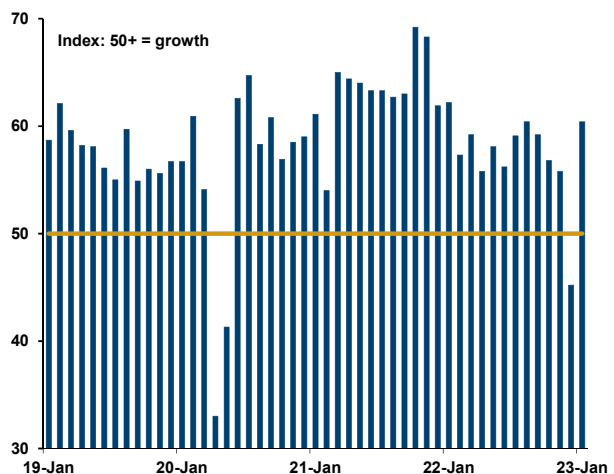
ISM Services: Monthly Indexes

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
ISM Nonmfg. Composite	55.9	54.5	55.5	49.2	55.2
Business activity	58.3	55.6	61.6	53.5	60.4
New orders	59.2	56.8	55.8	45.2	60.4
Employment	52.3	49.2	50.6	49.4	50.0
Supplier deliveries*	53.9	56.2	53.8	48.5	50.0
Prices	69.8	70.9	70.1	68.1	67.8

* The supplier deliveries index is not seasonally adjusted. The index differs from the other components of the composite measure (business activity, new orders, employment) in interpretation. An index above 50 percent indicates slower deliveries and readings below 50 percent indicate faster deliveries.

Source: Institute for Supply Management via Haver Analytics

ISM Services: New Orders Index



Source: Institute for Supply Management via Haver Analytics