



UNITED STATES

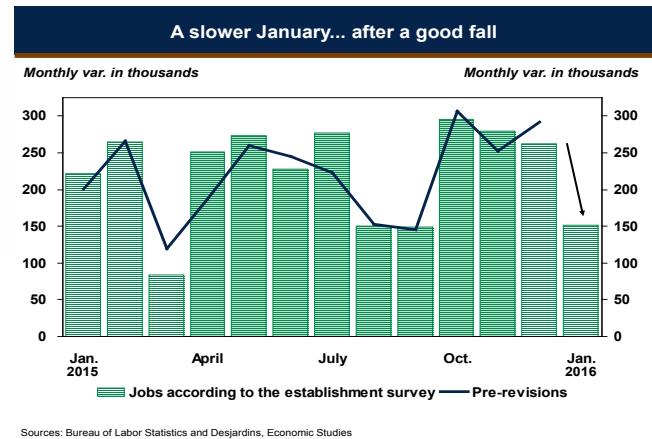
2016 starts off with weaker growth in employment

HIGHLIGHTS

- The establishment survey indicates that there were 151,000 net hires in January, following gains of 262,000 jobs in December (revised from 292,000) and 280,000 in November (revised from 252,000).
- Construction created 18,000 jobs. The number of workers in manufacturing increased by 29,000 following a 13,000 gain in December. The natural resources sector had 7,000 net layoffs.
- The private service sector had its weakest showing since March 2015 with only 118,000 jobs added. Jobs in retailing rose 57,700, but 20,300 jobs were lost in transportation and warehousing. Food services hired 46,700 new workers. There were only 9,000 new workers in professional services. The health care sector created 44,000 jobs, but there were 38,500 layoffs in educational services.
- January's results came with a revision to prior data. The revision improved employment's 2015 gains, taking them from 2,650,000 to 2,735,000.
- The jobless rate fell from 5.0% to 4.9%, the first result below 5% since February 2008. Adjustments to the household survey make monthly comparisons difficult, but it seems that employment (+409,000, not factoring in the impact of these adjustments) increased more than the labour force (+284,000).
- The average hourly wage rose 0.5% in January following stagnation in December. The annual change for the average hourly wage went from 2.7% (revised from 2.5%) to 2.5%.

COMMENTS

Employment's growth in January is below the consensus forecast of 190,000, which was already suggesting slower hires after a very good end to 2015. Remember that, after a disappointing summer, average monthly growth in hires climbed to 279,000 in the fall. After such a performance, it is normal to see lost momentum. We must still keep in mind a few anomalies in the monthly change in jobs by sector in January. Strong gains in retailing and food services, losses in education, transportation and warehousing, and the loss of 25,200 jobs in temp services seem to reflect seasonal



blips that were poorly captured by the process to seasonally adjust data.

However, we can take encouragement from the good performance of the manufacturing sector. The difficulties of this sector, reflected by weakness in the ISM manufacturing index, suggested a much more somber picture than the 42,000 jobs gained in two months. On another note, losses continued in natural resources, marking a sixteenth consecutive month of erosion. Layoffs were at 147,000 in this sector, representing a 16.3% contraction.

Implications: After a good end to 2015, job growth lost steam in January. However, the new drop in the jobless rate and the strong performance by wages are factors that greatly offset this disappointment. Without being negative, the job market's portrait is somewhat mitigated. With fragile financial conditions, it is one more argument for the Federal Reserve to postpone the next hike in key rates at least until June.

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