UNITED STATES
Job growth disappoints again

HIGHLIGHTS

• The establishment survey reports that only 148,000 net hires took place in September, after a gain of 193,000 in August (revised from 169,000).
• Only 126,000 jobs were added in the private sector, following 161,000 hires in August. Public employment posted 22,000 additional jobs, mostly in education across the states.
• The construction industry created 20,000 jobs while jobs in the manufacturing sector only increased by 2,000.
• Private sector services saw their weakest growth since June 2012, with 100,000 new jobs. Retail business continues its strong run, adding 20,800 jobs. However, employment dropped in food and hotel services, as well as in financial services. Of the 32,000 new workers in professional services, 20,200 were in temp services.
• The jobless rate dipped once again, from 7.3% to 7.2%. According to the household survey, employment rose by 133,000 while the labour force added 73,000 people.

COMMENTS

Employment numbers for September were long overdue, as the federal government’s partial shutdown delayed publication by two and a half weeks. Even though the shutdown did not affect the published data, they were still disappointing. The consensus had been calling for a gain of 180,000 jobs. Job creation in the manufacturing sector was particularly weak despite strong performance by the ISM manufacturing index these past months which had raised hopes for much more robust job growth. The other industries are not showing any obvious signs of weakness. The 10,800 layoffs in food and hotel services come on the heels of strong growth of 246,700 jobs since the beginning of the year.

Strongest performers include construction, which saw its greatest monthly gain since February. The rise in the number of workers in retail business since the beginning of the year is also impressive, with 239,400 jobs created, a figure that exceeds 2012’s total gain.

After several months where the jobless rate was dipping mainly due to a shrinking labour force, the slip to 7.2% is healthier this time. The jobless rate is at its lowest since November 2008.

Implications: Job creation was weaker than expected in September, and the revisions to the previous months (-15,000 in July and +24,000 in August) don’t change things. The signs of “ongoing improvement in labour market conditions” that the Federal Reserve (Fed) is hoping for are still a ways off. In addition, the 16-day budget impasse risks clouding the next job market monthly data. Everything therefore suggests that Fed leaders will wait until next year before announcing a cutback on bond purchases. Note that October’s employment numbers will be published one week later, on Friday, November 8.

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