Economic News

Desjardins Economic Studies

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UNITED STATES

Strong start to the third quarter for the job market

HIGHLIGHTS

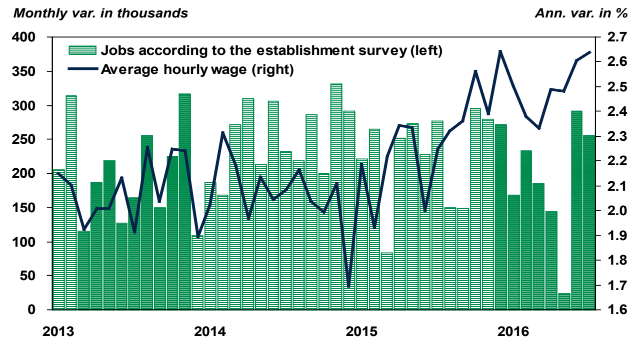
- The establishment survey indicates that there were 255,000 net hires in July, following gains of 292,000 jobs in June (revised from 287,000) and 24,000 in May (revised from 11,000). In July, the private sector created 217,000 jobs while the public sector created 38,000.
- Employment in the goods sector advanced by 16,000 jobs in July. The manufacturing sector had 9,000 hires. Construction added 14,000 jobs while the natural resources sector lost 7,000 jobs, representing a 22nd straight month of declines.
- Private-sector services created 201,000 jobs. No major service sector saw its number of employees decrease in July. There were 70,000 new workers in professional and business services, the best gain since October 2015.
- The jobless rate is steady at 4.9%. The household survey posted a substantial gain of 420,000 jobs in July, which was accompanied by a 407,000-person increase in the labour force.
- The average hourly wage rose 0.3% in July following a 0.1% increase in June. The annual change held steady at 2.6%.

COMMENTS

The sudden slowing in job creation in the spring had worried Federal Reserve (Fed) leaders and greatly contributed to their decision not to raise key rates in June. This morning's data confirm that there is no more reason to worry.

June's spectacular performance creating some 300,000 jobs had already dispelled a good portion of any doubts on the health of the U.S. job market. After such a rebound, the consensus of analysts predicted respectable growth of around 180,000 jobs for July. Yet hires again far surpassed expectations, with an outstanding gain of 255,000 jobs. The average for the last three months, which includes a very disappointing May, therefore stands at a solid growth of 190,000 jobs.

The U.S. job market's performance is encouraging



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The report on the employment situation included several other encouraging statistics. We note that 63.7% of sectors added workers in July, the highest percentage since February 2015. Hourly wages and the number of hours worked also posted strong monthly advances. The household survey is also encouraging, with significant growth in the number of workers and in the labour force.

Implications: The job market's excellent performance over the last two months is reassuring. It confirms the idea that U.S. growth should soon return to a more solid pace after a few disappointing quarters. Fed leaders find themselves in a difficult position. The job market's performance would justify a rate hike in September, but the international context, marked by monetary easing in several countries, could prompt them to maintain the status quo.

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