



UNITED STATES

U.S. employment rebounds sharply: an initial increase in December?

HIGHLIGHTS

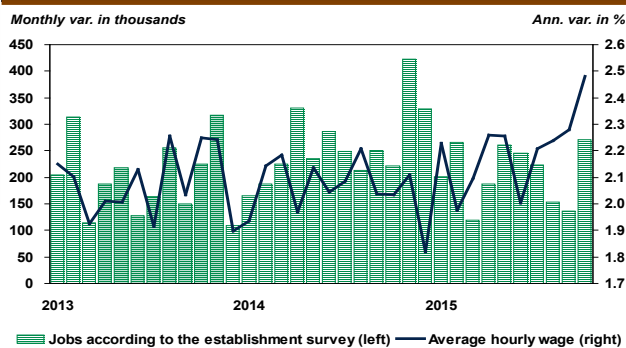
- The establishment survey indicates that 271,000 net jobs were added in October, following a gain of 137,000 in September (revised from 142,000) and an increase of 153,000 in August (revised from 136,000). The private sector created 268,000 jobs and the public sector had 3,000 hires.
- The construction sector created 31,000 jobs in October, the best showing since February. Employment remained stable in manufacturing. The natural resources sector lost 4,000 jobs.
- 241,000 jobs were created in private-sector services. There were 43,800 more jobs in retailing, the strongest growth since November 2014. Food services added 42,000 jobs. The number of workers was up by 78,000 in professional services, with 24,500 in temp services. Health care and education created 57,000 jobs.
- The jobless rate fell to 5.0%, reaching the April 2008 level. The household survey posted a gain of 320,000 jobs in October, after losing 236,000 in September. The labour force grew by 313,000 people.
- Average hourly wages nudged up 0.4%. The annual change went from 2.3% to 2.5%, the strongest growth since July 2009.

COMMENTS

After two months of disappointment and a worsening downtrend, the rebound by the U.S. job market in October is clearly good news. The consensus had again been calling for job creation under 200,000 but, for the first time since the release of May's data, the result beat expectations. The addition of 271,000 jobs also represents the best result for 2015. Such strong job creation is clearly a surprise, but the recent weakness in initial jobless claims had already set the stage for some improvement over the particularly disappointing August and September results.

The details on job creation by sector do not reveal any great anomalies and, aside from manufacturing (impacted by the strength of the dollar) and natural resources (pullback

A rebound in employment accompanied by better wage growth



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

in oil investment), the gains are evenly distributed. Of the 263 sectors recorded, 61.8% posted a higher number of jobs in October, compared with only 53.4% in September. It should be noted that the strong gain seen by retailers suggests some optimism for consumer spending—good news as the holiday season approaches.

Implications: The rebound in hires, the repeat drop in the jobless rate (despite a strong jump in the labour force) and the acceleration in wages are all factors pointing to the possibility of an increase in key rates at the Federal Reserve meeting on December 16. If this improvement continues (particularly with strong employment and ISM performance in November), and the economic and financial situation remains relatively steady, conditions for Chair Janet Yellen and her colleagues to make an initial increase in key rates should finally be met.

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