Slight rise by unemployment

**HIGHLIGHTS**

- The establishment survey shows 175,000 net hires for May, on the heels of a gain of 149,000 jobs (revised from 165,000) in April.
- The private sector added 178,000 jobs, following April’s 157,000-job gain. Public sector employment fell by 3,000 jobs.
- The construction sector gained 7,000 workers, but manufacturing lost 8,000. The resources sector remained stable.
- Private sector services gained 179,000 jobs. After adding 19,900 jobs in April, retailers made 27,700 hires and there are 38,100 more workers in food services. The number of workers in professional services increased 57,000, while the health and education rose by 26,000.
- The jobless rate rose in May, going from 7.5% to 7.6%. According to the household survey, employment increased by 319,000, while the labor force grew by 420,000.

**COMMENTS**

The hires made in May were fairly close to consensus expectations and the average level observed in the last year. The results published this morning in the United States should not be a great surprise. However, we can still be encouraged by the fact that May’s gains were a bit higher than those for March and April. What’s more, the job market is ignoring the concerns raised by the “employment” components of the ISM indexes (50.1 in May) and the weakness observed in the ADP survey (+135,000).

Little by little, employment levels are nearing the peak reached before the 2008 recession. 6,317,000 jobs have been created since the low point recorded in February 2010, and another 2,419,000 jobs are needed to get back to the previous cyclical peak.

One of the sectors supporting employment’s recovery is retail trade, which has created 93,000 jobs since the beginning of the year. This contrasts with manufacturing, where layoffs have been increasing over the last three months. For its part, the construction sector experienced another disappointing month in May: while it added 166,000 workers between October 2012 and last March, the net gain for the last two months is just 5,000 jobs.

There is no need to worry much about May’s rise in the jobless rate. The fairly steep drops of previous months, from 7.9% to 7.5% in three months, could not last. What’s more, employment continues to grow in the household survey, and the increased labor force participation rate after the lows observed in the last two months can only be encouraging. The broader jobless rate that includes discouraged and involuntary part-time workers dropped from 13.9% to 13.8% in May.

**Implications:** Job creation in May is in line with expectations, and the rise by the jobless rate is not worrisome. We can be encouraged by the rise in the number of hours worked and the increase to the labor force participation rate. May’s results are not strong enough to prompt the Federal Reserve to announce any reductions to its securities purchases at its June 19 meeting.