



UNITED STATES

Job growth returns to a stronger trend

HIGHLIGHTS

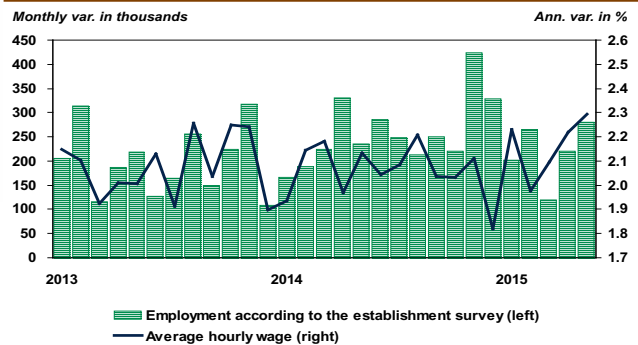
- The establishment survey shows 280,000 net hires for May, following up on gains of 221,000 in April and 119,000 in March. The private sector added 262,000 jobs. Public sector employment gained 18,000.
- The construction sector created 17,000 jobs on the heels of April's 35,000 hires. In manufacturing, 7,000 jobs were added, 6,600 of which are in the automotive sector. The natural resources sector lost 18,000 jobs.
- Private sector services created 256,000 jobs, its strongest increase since November. Employment in the retail sector increased by 31,400 jobs and food services added 17,800. The number of workers in professional services increased 63,000. The health care and education sector created 74,000 jobs, its best performance since October 2012.
- The jobless rate went from 5.4% to 5.5%, where it was in March. The household survey shows a solid 272,000 jobs added; however, this is less than the 397,000 people who joined the labour force.
- Monthly growth by average hourly wages was 0.3% in May, taking the annual change from 2.2% to 2.3%, the strongest advance since October 2009.

COMMENTS

Following March's dismal performance (now revised from 85,000 to 119,000) and April's timid rebound, May's stronger employment growth is very good news. The consensus had been expecting a gain of only 224,000 jobs; instead, we got the best monthly growth since the beginning of the year.

Nearly all of the information provided by the establishment survey is positive. In fact, there are very few signs of weakness. Among the latter, however, due to the problems in the oil sector, 68,000 jobs have been lost in resources to date in 2015. However, 250,000 jobs were created over the five previous years. Employment growth in the manufacturing sector also seems relatively slow; the last few months' gains come almost entirely from the auto sector. The dollar's rise is still hurting manufacturing, with fewer than half of its sub-sectors creating jobs in May.

Employment rebounds in tandem with better wage growth



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The rise by the jobless rate is not a worry. The recent declines (the jobless rate was 5.7% in January) were primarily due to the weakness in the labour force. This situation turned around in May, with the first substantial increase in the participation rate since October 2014 (except for a methodological break in January). It's clearly a step in the right direction.

Implications: May's results for the establishment survey put job creation on the right track, closer to the good trend recorded in 2014. The slightly faster rise by wages is also very encouraging. The data released today will not prompt the Federal Reserve to move more quickly, but will allow it to think that the economic problems seen early in the year were probably temporary. A key rate increase next fall remains in the cards.

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