Weekly Commentary

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Wages inch up

One of the big mysteries in the steady improvement in the labor market has been the persistent lack of upward wage pressure. Theories abound, but Americans clearly would rather start to see their incomes grow for whatever the reason and they might be starting to see that. The Department of Labor jobs report released last week suggests compensation may finally be on the rise. The already positive report, with the unemployment rate staying at 4.1% and 200,000 jobs added to the economy, was enhanced with the news that average hourly employee earnings grew around 3% in 2017. That's the best growth rate since midway through 2009. The next few quarters should tell us if this is temporary or a true trend. It doesn't hurt that other labor reports, such as on layoffs and initial claims for unemployment payments, were positive.

Consumers certainly have the confidence in at least stable wages, as sentiment is high. And several gauges of manufacturing showed activity continued to improve, contributing to the recent strength of gross domestic product.

The short end of the London interbank offered rate (Libor) yield rose modestly over last week, with 1-month Libor increasing 1 basis point to 1.58%, 3-month rising 3 basis points to 1.79% and 6-month Libor increasing 1 basis points to 1.96%.