

December 2, 2016



## UNITED STATES

### Unemployment falls to 4.6%

#### HIGHLIGHTS

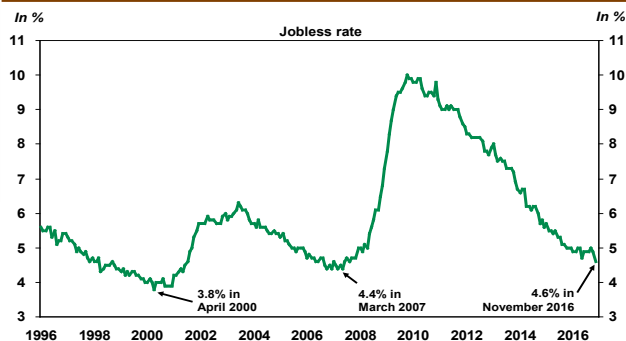
- The establishment survey shows that 178,000 net new hires were made in November, after 142,000 new jobs were created in October (revised from 161,000) and the 208,000 new jobs (revised from 191,000) posted for September.
- The construction sector added 19,000 jobs while manufacturing lost 4,000 workers. The resources sector made 2,000 net hires.
- Private sector services boosted their ranks by 139,000, somewhat better than the 128,000 hires in October. Retailers slashed their payrolls by 8,300, a second straight decline. Food services hired 18,900 new workers. A total of 63,000 jobs were created in the professional services sector. The health care and education sectors created 44,000 new jobs, while 22,000 public sector jobs were created.
- The jobless rate fell from 4.9% to 4.6%—the lowest level since August 2007. The household survey shows that 160,000 jobs were created while 226,000 workers left the labour force.
- The average hourly wage declined 0.1% in November after rising 0.4% in October. The annual change in the average hourly wage slowed from 2.8% to 2.5%.

#### COMMENTS

Job creation for November was very much in line with consensus expectations, reaching 180,000, based on data from Bloomberg. The net effect of revisions to the figures for previous months point to few changes. The labour market continued to make decent strides but the results are nothing to get excited about. In fact, about 180,000 jobs were created on average since the start of 2016, almost the same results as November's.

Among the sectors of activity, construction made gains for a third straight month. In contrast, manufacturing suffered a fourth consecutive contraction—this is the first such series since the recession. Retailers also cut jobs in October and November, a situation that contrasts with advances in retail sales. Most of the layoffs in this sector were in clothing

#### The jobless rate is nearing its previous cyclical low



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

stores, probably due to the warmer weather this fall which saw shoppers put off seasonal purchases.

The scope of the decline in unemployment is surprising, especially since the consensus expected the rate to stay at 4.9%. The jobless rate is edging closer to the low point reached in the mid-2000s. This improvement, however, comes at the expense of the participation rate, with the unemployed exiting the workforce. The employment rate was steady at 59.7%. We will have to see in the coming months if a recovery by the participation rate will drive the jobless rate up or if the downward trend will continue.

**Implications:** Job creation ramped up somewhat in November, but it continues to evolve in step with its recent trend. The jobless rate, which dropped to pre-recession levels, is a different story. These figures will not sway the Federal Reserve, which is expected to increase its key rate by 25 basis points at its December 14 meeting.

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