

# US economy

## Hiring picks up as US economy gathers steam in January

- **ISM surveys point to ten-month high rate of growth of business activity and new orders**
- **Strong expansion in non-manufacturing follows more modest increase in manufacturing**
- **ISM and non-farm payrolls both point to further labour market upturn in January, jobless rate falls to 8.3%**

The flow of upbeat news on the health of the US economy shows no sign of abating. A better than expected non-manufacturing survey from the ISM added to a buoyant sister survey of manufacturing earlier in the week. The combined message from the two surveys is that the US economy grew at the fastest rate for ten months in January.

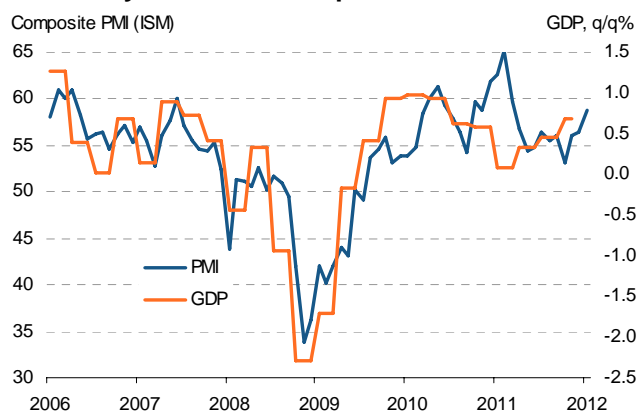
The latest survey from the ISM followed upbeat labour market data, with the non-farm payrolls report smashing expectations. Employment rose 243k against a consensus of just 150k and the unemployment rate fell to 8.3%.

The news adds to a growing chorus of economic data from around the world which point to a far better start to the year than almost all had anticipated.

### Economic growth at ten-month high

The weighted combination of the output indices from the two ISM surveys rose from 56.4 in December to 58.9 in January, hitting its highest level since March of last year.

### PMI surveys and GDP compared



Business activity in the non-manufacturing economy rose at its fastest rate since last February, offsetting some of the slowdown that had been evident in manufacturing during the month. The surveys are broadly consistent with gross domestic product rising at an annualised rate of approximately 3.0%.

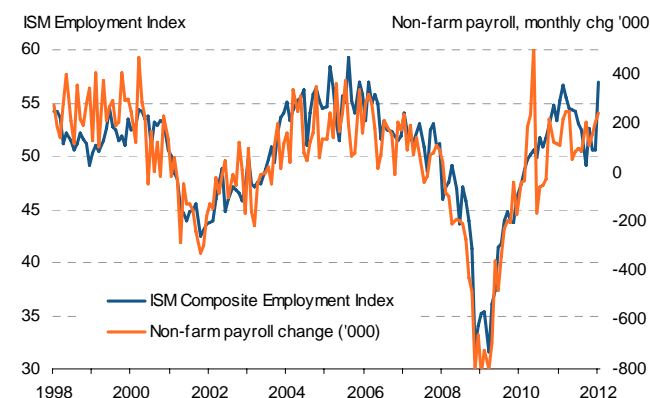
Encouragingly, growth of new orders across the two ISM surveys jumped sharply higher, showing the largest upturn in points-terms since March 2010 to signal the fastest growth of demand for ten months.

The ISM survey also brought good news on employment, with a leap in non-manufacturing headcounts following a more modest, though still substantial, rise in manufacturing jobs reported earlier in the week. The overall rise in employment in January was the largest since February 2006, with non-manufacturing jobs also showing the largest rise over that near-six-year period.

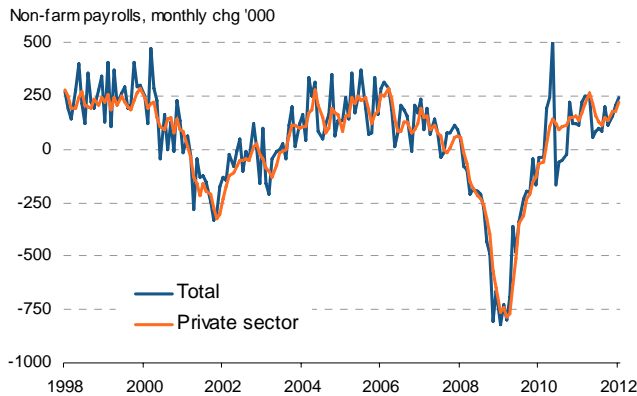
### Unemployment rate lowest for nearly three years

The better PMI survey news on employment from the ISM was accompanied by a 243k rise in non-farm payrolls, which reflected a 257k rise in private sector jobs. The unemployment rate also fell from 8.5% to 8.3%, its lowest for almost three years, reflecting the fact that 3.2 million jobs have been added since employment began rising in March 2010, with a gain of 3.7 million in the private sector.

### US employment



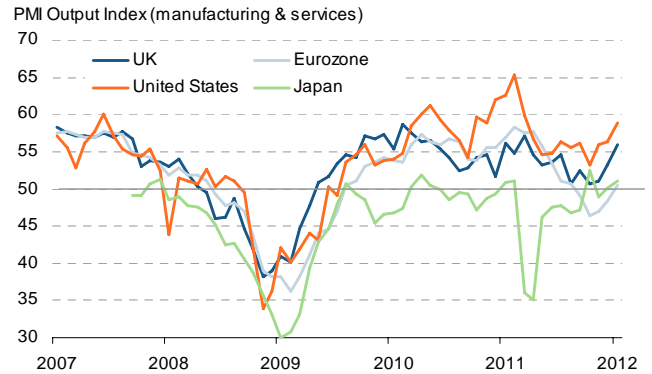
### Non-farm payrolls



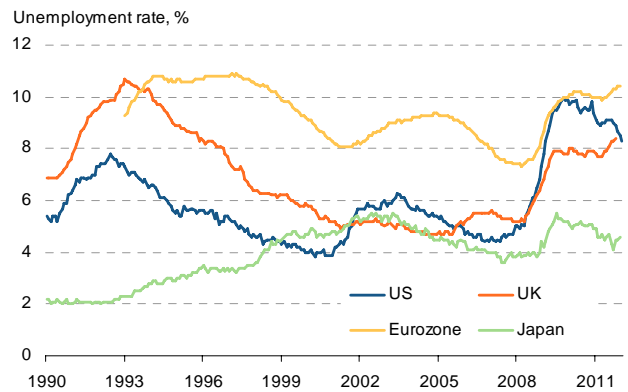
The data from the US need to be treated with some caution, as there is some evidence that seasonal trends were disrupted so severely during the height of the financial crisis in 2008-09 that recent data may be overstating the strength of the upturn. The ISM survey has also been an imperfect indicator of economic growth since the recession. Both of today's reports nevertheless add to a growing batch of upbeat economic data from around the world which have beaten expectations and suggest that business conditions have improved significantly since late last year.

Composite PMI measures rose in January in the UK, Eurozone and Japan as well as the US. However, with the exception of Germany, the US is the only major developed economy to have seen a marked improvement in its labour market in recent months.

### International PMI comparisons



### International unemployment comparisons



All sources: Markit, ISM, Ecwin.

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