



UNITED STATES

Disappointing year-end on the jobs front

HIGHLIGHTS

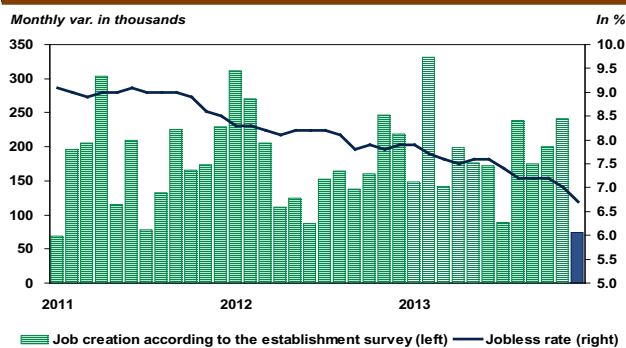
- According to the establishment survey, only 74,000 net hires were recorded in December, after 241,000 new jobs (revised from 203,000) were created in November.
- The private sector boosted its ranks by 87,000 jobs, the weakest growth since June 2012. The public sector shed a total of 13,000 jobs.
- The construction sector lost 16,000 jobs while the manufacturing sector added only 9,000 workers to payrolls.
- A total of 90,000 service jobs were created in the private sector, representing a clear slowdown compared with the average of 172,000 recorded in the first 11 months of 2013. Retailers still managed to create 55,300 new jobs. For the first time since September 2010, the education and health care sectors failed to create any jobs. The number of workers in professional services grew by only 19,000, despite gains of 40,400 new jobs in temp services.
- A total of 2,186,000 new jobs were created in 2013 (December to December), which represents growth similar to the 2,193,000 new jobs created in 2012.
- The jobless rate declined from 7.0% to 6.7%, the lowest level since October 2008. According to the household survey, 143,000 new jobs were created while 347,000 people exited the workforce. On average, the jobless rate was 7.4% in 2013, a net improvement over the rate of 8.1% in 2012.

COMMENTS

The results of the establishment survey on the jobs front were an unpleasant surprise. Hiring has not been this weak since January 2011. Much like the outcome at that time, we can assume that bad weather conditions had a significant negative impact, which would explain the weakness in certain industries such as construction. However, the solid showing in other sectors, such as retail trade, muddles this explanation. The job stagnation in education and health care is surprising, since these sectors usually record about 30,000 new hires every month, even at the height of the recession.

The fact that we have seen this type of underperformance in terms of jobs a few times in recent years, notably in the summers of 2011 and 2012, offers some consolation. The

Job creation data disappoints, but the jobless rate continues to fall



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

dips recorded were worrisome at first, but they really failed to have any lasting impact on job market trends. For the time being, the nasty surprise in the December 2013 data seems more like an anomaly, as also shown in the equally sudden and abrupt declines recorded in the film sector (-13,700) and accounting services (-24,700). The 40,400 new jobs created in temp services and the solid showing by retailers are quite encouraging.

The decline in the jobless rate brings it closer to the Federal Reserve's target threshold (6.5%). However, this decline was achieved at the expense of the labour force, since the participation rate has almost dropped to its 35-year low, reached during the budget impasse.

Implications: The job creation data for December is very disappointing, but since it does not reflect other signs of weakness in the economy, we can assume that a rebound is just around the corner. In this case, the Federal Reserve will not deviate from its intention to gradually taper its asset purchases.

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