

May 6, 2016



UNITED STATES

Fewer hires than anticipated

HIGHLIGHTS

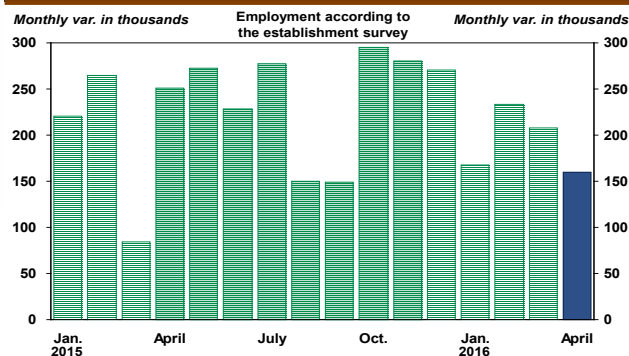
- The establishment survey shows 160,000 net hires for April, following up on gains of 208,000 (revised from 215,000) in March and 233,000 (revised from 245,000) in February.
- The construction sector created just 1,000 jobs, while manufacturing added 4,000. The natural resources sector laid off 8,000 people.
- A total of 174,000 jobs were added in private sector services, fewer than the 184,000 new jobs added in March and, in particular, February's 242,000. Retailing lost 3,100 jobs. Food services took on 18,200 new workers. The number of workers increased 65,000 in professional services, and 20,000 in financial services. The health care sector created 38,200 jobs, while education added 15,900. The public sector lost 11,000 jobs.
- The jobless rate stayed at 5.0% in April after rising in March. The household survey shows a loss of 316,000 jobs, but the labour force lost 362,000 people.
- Average hourly wages rose 0.2% in March then increased 0.3% in April. The annual change in average hourly wages went from 2.3% to 2.5%.

COMMENTS

April's numbers on the U.S. job market are disappointing. The consensus had been expecting another gain of better than 200,000 new jobs. The 160,000 jobs added is the worst performance since September 2015. To that must be added the downgrades to February's numbers (-12,000) and March's (-7,000), which worsen the sour tone of today's results. This contrasts sharply with the better performance by other employment indicators, particularly the drop in weekly jobless claims which, in April, fell to their lowest point since November 1973.

However, it isn't all bad. After losing jobs for two months, the manufacturing sector is starting to show slight growth. Also, the drop in the resource sector is the smallest since October 2015. Note, too, that professional services has not seen this good a month for hiring since October, while

Weakest job creation since September 2015



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

July 2015 was the last time the financial sector added this many new jobs.

The disappointment comes from the sectors that had been doing well in prior months. In particular, retailing and food services went from a combined average of 75,900 hires in the first three months of the year to just 15,100.

Implications: Although a gain of 160,000 jobs is nothing to sneeze at, the disappointment created by April's hiring exacerbates the doubt about the U.S. economy's strength following the first quarter's weak real GDP growth. At its June meeting, the Federal Reserve will also have May's job market results. These will surely be a key factor in the decision as to whether or not to move ahead with a second key rate increase. A disappointment like April's would be a strong argument for putting an increase back until next fall.

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