

ECONOMIC NEWS

United States: Blockbuster Job Gains in July

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HIGHLIGHTS

- ▶ According to today's establishment survey, the US economy added 528,000 jobs in July after an increase of 398,000 in June (revised from 372,000).
- ▶ Employment rose 69,000 in the goods-producing sectors, including 32,000 in construction and 30,000 in manufacturing.
- ▶ The services-producing sectors saw a surge of 402,000 jobs. Hiring was broad-based, with health care and social assistance leading the way with 96,600. Leisure and hospitality posted its own 96,000 gain.
- ▶ Average hourly earnings jumped 0.5% in July after rising 0.4% in June. They're up 5.2% compared to a year earlier, unchanged from last month.
- ▶ The unemployment rate fell from 3.6% to 3.5%. The household survey showed a gain of 179,000 jobs. The labour force shrank by 63,000 while the participation rate fell from 62.2% to 62.1%.

COMMENTS

The US labour market served up a jobs surprise this morning, far exceeding analyst expectations. Employment gains were broad-based, reflecting a healthy labour market.

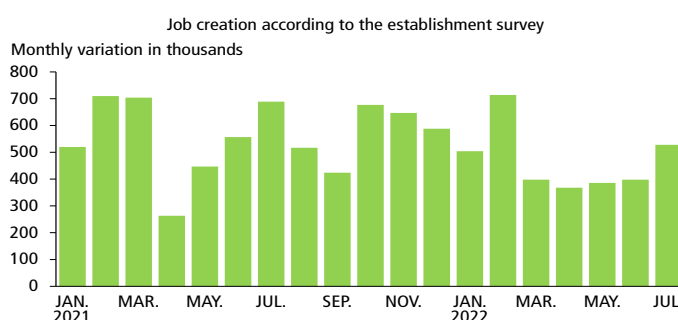
Average hourly earnings continued unabated, but annual wage growth has plateaued in recent months. This suggests the economy isn't falling into a wage-price spiral.

IMPLICATIONS

Despite two straight quarters of real GDP contraction, the US economy is nowhere near a recession. The labour market remains strong, as evidenced by solid job creation and falling

GRAPH 1

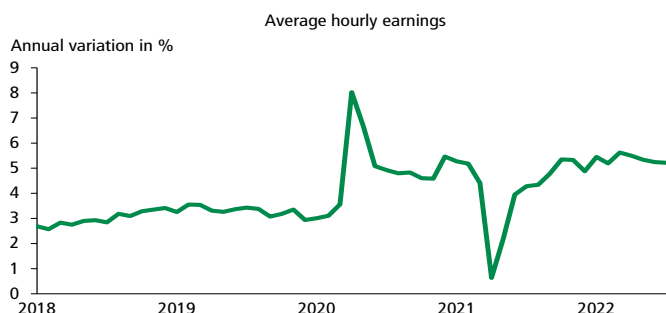
The US labour market remains strong



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

GRAPH 2

Wage growth has been robust over the past year, but relatively stable in recent months



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

unemployment. We therefore expect the Federal Reserve to continue hiking interest rates in the coming months to quell inflation.