



UNITED STATES

Job creation disappoints again

HIGHLIGHTS

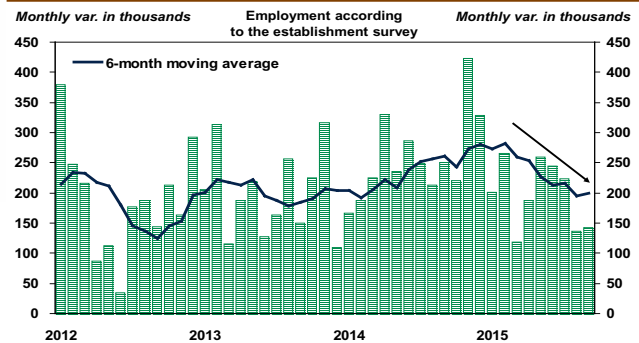
- The establishment survey indicates that there were only 142,000 net hires in September, following a gain of 136,000 in August (revised from 173,000) and a stronger increase of 223,000 in July (revised from 245,000). The private sector created 118,000 jobs and the public sector had 24,000 hires.
- The construction sector created 8,000 jobs in September. Manufacturing lost 9,000 jobs, while the natural resources sector lost 12,000.
- 131,000 jobs were created in private-sector services. Employment among retailers rose by 23,700 jobs, and there was a 20,700 increase in food services jobs. There were 31,000 new workers in professional services. Health care and education created 29,000 jobs.
- The unemployment rate is steady at 5.1%. The household survey posted a loss of 236,000 jobs in September, offset by the labour force shrinking by 350,000 people.
- The average hourly wage marked time in September after a strong 0.4% gain in August. The annual change held steady at 2.2%.

COMMENTS

The results for September's U.S. employment survey provide another disappointment. When the numbers for August were released, the consensus was calling for 217,000 new jobs; the results now post a gain of just 136,000 jobs. Expectations for September were 201,000 hires, much higher than the 142,000 actually recorded.

The U.S. job market's slower pace is hard to explain. On the one hand, we can understand that certain sectors like natural resources and manufacturing are more impacted by global economic conditions (particularly by falling oil investment, weak commodity prices and the strength of the greenback). Yet, we are surprised by the weakness in services. On average, 203,900 jobs were created in private services in 2014; in the last two months, the average gain was only 155,000 jobs. This goes against the good news from other indicators in the services sector, starting with the non-manufacturing ISM. Another way to look at the widespread

Hires slow in the United States



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

nature of the current weakness in hires is the proportion of the 263 recorded sectors that created jobs. This ratio was only 52.9% in September, compared with 55.5% in August and 69.2% at the end of 2014. Fewer sectors are therefore contributing to growth in employment.

Implications: At its last meeting, Federal Reserve leaders seemed concerned about several things, but not really about the health of the U.S. economy. Anemic job creation combined with a downward trend in other economic indicators such as the manufacturing ISM index may put this comfort zone at risk. Accordingly, we can discard a rise in key rates at the next meeting at the end of October, and other disappointments similar to this morning's will greatly limit the probabilities of a rate hike in December.

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