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January 6, 2016

Labor Market Continues to Tighten - Wage Growth Raises Inflation Expectations

**Comment on U.S. Bureau of Labor Statistics Employment Situation Report
Gad Levanon, Chief Economist, North America, The Conference Board**

Employment increased by 156,000 in December after increasing by an upwardly revised 204,000 jobs in November.

Since the election, financial markets and surveys of [business](#) and [consumer confidence](#) have showed growing optimism about short-term growth prospects of the U.S. economy. But it's too early to see this optimism in December's job growth number, which reflects a continuation of a moderate employment growth trend.

As expected, the unemployment rate increased slightly in December following a large drop in November. But in a solid job growth environment, the unemployment rate is clearly trending down.

Over the past 12 months, average hourly earnings grew by 2.9 percent, a new record for this expansion. With the labor market tightening faster than pre-election expectations, wages and prices may accelerate, leading the Fed to raise interest rates faster than the market currently expects.

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