

December 5, 2014



UNITED STATES

Job creation in November: the strongest in nearly three years

HIGHLIGHTS

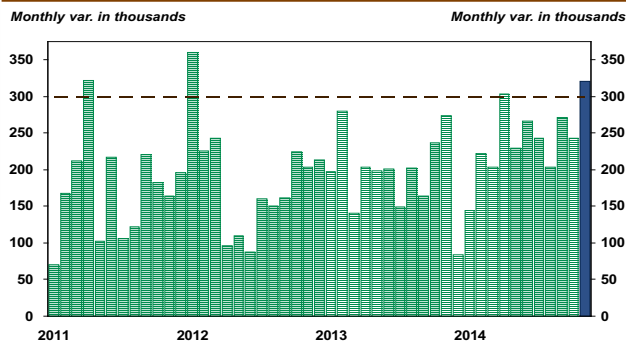
- The establishment survey indicates that there were 321,000 net hires in November, following gains of 243,000 jobs in October (revised from 214,000) and 271,000 in September (revised from 256,000).
- There were 314,000 jobs added in the private sector. Public sector employment added 7,000 jobs, the same as in October.
- Construction created 20,000 jobs, its best performance since July. The number of workers in manufacturing increased by 28,000, the strongest monthly gain in 2014.
- The private service sector had its best showing since January 2012, with 266,000 jobs added. Jobs in retailing increased by 50,200, while food services added 26,500 jobs. There were 86,000 new workers in professional services, the best gain since 2010. There were 20,000 new jobs in financial services. The healthcare sector created 37,200 jobs.
- The jobless rate is steady at 5.8%. The household survey reports only 4,000 new jobs, following a gain of 683,000 in October. The labour force grew by 119,000 people.

COMMENTS

The establishment survey had a nice surprise for us this morning. Such strong monthly job creation has not been seen since January 2012. Excluding the effects of the 2010 census, this is only the fourth time that employment has grown by more than 300,000 since the end of the recession. In addition, these hires are largely distributed across the 264 sectors covered by the survey: 69.7% of them created jobs, the highest proportion since January 1998. Forecasters did not expect such good results. According to the Bloomberg compilation, no forecast expected gains higher than 260,000. The financial markets immediately reacted to this news, as bond yields were up.

The first sign of faster wage increases has also been sighted. Monthly growth in the average hourly wage was 0.4% in November, the strongest gain since June 2013. For a year now, the average increase has been below 0.2%. The annual

A rare occasion when hires exceeded 300,000 jobs per month



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

change in wages went from 2.0% to 2.1%, which is still relatively slow. However, results like November's could finally lead to long-awaited acceleration, particularly by Federal Reserve (Fed) leaders.

The weakness in job creation according to the household survey should not be too much of a concern. It is much more volatile than job creation based on the establishment survey, and it is normal to have underperformance following an increase of 683,000 workers. Yet, it is interesting to note a decrease in the number of the long-term unemployed. The underemployment rate (which includes discouraged and involuntary part-time workers) fell from 11.5% to 11.4%; it was 13.1% a year ago.

Implications: U.S. job growth is very good. With gas prices down, everything is lined up to keep economic growth at a vigorous pace, which should lead the Fed to raise rates in mid-2015.

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