



Commuters in New York City's WTC transportation hub. (UBS)

Jobs

January payrolls surprise to the upside

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Nonfarm payrolls increased by 467,000 in January while the unemployment rate rose to 4%. The UBS Chief Investment Office takes a look.

Today, the US labor report for January showed nonfarm payrolls increasing by 467,000, far above consensus expectations. The unemployment rate ticked up to 4%. Average hourly earnings increased by 0.7% month-over-month and 5.7% year-over-year, beating expectations.

This month's data includes annual revisions, and incorporates information gathered from the 2020 census. Combined with the impact of the omicron variant, this makes it extraordinarily difficult to interpret the month-over-month changes reported in January. For example, the 467,000 payroll figure is seasonally adjusted; without adjustment, payrolls were down by 2.8 million. Further, 6 million people were out of work due to the pandemic, almost double the level in December.

Regardless of the noise, all of the data released this week indicate that the labor market is tight and wages are rising more quickly than usual, adding to the inflationary pressure from shortages of various goods. Payrolls are on a strong upward trend. From the Fed's perspective, this is a clear signal that monetary policy should be adjusted to a more neutral stance. Following this morning's release, bond yields moved higher, and the market is now pricing in between five and six rate hikes by the end of 2022.

Next week, the NFIB survey of small businesses will provide further information on labor market conditions. CPI for January will be another key data release.

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Read the original blog [January payrolls surprise to the upside](#) 4 February 2022.



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