# Chartbook

NBK Economic Research Department I 29 January 2020

USA

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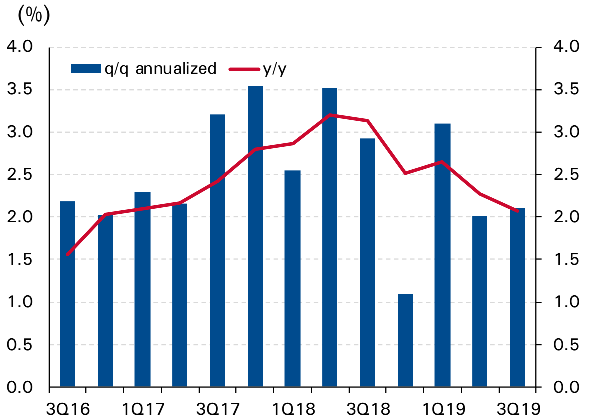
# Unemployment steady at record lows, but manufacturing activity remains weak

- Wage growth fell to 2.9% in December, the lowest since 2018, from 3.1% in November.
- Core inflation held steady at 2.3% in December, while headline inflation rose to 2.3% from 2.1% in November.
- Retail sales surged by 5.8% y/y in Dec. from 3.3% in Nov, the highest since 2018 on solid consumer sentiment.
- The ISM manufacturing activity index fell to the lowest level since 2009, well below expectations.
- Futures markets probabilities, previously neutral, are now skewed towards one or more rate cuts this year.
- US stocks and treasury yields trended downwards in January on heightened risk and uncertainty amid the Chinese coronavirus threat.

## Chart 1: Real GDP growth




Q3 annualized GDP growth was revised up to 2.1% (from an initial estimate of 1.9%), following a 2.0% expansion in Q2.

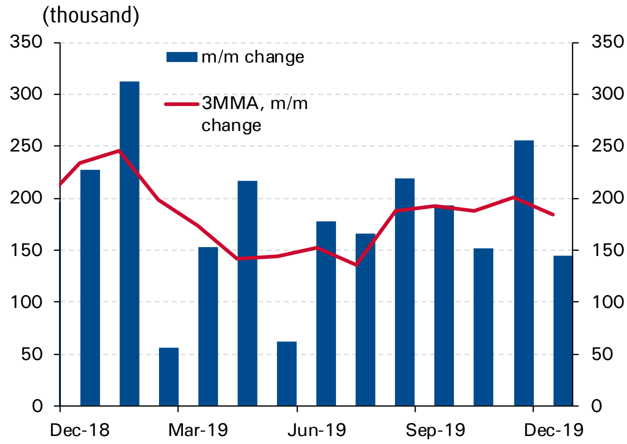
Source: Refinitiv

## Chart 2: Unemployment rate


The unemployment rate was steady at 3.5% in December, a historical low and in line with market expectations.

Source: Refinitiv

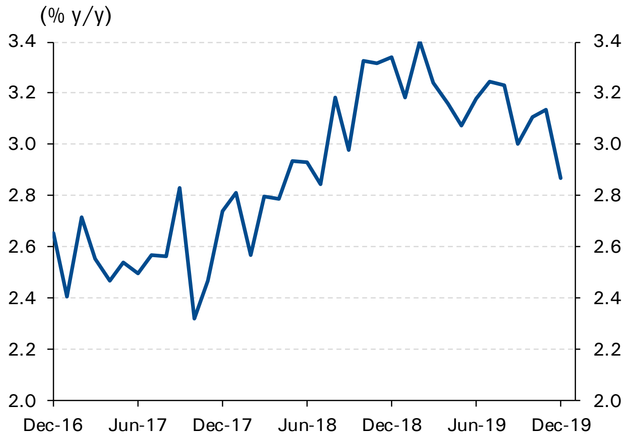
## Chart 3: Non-farm payrolls (new jobs)




Non-farm payrolls rose by 145,000 in December, below expectations, from a downwardly revised 256,000 in Nov.

Source: Refinitiv

## Chart 4: Wage growth

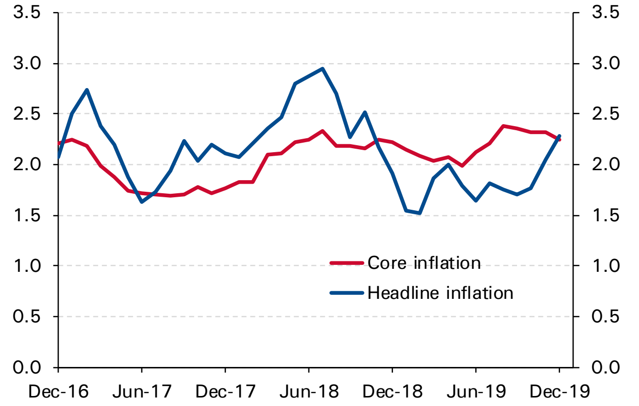



Wage growth fell to 2.9% in December, the lowest since 2018, from 3.1% in November on weaker but still decent job creation.

Source: Refinitiv

## Chart 5: Consumer price inflation

(% y/y)




Core inflation held steady at 2.3% in December, headline inflation rose to 2.3% on higher energy, shelter & medical costs.

Source: Refinitiv

## Chart 6: Commercial and industrial loans

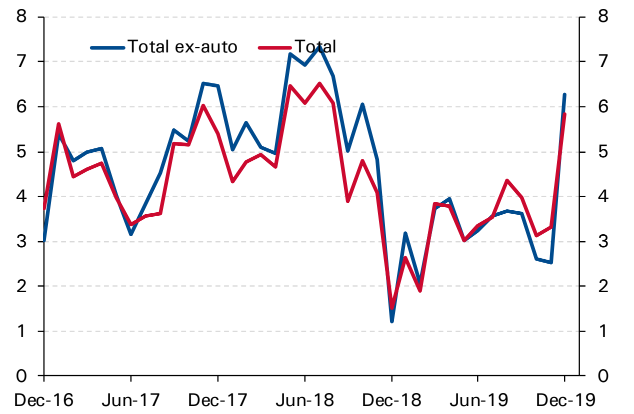
(% y/y)


C&I loans growth fell for the fourth consecutive month to a 22-month low of 2.2% on continued softness in business activity.

Source: Refinitiv

## Chart 7: Retail sales

(% y/y)

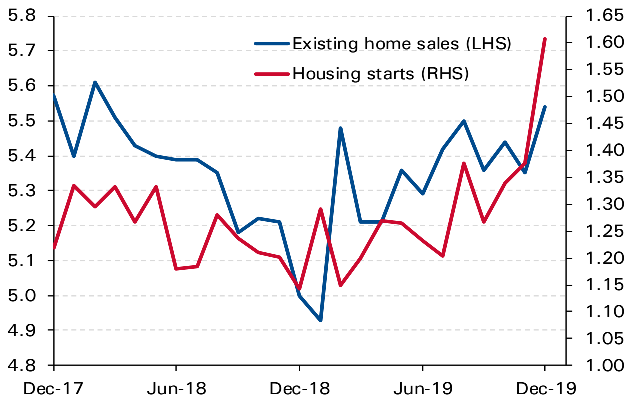



Retail sales surged by 5.8% y/y in Dec. from 3.3% in Nov, the highest since August 2018 on solid consumer sentiment.

Source: Refinitiv

## Chart 8: Existing home sales and housing starts

(million units)

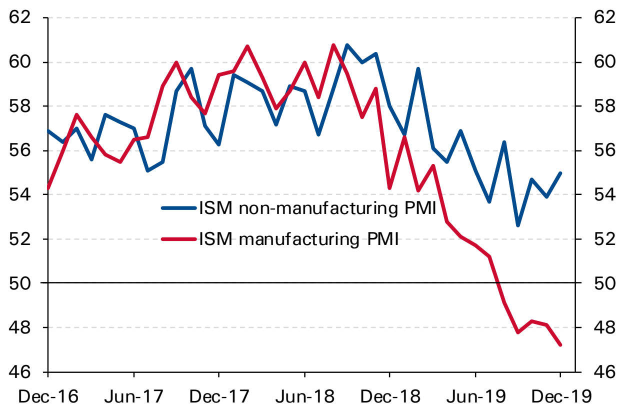



Housing starts rose sharply by 14% m/m to 1.6 million on lower mortgage rates; existing home sales rose 4% m/m to 5.5 million.

Source: Refinitiv

## Chart 9: Business activity surveys

(index)

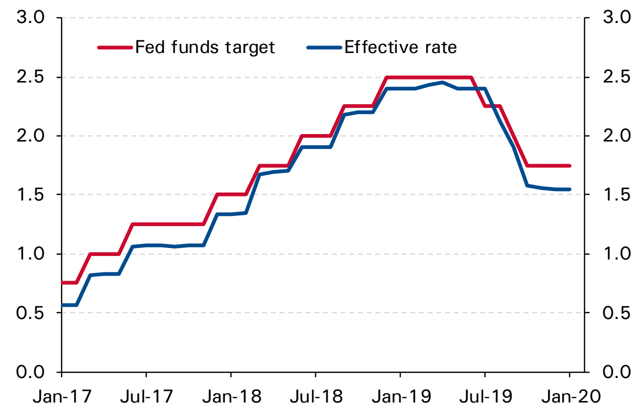



The ISM manufacturing activity index fell to the lowest level since 2009, well below expectations, in the fifth month of contraction.

Source: Refinitiv

## Chart 10: Policy interest rates

(%)

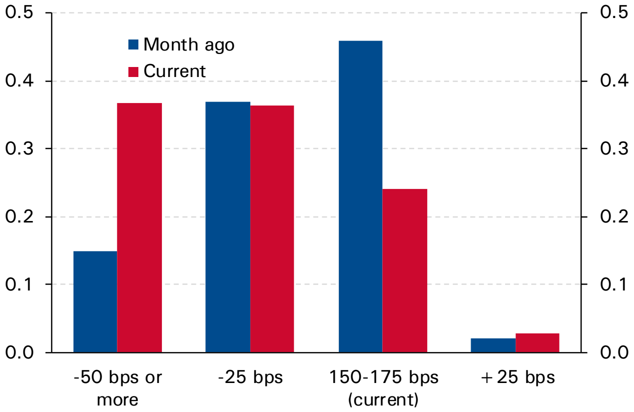



The Fed left its policy rate on hold in the 1.50%-1.75% range, amid stable employment and inflation near the 2% target.

Source: Refinitiv

## Chart 11: Fed policy action outlook for 2020

(futures market probability, as of 26 January 2020)

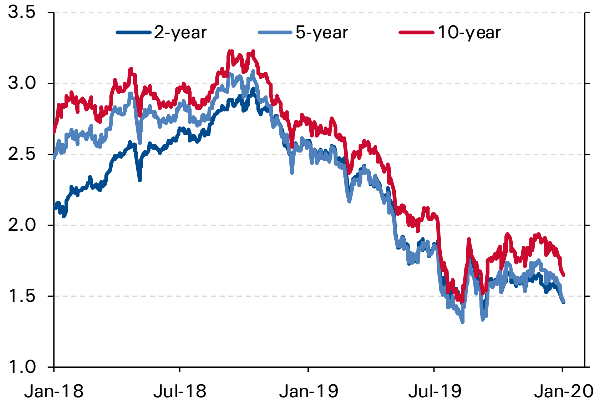



Futures markets probabilities, previously neutral, are now skewed towards one or more rate cuts this year.

Source: CME Group

## Chart 12: Government bond yields

(%)




US treasury yields trended downwards in January on heightened risk and uncertainty amid the Chinese coronavirus threat.

Source: Refinitiv

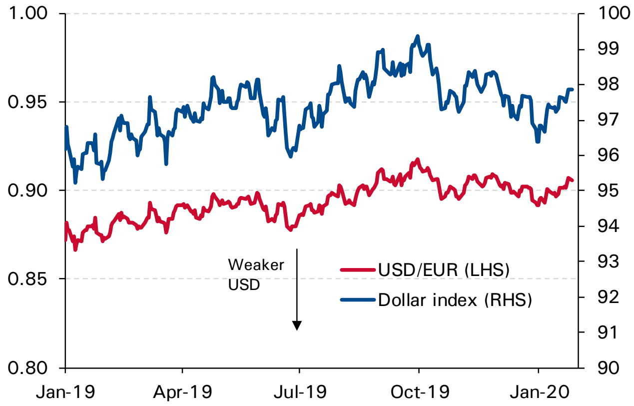
## Chart 13: Stock market

(S&P 500)


Stock indices reached record highs in January on trade optimism but were later weighed down by coronavirus fears.

Source: Refinitiv

## Chart 14: Exchange rates




The USD gained in January, supported by the interest rate outlook relative to abroad and coronavirus-related safe haven flows.

Source: Refinitiv

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