

November 7, 2014



UNITED STATES

The jobless rate drops again

HIGHLIGHTS

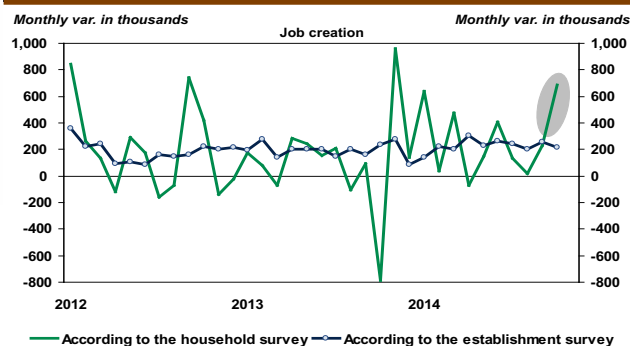
- The establishment survey shows 214,000 net hires in October, after increases of 256,000 jobs in September (revised from 248,000) and 203,000 in August (revised from 180,000).
- The private sector added 209,000 jobs. Public sector employment gained 5,000.
- The construction sector created 12,000 jobs, a bit weaker than September's 19,000 hires. In manufacturing, the number of workers rose by 15,000 after gaining 9,000 jobs in September.
- Private sector services created 181,000 jobs. Employment in the retail sector increased by 27,100 jobs and food services added 41,800. The number of workers in professional services went up by 37,000, which is a bit slower than in the last few months. The healthcare and education sector created 52,000 jobs.
- The jobless rate dropped again, this time falling from 5.9% to 5.8%, matching its July 2008 level. The household survey indicates that an astonishing 683,000 jobs were created, surpassing the 416,000-person increase in the labour force.

COMMENTS

Though still quite strong, October's 218,000 new jobs come in slightly below expectations. These had been buoyed by remarkably low new weekly jobless claims in October. The solid performance by the employment components of the ISM indexes also suggested stronger hires. However, we mustn't be too disappointed with October's results. If we add these new jobs to the revisions made to the two previous months, +23,000 in August and +8,000 in September, total gains remain quite positive. It is also interesting to see how August's employment results have changed with these revisions. At first publication, the disappointing 142,000-job increase had the markets worried. After two months of revisions, though, this result stands at 203,000 jobs, which is more in line with the economy's performance.

Several sectors contributed to this minor slowdown by job creation, including construction, the information sector

Job creation according to the household survey seems overly strong for October



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

(one of the few to post layoffs) and professional services. However, the overall portrait is more positive, as a larger percentage of the 264 sectors surveyed (62.3%) recorded net hires from September (60.4%).

This new drop by the jobless rate primarily reflects the household survey's high volatility; however, this survey is much less reliable in the short term than the establishment survey. All the same, it is more encouraging to see the jobless rate decrease due to stronger hires (even if they are exaggerated) than because of a shrinking labour force, as has often been the case in recent years. Given that this survey showed such a strong spike in employment for October, though, it would not be surprising to see some backlash in November—this could bring up the jobless rate.

Implications: U.S. employment growth continues to do well. With the drop in gas prices, this should help further improve consumer confidence and support economic growth.

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