



UNITED STATES

A decent performance by the job market in July

HIGHLIGHTS

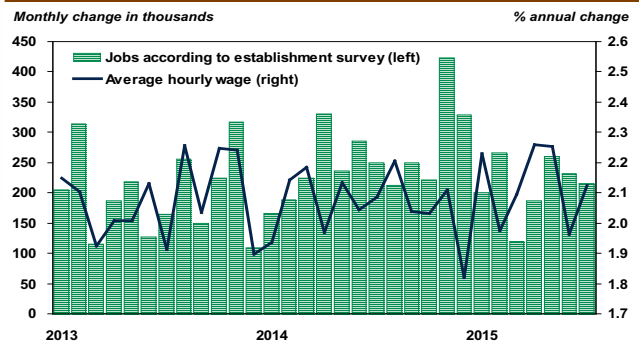
- The establishment survey tells us that there were 215,000 net hirings in July after gains of 231,000 (revised from 223,000) in June, and 260,000 (revised from 254,000) in May. July's job creation consisted of 210,000 positions in the private sector and 5,000 jobs in the public sector.
- The manufacturing sector had its best showing since last January, with 15,000 hirings taking place in July. Construction saw 6,000 new jobs, while 4,000 jobs were lost in the natural resources sector.
- There were 193,000 new jobs in private-sector services. Retail employment posted a third straight month of strong growth, with the addition of 35,900 jobs. The number of workers in professional services rose by 40,000, and those in the financial sector were up by 17,000. Health and education created 37,000 jobs, while 30,000 jobs were added in leisure and hospitality.
- The jobless rate held steady at 5.3%. The household survey reports a gain of 101,000 jobs in July, while the labour force expanded by 69,000 workers.
- The average hourly wage ticked up by 0.2% in July after remaining stable in June. The annual change rose slightly, to 2.1%.

COMMENTS

Given that the Federal Reserve had indicated that its next monetary policy decision would depend on economic statistics, this morning's data were keenly awaited. A spectacular surge in employment or in wages would have opened wide the doors to monetary tightening, while the opposite result would have greatly increased the probability of the status quo being extended. In the end, this morning's data are likely to have very little impact on the Fed's decision, since they change nothing in the U.S. job market picture.

The creation of 215,000 jobs in July is slightly below what was expected, but the upwards revision of 14,000 jobs for the two previous months makes up for it. The monthly average of 235,000 jobs over the past three months is

U.S. employment keeps growing, but wage growth does not yet show any convincing acceleration



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

certainly less spectacular than the numbers recorded at the end of 2014, but it is entirely satisfactory in a context where the unemployment rate is approaching 5.0%. The 0.2% monthly wage growth is somewhat reassuring after the stagnation in June, but wage trends remain modest.

The make-up of July's job creation does present some interesting aspects. First of all, we note that employment expanded in 64.4% of industries last month, the best diffusion since last December. It is also interesting to see stronger hiring in the manufacturing sector, after a modest performance in the first half of the year.

Implications: Overall, July's job market data are very much in line with expectations. While not opening any wider, the door is still open to a key interest rate hike in September, if the U.S. statistics released between now and then remain encouraging.

Mathieu D'Anjou, CFA
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com