

News Release

February 1, 2019

Strong employment growth raises the likelihood of yet another Fed policy U-turn

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

The main message from this report is clear: While financial markets and business confidence measures were moving south in recent months, employers kept adding workers at a fast rate, specifically 304,000 new jobs in January. If anything, employment growth has accelerated in recent months. Due to the government shutdown, some of the data in this month's job report is hard to interpret, especially government employment and the overall unemployment rate.

Overall economic activity, and especially consumer spending, rapidly expanded during 2018, forcing employers to catch up with the growing demand by expanding their payrolls. The question is how much more catching up do they have left. We still expect job growth to moderate during 2019, but perhaps more gradually than we projected a month ago. With the ongoing massive retirement of baby boomers, employment growth is almost certain to be fast enough to continue tightening the labor market and drawing more people to the labor force. Labor force participation for the working age population has been growing rapidly in recent months, a trend that is likely to continue, limiting the tightening of the labor market moving forward.

Today's report increases the probability that as wages continue to increase more rapidly, rising inflationary pressure may force the Federal Reserve to make yet another policy shift in its policy around mid-year, and start raising rates again.

For more information:

Carol Courter

The Conference Board

(212) 339-0232

courter@conference-board.org