HIGHLIGHTS

• According to the establishment survey, the U.S. labour market gained 162,000 jobs in July. This growth is slightly less than what was expected.

• For a third straight month, employment has been practically flat in the goods-producing sectors. Meanwhile, the services sector shows a gain of 157,000 jobs. Furthermore, 46,800 jobs were created in retail trade, and 36,000 new jobs were added in professional services.

• The household survey provided slightly more positive results, reporting a gain of 227,000 jobs during the month. Combined with a slight contraction in the labour force, this brought the unemployment rate down, from 7.6% to 7.4%.

COMMENTS

This morning’s data on the U.S. labour market are quite disappointing. Admittedly, expectations were high, especially after the release of fairly positive data in recent days, such as job growth according to the ADP survey, the decline in initial jobless claims, faster-than-expected real GDP growth and a rally by the ISM manufacturing index. The downwards revision of the previous establishment survey data compounds the disappointment this morning: 26,000 jobs were subtracted from the data for May and June.

That said, while it is not as fast as we might hope, the recovery in employment did continue in July. The decline in the unemployment rate testifies to the gradual improvement in the labour market. Now standing at 7.4%, the unemployment rate is at its lowest level since the end of 2008.

Implications: All things considered, the increase in jobs observed in July is quite similar to what we have seen in the past few months. This is not really surprising, given the numerous obstacles that are still impeding U.S. and global economic growth. There is nothing in today’s numbers to give more reassurance to the officials of the Federal Reserve.

Therefore, we can expect monetary policy to remain very expansionist for a good while longer, although a gradual tapering of financial asset purchases is still probable this fall.

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