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UNITED STATES

Best year for employment since 1999

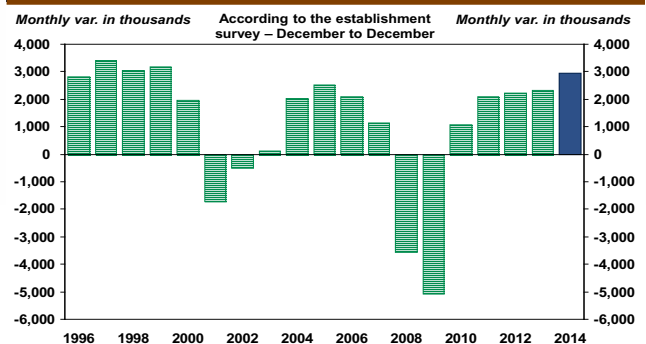
HIGHLIGHTS

- The establishment survey shows 252,000 net hires in December, following gains of 353,000 jobs in November (revised from 321,000) and 261,000 in October (revised from 243,000).
- The private sector added 240,000 jobs, while public sector employment gained 12,000.
- The construction sector created 48,000 jobs, its best performance since January 2014. Manufacturing added 17,000 workers, a slower gain than for the two previous months.
- Private sector services created 173,000 jobs. Employment in the retail sector edged up by a modest 7,700 jobs, while food services added 43,600 new jobs. The number of workers in professional services increased by 52,000. There are 10,000 new positions in professional services. The health care and education sector created 48,000 jobs.
- A total of 2,952,000 jobs were created in 2014 (December to December), stronger than the 2,331,000 job gain posted in 2013. This is the best year for employment growth since 1999.
- The jobless rate retreated from 5.8% to 5.6%. The household survey indicates that only 111,000 jobs were created, with the labour force shrinking by 273,000 workers.
- The average hourly wage fell 0.2% in December, after rising 0.2% in November (revised from 0.4%). The annual change in the average hourly wage goes from 1.9% to 1.7%, its weakest rise since October 2012.

COMMENTS

December's job growth came in fairly close to the consensus forecast. If we include the 50,000 jobs added due to the revisions for the previous two months, we can even describe the data released this morning as very good. This is a nice send off for 2014, with a gain of nearly three million new jobs, the best performance since the peak of the tech bubble at the end of the 1990s. It seems that the U.S. job market's momentum is not about to fade. What we are seeing is not end-of-cycle growth, but rather signs of an economy that is

A great year for job growth



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

still in catch-up mode. Note that the number of jobs only reached its pre-recession level last May.

Beyond the establishment survey's performance, however, the picture is not as good. The drop in the jobless rate is primarily due to another decrease in the labour force. At this point in the economic cycle, a retreat by the participation rate to 62.7%—a new low—can only be disappointing. The weak wage growth is another disappointment, as some indicators are suggesting that workers' wages should shortly accelerate. We can only hope that this is just delayed.

Implications: Employment growth remains lively, and underutilization of the labour pool continues to decline. However, the Federal Reserve (Fed) will certainly be disappointed in the lack of progress on wages. Employment will have to post additional solid gains, and workers' wages will have to accelerate before the Fed finally decides to kick off key rate increases.

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