

July 2, 2015



## UNITED STATES

### A bittersweet report on employment

#### HIGHLIGHTS

- The establishment survey indicates that there were 223,000 net hires in June following gains of 254,000 (revised from 280,000) in May and of 187,000 (revised from 221,000) in April. Job creation in May stems solely from the private sector.
- No jobs were created in the construction sector in June, after the hire of 15,000 people in May. Manufacturing created 4,000 jobs, while 3,000 were lost in the natural resources sector.
- Private sector services created 222,000 jobs. Employment among retailers jumped up 32,900 positions, its strongest growth since January, and there were 29,900 new jobs in food services. The number of workers in professional services grew by 64,000, and the financial sector added 20,000. Health care and education created 50,000 jobs.
- The unemployment rate slid from 5.5% to 5.3%, to its lowest level since April 2008. The household survey shows a loss of 56,000 jobs in June, which is offset by a contraction of 432,000 people in the labour force.
- Average hourly wages held steady in June following a monthly increase of 0.2% (revised from 0.3%) in May. The annual change therefore fell from 2.3% to 2.0%.

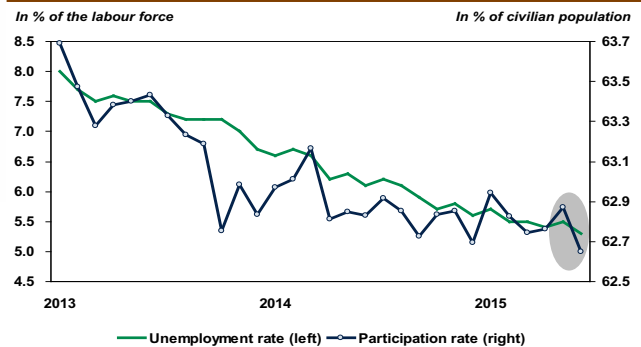
#### COMMENTS

It is odd that 223,000 jobs created in one month is disappointing. Yet many elements in the June report on the U.S. job market leave a bad taste.

First, job creation follows a series of indicators with better-than-expected results, such as consumer confidence released on Tuesday, and even the manufacturing ISM released yesterday. The numbers for employment in no way diminish hopes for a second-quarter rebound in real GDP. However, employment is not on the list of very good news.

Second, revisions to prior month data are significant and largely negative. Today's report slashes 34,000 jobs from April's gain, and 26,000 from May's.

#### Jobless rate falls due to a new contraction in the labour force



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Third, wage acceleration in May was fleeting. For one, the 0.3% monthly jump was revised downward. For another, the lack of growth in June brought the annual change to 2.0%, the average since 2012. The Federal Reserve (the Fed) will be disappointed by this weakness.

Lastly, the fall in the unemployment rate is due to mainly negative factors. The participation rate fell to its lowest level since October 1977. Out of the 432,000 people exiting the labour force, 375,000 were unemployed.

**Implications:** According to the establishment survey, job creation is still good despite certain disappointing elements. In addition, the jobless rate is closing in on its pre-recession level. However, it will take less equivocal results in July and August for the Fed to be totally confident that a first hike in key rates would be needed in September.

**Francis Généreux**  
Senior Economist

**François Dupuis**  
Vice-President and Chief Economist

**Hélène Bégin**  
Senior Economist

**Benoît P. Durocher**  
Senior Economist

**Francis Généreux**  
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336  
E-mail: [desjardins.economics@desjardins.com](mailto:desjardins.economics@desjardins.com)