



UNITED STATES

The year starts slowly for employment

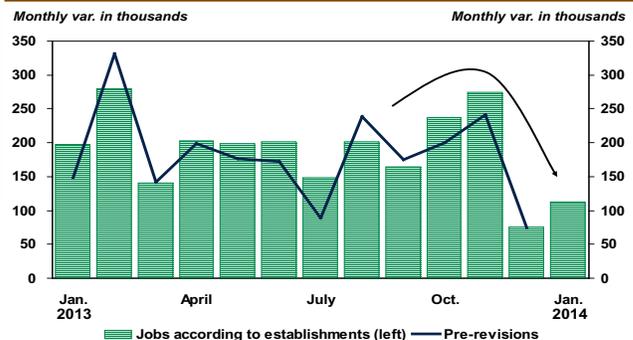
HIGHLIGHTS

- The establishment survey indicates that only 113,000 net jobs were added in January after gaining 75,000 in December.
- The private sector saw 142,000 new jobs. Public employment contracted by 29,000 jobs.
- The construction sector increased by 48,000 jobs after a 22,000 loss in December, representing the strongest monthly growth since March 2007. Manufacturing created 21,000 jobs.
- Only 66,000 jobs were created in the private services sector, the weakest growth since June 2012. After repeated strong performances, retailers cut 12,900 jobs in January, however 13,900 jobs were created in wholesaling. For the second month in a row, jobs were lost in the education and health care sectors. The number of workers in professional services grew by 36,000.
- January's results came with a revision to prior data that saw a slight improvement in new jobs recorded in 2013, up from 2,186,000 to 2,322,000. Results for 2012 were also modestly revised upward. Since the February 2010 trough, 7,844,000 jobs have been created. The recession saw a loss of 8,710,000 workers.
- The jobless rate slipped from 6.7% to 6.6%, its lowest level since October 2008. Adjustments to the household survey make it difficult to make monthly comparisons, but it seems that both the labour force (+499,000 after removing the effect of methodological adjustments) and employment (+616,000) were up significantly according to this survey.

COMMENTS

For the second month running, the establishment survey is a source of disappointment. While the monthly job creation trend had been hovering at around 200,000, the additions of new 113,000 jobs in January and 75,000 in December fall short of this number. Weather conditions could take the blame again, but construction's good performance, the 9,900 jobs created in transportation and the 14,800 hires in food service seem to suggest the impact is not significant.

Job creation has clearly slowed in the last two months



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The most disappointing news is the growth of employment in private services. For three years, monthly job creation averaged around 160,000 jobs. For the last two months, it was only 84,000. Even during the recession, the education and health care sectors continued to create jobs to the tune of 50,000 per month, and they have lost 10,000 in the last two months. We must hope that this break is only temporary.

The lower jobless rate is once again on the move toward the 6.5% benchmark identified by the Federal Reserve (Fed). Labour force movements since the shutdown in October are particularly volatile, and we must maintain caution in interpreting the dip in the jobless rate.

Implications: Job creation disappointed once again in January, particularly for private services. We must hope that the job market will strengthen. The Fed should not deviate from its targeted pace for tapering securities purchases, but the pileup of less than stellar economic news is starting to raise doubts.

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