



November 4, 2016



UNITED STATES

Job creation remains modest, but wages accelerate

HIGHLIGHTS

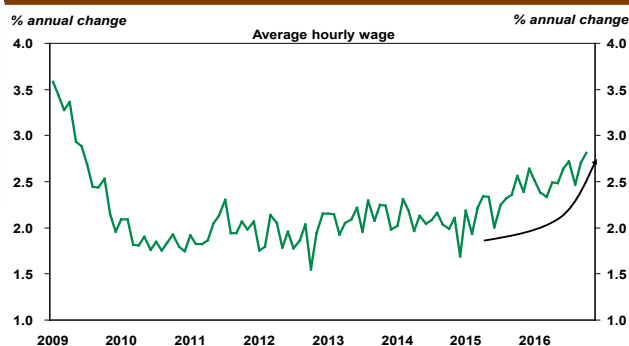
- The establishment survey shows 161,000 net hires in October, on the heels of September's 191,000 new jobs (upgraded from 156,000) and the 176,000 (upgraded from 167,000) gain posted in August.
- The construction sector created 11,000 jobs, while manufacturing lost 9,000 workers. For its part, the resources sector suffered 2,000 net layoffs.
- Private sector services increased their ranks by 142,000 new jobs, less than the 174,000 jobs recorded in August. Retailers shed 1,100 jobs and food services hired only 9,900 new workers. The number of professional services jobs grew by 43,000. The health and education sectors created 52,000 jobs while the public sector took in 19,000 new workers.
- The unemployment rate ticked down from 5.0% to 4.9%, the level in August. The household survey shows a loss of 43,000 jobs, but this was offset by the decline of 195,000 in the labour force.
- The average hourly wage rose 0.4% in October, after a 0.3% increase in September (upgraded from +0.2%). The annual change in the hourly wage surged from 2.7% to 2.8%.

COMMENTS

The labour results for October show decent if not staggering growth. In fact, the most positive development probably comes from the upgrades to the data for August (+9,000) and more particularly, for September (+35,000). Wage acceleration is another positive sign; the 2.8% advance in average wages marks the fastest growth since the summer of 2009.

Job growth for the past three months, with a monthly average of 176,000 new jobs, is below the stronger trend seen in the last few years. The average was 229,000 in 2015. This slowdown reflects greater productivity growth in the United States: the annualized gain in the third quarter, i.e. 3.1%, was the strongest increase since the summer of 2014.

Wages post faster growth



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Part of this slowdown in some sectors in October, especially retail sales and food services, appears to stem from Hurricane Matthew's sweep through the U.S. east coast. At least 238,000 workers could not get to work and another 569,000 employees had to work part time involuntarily because of the weather; an unusual occurrence in October. November should see a rebound in the sectors affected. Moreover, anecdotal information on hiring at retailers for the upcoming holiday season is looking quite positive.

Implications: Labour advances have definitely been livelier, but they are not a concern. It seems that Hurricane Matthew had a negative impact, which will be temporary. The Federal Reserve will not find any pretext in these figures to once again put off a rate hike. If the election results do not cause too much turmoil, the Fed should increase the key rate by 25 points at its December 14 meeting.

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