



UNITED STATES

Employment posts disappointing growth in August

HIGHLIGHTS

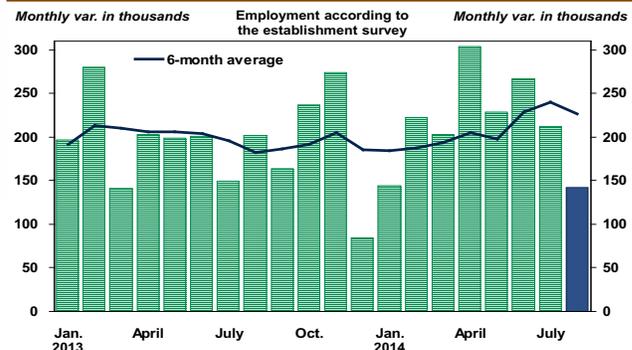
- The establishment survey shows 142,000 net hires in August, following up on a gain of 212,000 jobs in July (revised from 209,000) and 267,000 in June (revised from 298,000).
- The private sector added just 134,000 jobs. Public sector employment gained 8,000.
- Construction created 20,000 jobs. In manufacturing, the number of workers was flat following July's 28,000 hires.
- Private sector services gained 112,000 jobs. Employment in the retail sector fell by 8,400 jobs, while food services added 21,500. The number of workers in professional services increased 47,000. Education trimmed 6,300 positions, while health care added 42,700.
- The jobless rate ticked down from 6.2% to 6.1%, due to a 64,000-person contraction in the labour force. According to the household survey, 80,000 jobs were lost.

COMMENTS

The job market had been expected to post another gain of more than 200,000 jobs in August. Instead, the pace slacked to a disappointing 142,000. In fact, this is the smallest number of monthly hires in 2014. After several good performances, however, it is normal to see some flagging, if only temporarily. Note that over the six previous months, average hires stood at 239,500, a peak that dates back to April 2006.

The slower pace for job creation cannot be chalked up to particularly struggling sectors. Instead, the loss of steam seems fairly widespread, with a majority of industries creating fewer jobs in August than in previous months. Some underperformances are more glaring than others, however, such as the net layoffs by retailers (-17,100), in education (-6,300), and auto manufacturers (-4,600). The percentage of the 264 sectors surveyed that created jobs was 59.1% in August, down substantially from July's 65.9%. Among the few sectors that saw hires accelerate last month are professional services, health care and food services.

Job creation flagged in August



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The consensus expectation was for the jobless rate to dip, but the reason it did so is also disappointing. The participation rate fell from 62.9% to 62.8%, a low point seen earlier this year as well. Other components of the labour force survey are more promising, however: long-term unemployment is showing a solid decline. The number of people who have been unemployed for more than 27 weeks fell by 192,200. The number of involuntary part-time workers has also retreated sharply. One of the broadest metrics of labour force slack is also showing some improvement: the underemployment rate (which includes discouraged job seekers and involuntary part-time workers) fell from 12.2% to 12.0%, its lowest point since October 2008.

Implications: The U.S. job market lost steam in August after several months of solid job creation. The performance of several other economic indicators suggests this poor performance will be temporary. Still, August's results show that the Federal Reserve is right to be both cautious and patient.

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