

Not all glooms and dooms for US job market

- **NFP data confirmed long time concern that job growth is unsustainable in a raging pandemic.**
- **New restrictions, absence of robust stimulus program contributed to job losses.**
- **Upsides from Biden Administration's stimulus and spending plans**

US economy shed jobs for the first time in 8 months

Job growth finally came to a halt in the last month of 2020 after recovering only about 56% of the losses observed early on in the pandemic. Nonfarm payrolls tracked the negative ADP (-123k), posting its first decline in December (-140k). Jobless claims also remained at elevated levels, some recent fall in pandemic benefit claims may be due to new verification that slowed down the application process.

December's job losses concentrated mainly in the leisure and hospitality sector (-498k), offset by the steady gains in manufacturing and the more robust hiring in construction sector. This comes as the US continued to report staggering number of confirmed coronavirus cases, with daily changes ranging from 100-nearly 300k since the first week of November, prompting some state governments to re-impose stricter rules.

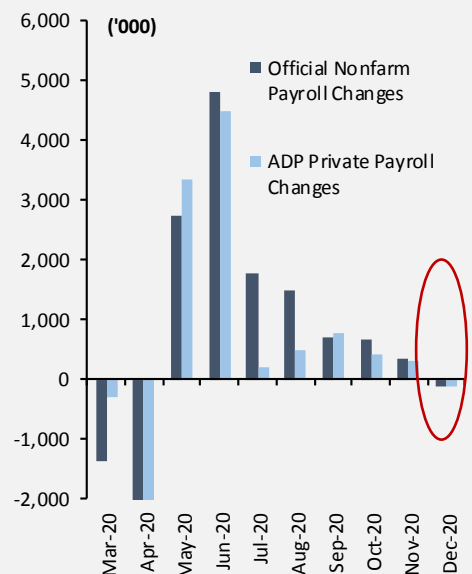
Businesses however remained mostly open nationwide, with only a handful of states banning operation of foods & drinks bars as well as night clubs. More extreme and extensive rules such as temporary ban on gyms/religious gatherings were implemented in only a few states like California, Illinois and Oregon. This directly contributed to a more localised shut down of small businesses that led to more layoffs. On the demand side, consumers have also turned more cautious in terms of spending as the effect of the first stimulus checks wore off. They might have also ventured out of homes less in the wake of surging pandemic cases and lockdowns; in fact nationwide travelling was curtailed during the holidays' season.

December data could be a blip

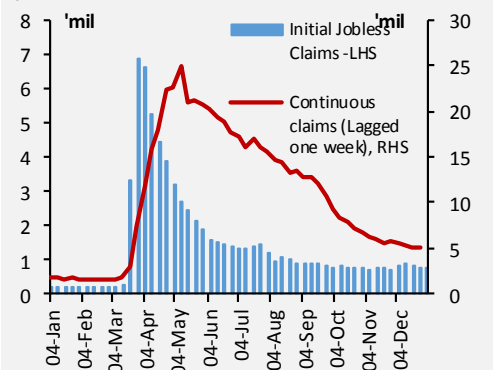
Both manufacturing and services experienced major supply chain constraints in December. Widespread infections also mean more quarantined workers, resulting in labour shortage that impeded business operations to fulfil holiday's demand.

This phenomenon is likely to extend into January albeit at less intense levels now that holiday season is over. Renewed business optimism alongside higher new orders and new exports orders (in both manufacturing and services) could be an upside to 1Q job prospects. The manufacturing sector hiring potentials could amplify. In the services sector, the immediate impact of the second stimulus check (\$600) may

NFP net losses at 9.8mil from Mar-Dec

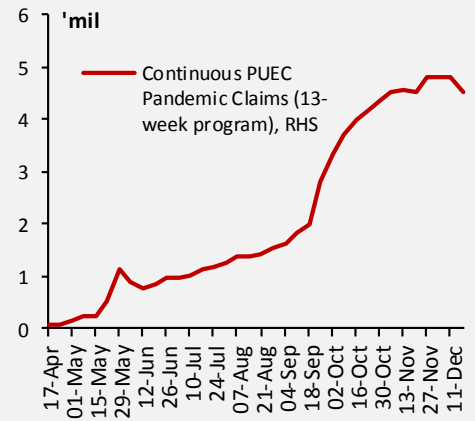


Conventional jobless claims and pandemic jobless claims still at elevated levels.



be reflected in January, supporting consumptions and thus employment. Anticipation of Democrats' new fiscal stimulus alongside ongoing vaccine rollout is also positive for the job market. There may likely be fewer retrenchments in state and local governments (the public sector cut nearly 400k jobs since October).

No doubt that the pandemic continues to pose a downside risk to the labour market and overall economy. We see upsides in the incoming Biden Administration's more robust plan to combat the pandemic such as the promise to hold a federally run mass vaccination sites as well as releasing nearly all available doses to states. He had also vowed to impose a 100-day mask mandate nationwide once he is inaugurated. A comprehensive plan is expected on this Thursday.



Source: Bloomberg, CEIC, HLBB Global Markets Research

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