HIGHLIGHTS

- The business survey shows a net gain of 195,000 hires in June, the same as in May (revised up from 175,000) and close to the 199,000 new hires recorded in April (revised up from 149,000).
- A total of 202,000 new jobs were created in the private sector, on the heels of the 207,000 new jobs created in May. The public sector shed 7,000 jobs.
- The construction sector welcomed 13,000 new workers, while manufacturing lost 6,000 jobs.
- Services in the private sector added 194,000 new hires. After gaining 26,900 jobs in May, retailers hired 37,100 new workers while the food services sector boosted its ranks by 51,700 new hires. Professional services saw its ranks swell by 53,000 and financial services created 17,000 new jobs.
- The unemployment rate remained steady in June, at 7.6%. According to the household survey, job growth grew by 160,000 while the labour force increased by 177,000.

COMMENTS

The new hires posted in June exceeded consensus expectations, but the figures were in line with our forecast of approximately 200,000. However, when the 70,000 additional jobs are included due to the revisions for April and May, the job market is actually doing better than expected.

Several sectors performed well in June, but the top spot belongs to the sectors that cater to household consumption. The 37,100 new jobs created at retailers is the strongest showing since November 2012 and the 75,000 new hires in the leisure and hospitality sectors (including food services) is a peak not reached since April 2005. These advances show that improvements in household confidence are rippling through to employers. Another encouraging sign for consumption is the 0.4% hike in the average hourly wage—the sharpest monthly increase since fall 2008.

The situation in the manufacturing sector is more worrisome, however. No new jobs have been created in this sector since February 2013. The loss of 6,000 jobs in the manufacturing sector in June is in addition to the 18,000 layoffs that took place between March and May. Industrial production in June should be weak.

Overall, 1,223,000 new jobs were created in the first semester of 2013, an improvement over the job gains of 1,082,000 posted in the second half of 2012. In addition, the job level is edging closer to the peak reached before the recession in 2008. A total of 6,582,000 new jobs have been created since the low point was reached in February 2010, and 2,154,000 still have to be created to get back to the previous cyclical peak. At the current pace, this should be achieved in about one year.

Implications: Job creation in May reflects the improvements in household confidence given that the biggest gains stem from consumer-driven sectors. The results for June are indeed encouraging. Since they are in line with our expectations, our forecasts vis-à-vis the Federal Reserve remain the same: securities purchases should start to wind down as of this fall.

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