

June 3, 2016



UNITED STATES

Very disappointing hires

HIGHLIGHTS

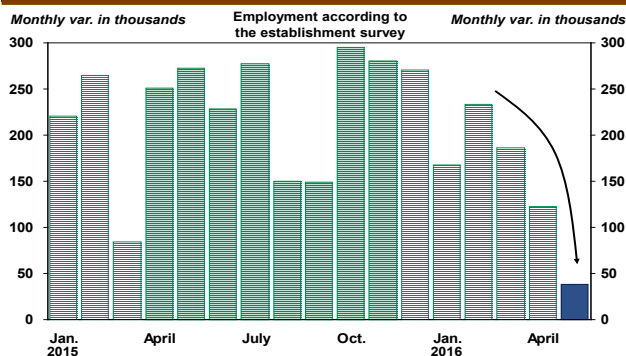
- The establishment survey indicates that there were only 38,000 net hires in May, following gains of 123,000 jobs in April (revised from 160,000) and 186,000 in March (revised from 208,000).
- Construction lost 15,000 jobs and manufacturing trimmed 10,000. The natural resources sector had 11,000 layoffs.
- The private services sector only created 61,000 jobs, far below April's 144,000 new jobs, which was already not that impressive. Retailers added 11,400 jobs. Food services hired 22,200 new workers. The number of workers was up by only 10,000 in professional services, including 21,000 layoffs in temp services. The healthcare and education sectors created 67,000 jobs. Mainly due to a labour dispute, the information sector temporarily lost 34,000 jobs. The public sector added 13,000 jobs.
- Due to the shrinking labour force, the jobless rate tumbled from 5.0% to 4.7%, its lowest since fall 2007. The household survey posted a gain of just 26,000 jobs, but 458,000 people left the labour force.
- The average hourly wage rose 0.2% in May following a 0.4% increase in April. The annual change for the average hourly wage held steady at 2.5%.

COMMENTS

Expectations were already fairly modest leading up to the release of May's job market results, if only because of the anticipated impact of the strike at telecommunications company Verizon. This labour dispute explains around 35,000 lost jobs. The disappointment therefore goes well beyond this temporary factor. Such weak hires haven't been seen since the recession. On top of this, we must deduct the downward revisions made in April (-37,000) and March (-22,000). We therefore note that the level of jobs in May is now lower than in April before the revisions. In addition, only 51.3% of sectors saw monthly job growth in May, compared with 53.8% in April and 62.0% a year ago.

Even the decrease in the jobless rate is not really good news. Since the beginning of fall 2015, the increase in the

Increasingly weak job creation



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

participation rate has suggested that the discouraged jobless were re-entering the job market. This short trend is now faltering; the participation rate has gone from a cyclical high of 63.0% in March to 62.6% in May. We also note that while the jobless rate fell in May, the larger measure of underemployment (which also accounts for the discouraged jobless and involuntary part-time workers) held steady at 9.7%.

Implications: A slowdown in hires after 70 months of uninterrupted job creation may materialize sooner or later, but the situation shows a much more abrupt deceleration. We can take assurance from the better performance of other economic indicators that suggest growth will rebound in the second quarter. However, the job market's dismal result for May has now considerably reduced the probability of the Federal Reserve increasing key rates at the June or even July meetings. Its leaders will probably want to wait to see better employment data and the results of the referendum in the United Kingdom.

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