UNITED STATES

Job growth just misses expectations

HIGHLIGHTS

- According to the establishment survey, there were 157,000 net hires in January following a gain of 196,000 (revised from 155,000) in December.
- The private sector picked up 166,000 jobs, after creating 202,000 in November. The public sector shed 9,000 jobs.
- The construction industry added 28,000 workers, while manufacturing and resources each hired 4,000 people.
- The private services sector created 130,000 jobs, slightly less than the 158,000 recorded in October. Retailers hired 32,600 people. Professional services, health and education saw their labour force expand by 25,000.
- January’s results were accompanied by an upward revision of the 2012 job gains from 1,835,000 to 2,170,000. The 2011 results were also revised upwards. As such, 5,505,000 jobs have been created since the employment trough in February 2010. The recession left 8,736,000 people out of work.
- Unemployment rose from 7.8% to 7.9% in January. According to the household survey, only 17,000 jobs were created while the labour force grew by 143,000.

COMMENTS

January hires just missed the mark. This is because the drop in jobless claims in January had driven up expectations. However, the difference is not great, and the job market is slowly growing.

Still, the hiring pace has slowed in recent months: net job creation fell from 247,000 in November to 196,000 in December and 157,000 in January. In light of the risks weighing on the U.S. economy, this performance is still commendable. The uncertainty surrounding the fiscal cliff, the drop in real GDP at the end of 2012 and the decline in consumer confidence are all factors that could have lead companies to slow their hiring pace. Under the circumstances, the mere fact that job creation did not slow down more than it did is encouraging.

Today’s figures contain both good and bad surprises. On the plus side, hiring by retailers remained strong with a gain 32,600 in January, including 10,000 in clothing stores. In the past six months, retailers have created 200,000 jobs. The construction and restaurant industries also posted solid growth. On the down side, the manufacturing industry is at a standstill with anaemic gains for several months now. Jobs in this industry have been down since the summer. There have even been layoffs in temporary employee services, suggesting that total hires will slow in the months ahead.

Implications: The early 2013 hiring pace doesn’t change the job market trend. The recovery is continuing, but its slow pace will reassure the Fed where its quantitative policy is concerned.

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