



UNITED STATES

Another strong jobs report gives the green light to the Federal Reserve

HIGHLIGHTS

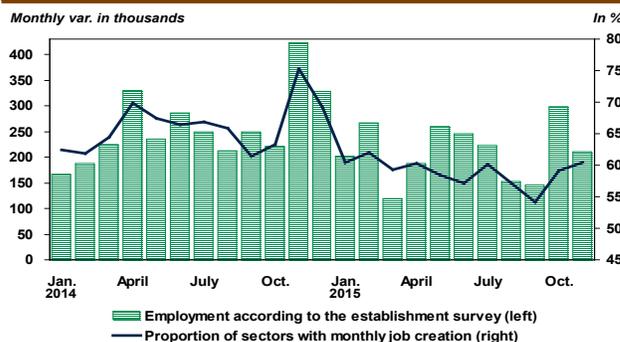
- The establishment survey indicates that there were 211,000 net hires in November following a strong 298,000 gain in October (revised from 271,000) and an increase of 145,000 in September (revised from 137,000). The private sector created 197,000 jobs and the public sector had 14,000 hires.
- The construction sector created 46,000 jobs in November, the best showing since January 2014. Manufacturing lost 1,000 jobs, and there were 11,000 layoffs in the natural resources sector.
- The private services sector created 163,000 jobs, fairly lower than the 274,000 recorded in October. Employment among retailers rose by 30,700 jobs, and there was a 31,500 increase in food services jobs. There were 27,000 new workers in professional services, the weakest growth since January. Health care and education created 40,000 jobs.
- The jobless rate is steady at 5.0%. The household survey posted a gain of 244,000 jobs in November. The labour force grew by 273,000 people.
- Average hourly wages nudged up 0.2%. As forecast, the annual change went from 2.5% to 2.3%.

COMMENTS

After strong employment growth in October (which was also revised upwards by 27,000 jobs), the main fears stemmed from a return to weaker hires as in August and September (149,000 on average). Underperformance would have cast new doubts on the decision the Federal Reserve (Fed) will have to make on December 16. November's gain, which surpassed consensus expectations, clearly dissipated these worries. October and November's average of 254,000 hires is the highest since January.

It is interesting to note that even though October's job creation was stronger, November's was more generalized. November saw 60.5% of the 263 sectors tracked record a gain, compared with 59.1% in October and 54.2% in

Job creation was not as strong in November, but it was more generalized



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

September. Current pockets of weakness persist, as seen in manufacturing and mining. Another disappointment is the crumbling of jobs in temp services (-12,300) and clothing stores (-14,200). Nonetheless, the job market remains generally robust. The construction sector performed particularly well.

This vitality also translates into a small increase in the participation rate, which went from 62.5% after two straight months at its low of 62.4%. Wages accelerated less quickly than in October, but after strong 0.4% monthly growth and an unfavourable base effect on the annual change (which will reverse in December), there is nothing to worry about.

Implications: The very good performance of jobs in October and November, as well as the weakness in the jobless rate, should finally convince the Fed to opt for an initial increase in key rates at the December 16 meeting, despite the disappointing ISM manufacturing results.

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