

# Economic Indicators

## Unemployment rate and non-farm payroll of the U.S.

### Macroeconomic indicators overview

Macroeconomic indicators are statistics or data readings that reflect the economic circumstances of a particular country, region or sector. Analysts and governments use them to assess the current and future health of the economy and financial markets.

### Unemployment rate

The definition of the unemployment rate

How it is used

Why it is important

### Non-farm payroll

The definition non-farm payrolls

How it is used

Why it is important

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**Nhan Tong**

nhan.tt@kisvn.vn

# I. Macroeconomic indicators overview

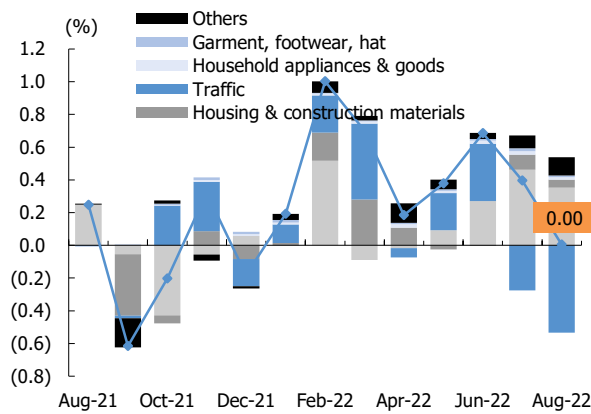
## DEFINITION

- Macroeconomic indicators are statistics or data readings that reflect the economic circumstances of a particular country, region, or sector.
- Analysts and governments use them to assess the current and future health of the economy and financial markets.

## WHY IT IS IMPORTANT

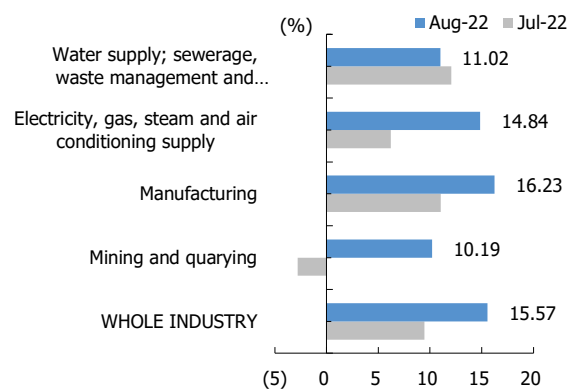
- They have a significant influence on market movements. They can also create volatility in the market.
- Market participants will be keeping an eye on analysts' predictions of the data ahead of their release.
- The bigger the difference between the analysts' prediction and the figures, the more volatility can be expected in financial market.

**Figure 1. Vietnam's inflation by month**



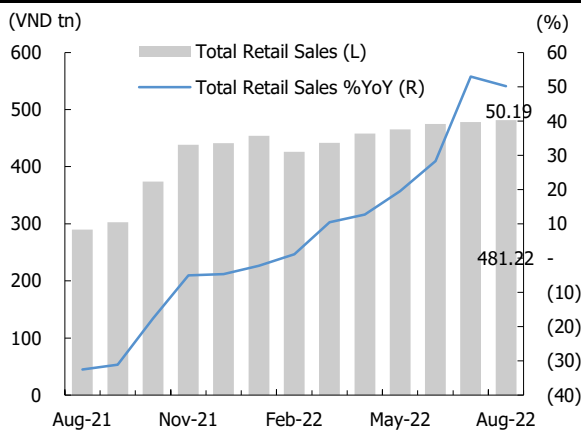
Source: GSO, KIS

**Figure 2. Vietnam's industrial production by sector**



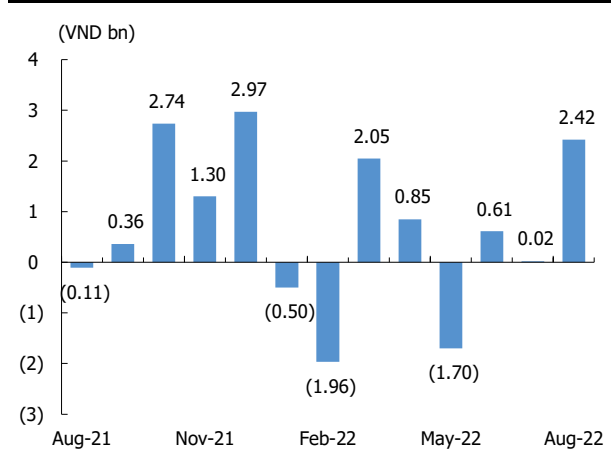
Source: GSO, KIS

**Figure 3. Vietnam's retail sales by month**



Source: GSO, KIS

**Figure 4. Vietnam's trade balance by month**



Source: GSO, KIS

## II. Unemployment rate

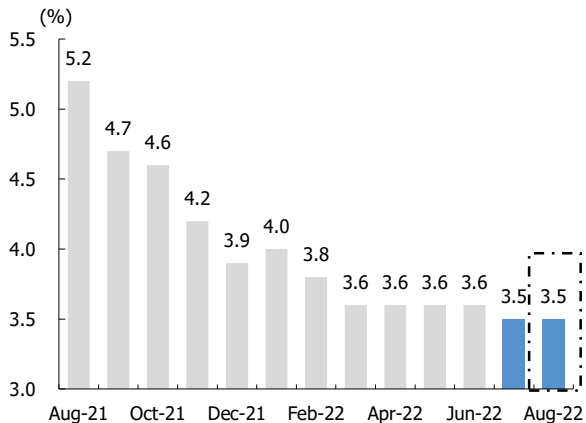
### DEFINITION

- The unemployment rate is the percentage of the labor force without a job. It is a lagging indicator
- If the unemployment rate increases MoM over a period of time, it tends to indicate that the overall economy has been declining in health.
- If employment rates fall, it means that businesses have finally give up hope that the situation will improve and have started to lay off their workers.

### WHY IT IS IMPORTANT

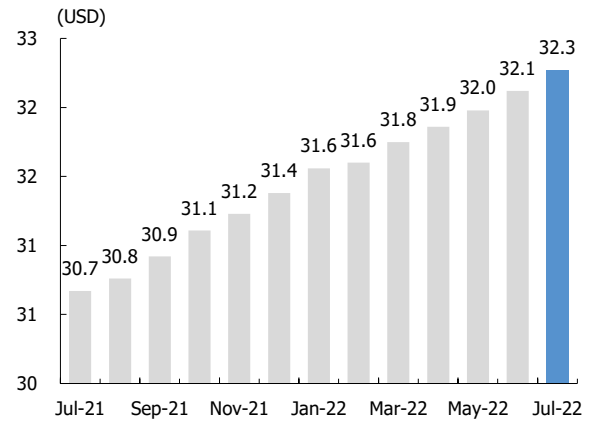
- Investors also use current unemployment statistics to look at which sectors are losing jobs faster. They can then determine which sector-specific mutual funds to sell.
- While the unemployment rate is an important economic indicator, it doesn't capture the full scope of unemployment and underemployment.
- When the unemployment rate reaches 6% to 7%, as it did in 2008, the government gets concerned and tries to create jobs through stimulating the economy. It may also extend unemployment benefits to prevent the recession from deepening. Studies show that extended unemployment benefits are the best way to boost the economy

**Figure 5. Historical U.S unemployment rate**



Source: SBV, Bloomberg, KIS  
 Note: August figure is the market consensus

**Figure 6. U.S. Average Hourly Earnings of All Employees by month**



Source: Bloomberg, KIS

As can be observed that the U.S. Unemployment rate was recorded at 3.50% in July-lower than the previous month. The unemployment rate in the United States is expected to be 3.50 percent by the end of this quarter. It is believed that in the long-term, the United States Unemployment Rate is projected to trend around 3.60 percent in 2023 and 3.80 percent in 2024

### III. Non-farm payrolls

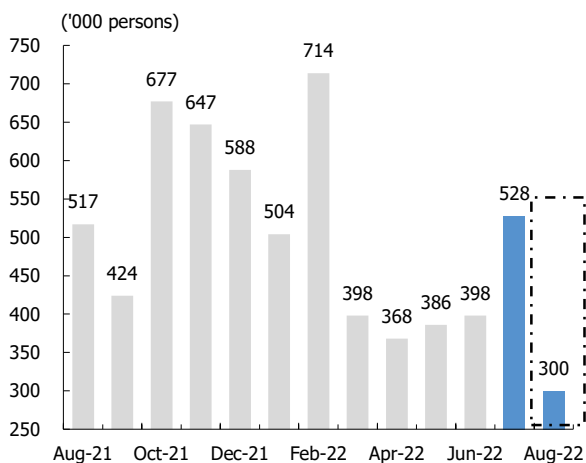
#### DEFINITION

- Non-farm payrolls is the measure of the number of workers in the U.S. excluding farm workers and workers in a handful of other job classifications.
- This is measured by the Bureau of Labor Statistics (BLS) which surveys private and government entities throughout the U.S. about their payrolls. The BLS reports the non-farm payroll numbers to the public on a monthly basis through the closely followed “Employment Situation” report.

#### WHY IT IS IMPORTANT

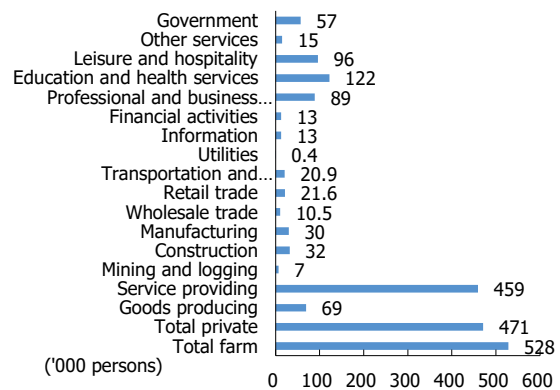
- If non-farm payrolls are expanding, the increase is an indication that the economy is growing.
- However, if increases in non-farm payroll occur at a fast rate, this may lead to an increase in inflation and that may be viewed as a negative for the economy. Data on wage growth and the rate of unemployed, which are also included in the monthly jobs report, will also help shape inflation expectations and estimates for future economic growth

**Figure 5. Historical U.S nonfarm payroll**



Source: BLS, Bloomberg, KIS  
 Note: August figure is the market consensus

**Figure 6. U.S. nonfarm employment change by sector in July**



Source: BLS, Bloomberg, KIS

The average of the U.S. non-farm payrolls witnessed an average increase of 470 thousand jobs each month in the first half. The market is expecting that total nonfarm employees to increase by 300 thousand in August. In the long-term, the United States’ nonfarm payrolls is projected to trend around 280 thousand in 2023.

New York Federal Reserve President John Williams said on Tuesday 30th August 2022 that “the central bank will likely need to get its policy rate about 3.50% and is unlikely to cut interest rates at all next year as it fights inflation”.

## **IV. Reason to check those indicators at this time**

The interaction term between the federal funds rate and business confidence has a negative relationship with the unemployment rate, indicating that a decrease in business confidence and the federal funds rate would actually produce an increase in the unemployment rate.

Job gains have increased in recent months, and the unemployment rate has remained low at 3.5% in July. Inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices, and broader price pressures.

Currently, the unemployment rate is as low as 3.5% and employers are struggling to fill vacancies. This is also the reason for rising wages, raising concerns about a possible wage-price spiral (the economic term that describes rising inflation due to higher wages). Therefore, FED is watching these indicators closely to appropriately adjust their policy.

#### **VIET NAM**

JAE HEUNG LEE, Business Director (jhlee@kisvn.vn +8428 3914 8585 - 1466)  
UYEN LAM, Head of Institutional Brokerage (uyen.lh@kisvn.vn +8428 3914 8585 - 1444)  
KIS Vietnam Securities Corporation  
3rd floor, 180-192 Nguyen Cong Tru, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City.  
Fax: 8428 3821-6898

#### **SOUTH KOREA**

YEONG KEUN JOO, Managing Director, Head of International Business Division (ykjoo@truefriend.com, +822 3276 5157)  
PAUL CHUNG, Sales Trading (pchung@truefriend.com +822 3276 5843)  
27-1 Yoido-dong, Youngdeungpo-ku, Seoul 150-745, Korea  
Toll free: US 1 866 258 2552 HK 800 964 464 SG 800 8211 320  
Fax: 822 3276 5681~3  
Telex: K2296

#### **NEW YORK**

DONG KIM, Managing Director (dkim@kisamerica.com +1 212 314 0681)  
HOON SULL, Head of Sales (hoonsull@kisamerica.com +1 212 314 0686)  
Korea Investment & Securities America, Inc.  
1350 Avenue of the Americas, Suite 1110  
New York, NY 10019  
Fax: 1 212 314 0699

#### **HONG KONG**

GREGORY KIM, Managing Director, Head of HK Sales (greg.kim @kisasia.com +852 2530 8915)  
Korea Investment & Securities Asia, Ltd.  
Suite 2220, Jardine House  
1 Connaught Place, Central, Hong Kong  
Fax: 852-2530-1516

#### **SINGAPORE**

ALEX JUN, Managing Director, Head of Singapore Sales (alex@kisasia.com.sg +65 6501 5602)  
CHARLES AN, Sales (alex.jun@kisasia.com.sg +65 6501 5601)  
Korea Investment & Securities Singapore Pte Ltd  
1 Raffles Place, #43-04, One Raffles Place  
Singapore 048616  
Fax: 65 6501 5617

#### **LONDON**

Min Suk Key, Managing Director (peterkey@kiseurope.com +44 207 065 2766)  
Korea Investment & Securities Europe, Ltd.  
2nd Floor, 35-39 Moorgate  
London EC2R 6AR  
Fax: 44-207-236-4811

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