

July 3, 2014



UNITED STATES

More strong growth in employment

HIGHLIGHTS

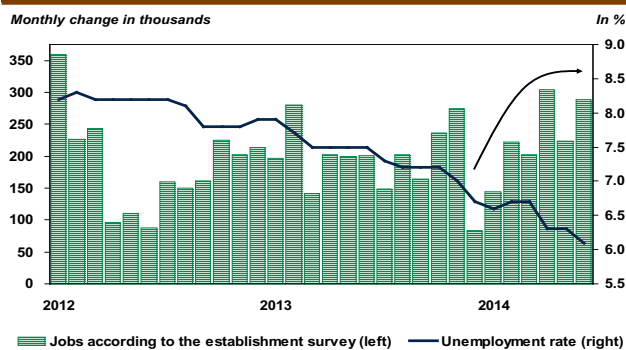
- The establishment survey indicates that there were 288,000 net hires in June, following gains of 224,000 jobs in May (revised from 217,000) and 304,000 in April (revised from 282,000).
- There were 262,000 jobs added in the private sector. Public sector employment added 26,000 jobs.
- Construction created 6,000 jobs. There were 16,000 additional workers in manufacturing following 11,000 hires in May.
- 236,000 jobs were created in private-sector services. Jobs in retailing increased by 40,200, while food services added 32,800 jobs. There were 67,000 new workers in professional services. The education and healthcare sectors recorded 38,000 hires.
- The jobless rate fell to 6.1%. Factoring in the other decimals, this is the lowest level since July 2008. The labour force only added 81,000 people, while 407,000 jobs were created according to the household survey.

COMMENTS

June's 288,000 job gain is much stronger than expected, compared to the consensus expectation of 210,000 hires, which already represented strong growth. It therefore seems that the U.S. job market is on a hot streak with five consecutive months of more than 200,000 hires, including an impressive gain of 304,000 jobs in April. For the first half of 2014, 1,385,000 jobs were created, up 13.4% over the same period in 2013.

Most sectors clearly enjoyed strong job growth. We can take particular encouragement from the performance of the trade and food services sectors, even though the most recent data on U.S. consumption was disappointing. This may be a sign that consumer spending is accelerating at the end of the second quarter. We also note 17,000 new jobs in the financial sector, the highest number since March 2012. The banking sector continued to shed jobs (-2,600 in June), but this is fully offset by the insurance and real estate service sectors. After rebounding in May, job growth in the education

Good news for U.S. employment



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

and healthcare sector slowed again (+38,000 in June after +62,000 in May).

The jobless rate surprised again with another fall. None of the 85 forecasters polled by Bloomberg predicted that it would dip to this level in June. The jobless rate at the beginning of 2014 was 6.6% and was 7.5% a year earlier. A 1.4-point drop in 12 months is strong, and surpasses most predictions. However, this reflects the ongoing weakness of the labour force, which is slow to recover; the participation rate is still at its cyclical low of 62.8%.

Implications: The U.S. job market is picking up steam, and the hiring trend has rarely been as fast. The coming months should see more strong growth. The Federal Reserve should be encouraged by the job growth, but growth in salaries remains relatively weak, with an annual increase of 2.0% in June.

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