

# United States

## Taper talk set to intensify as unemployment rate hits five-year low

- **Unemployment rate slides to 7.0% from 7.3% in October**
- **Non-farm payroll rises by 203k in November against expected 180k increase**

US unemployment plunged to a five-year low in November amid higher-than-expected hiring. The buoyant labour market data follow news this week that economic growth in the third quarter was revised up from an annualized rate of 2.8% to 3.6%.

This week's data therefore add to the sense that the Fed will be itching to pull the trigger to take the first shot at killing off its huge \$85bn per month asset purchase programme at its December meeting, at least to fire a warning shot that the time has come to start slowly bringing about some normalization of policy. However, the most likely outcome still looks like a deferment of any decisions until the new year.

### Consensus-beating job creation

US non-farm payrolls rose a consensus-beating 203k in November, driven by a 196k rise in private sector payrolls. Analysts were expecting a 180k overall rise.

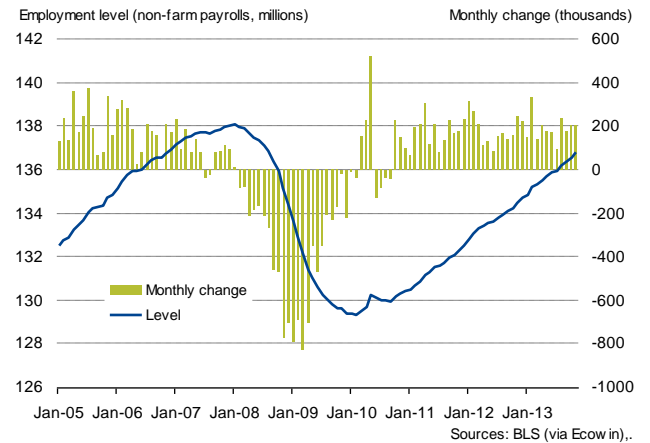
October's gain was revised down from 204k to a still-buoyant 200k, while September's increase was nudged up from 163k to 175k.

It's the unemployment rate that's the headline maker, however, dropping from 7.3% in October to 7.0% in November. The decline pushes the jobless rate down to its lowest since November 2008 and closer towards the Fed's threshold of 6.5%, which it wants to see breached before considering tightening policy via higher interest rates.

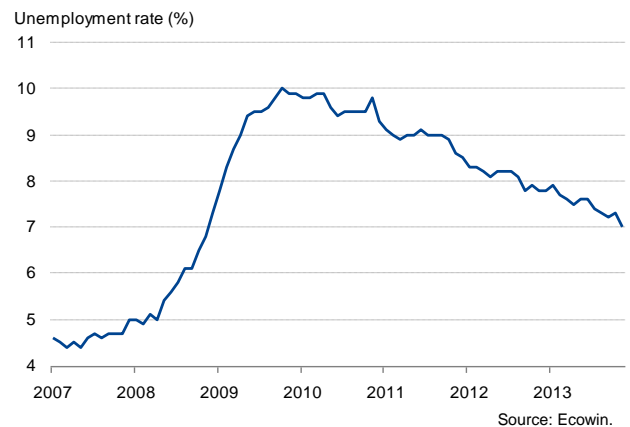
### No clear-cut taper

However, the decision is not clear-cut. Economic data have not been a one-way street, with numbers such as factory orders and business investment disappointing. There are signs that the pace of economic growth has begun to wane, at least in part because business and households have become concerned about further fiscal fighting in Washington.

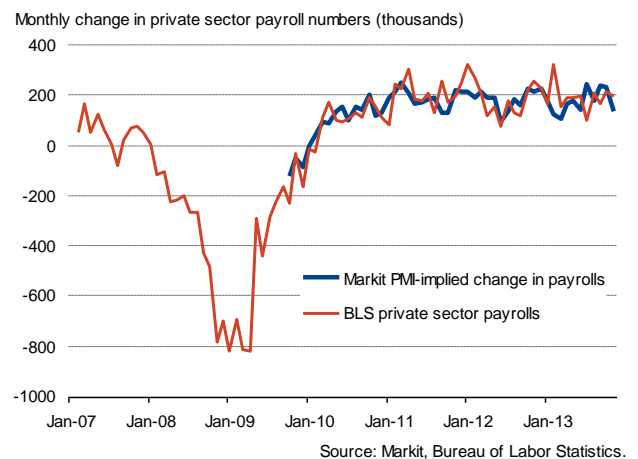
### US non-farm payrolls



### US unemployment rate



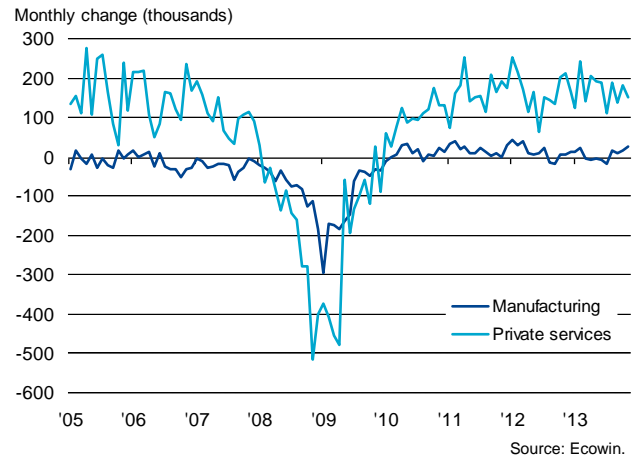
### Markit PMI hints at possible hiring slowdown



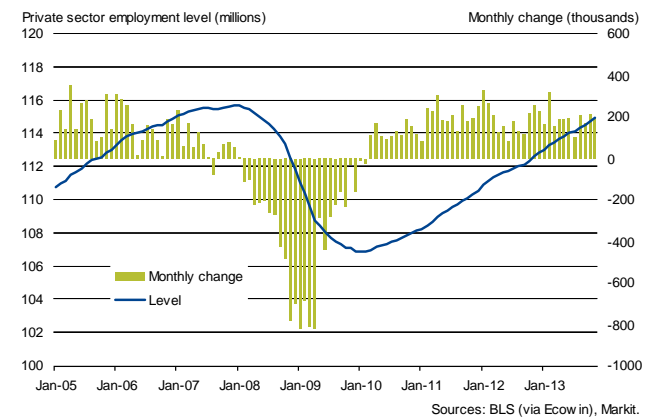
Markit's PMI surveys showed business activity rebounding in November after government shutdown related disruptions in October. However, even with the upturn, the rate of growth was below that seen in September. Hiring slipped to the lowest for eight months as a result of firms reporting growing unease about the outlook.

Despite the plunge in the unemployment rate, it would therefore seem appropriate for Fed policymakers to wait to see if there is a real slowdown in place, and also to see whether there are more fiscal-related disruptions ahead, before making any decision on tapering its asset purchases.

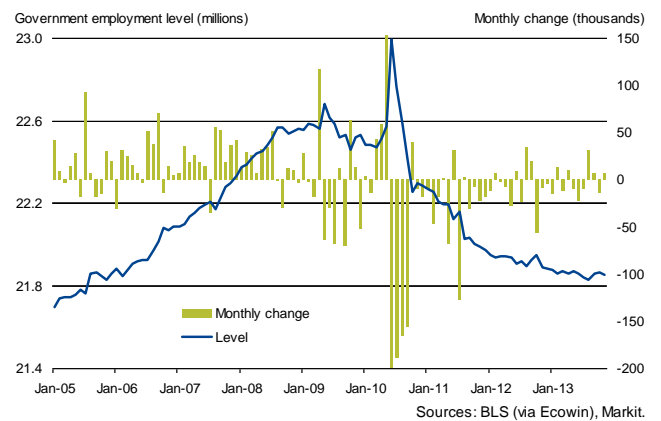
### Manufacturing and services employment



### Private sector employment



### Public sector employment



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