

July 8, 2016



UNITED STATES

Hires surge well above expectations

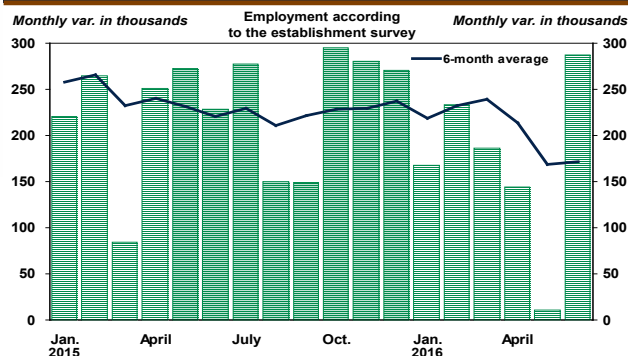
HIGHLIGHTS

- The establishment survey shows 287,000 net hires for June, following up on a modest 11,000 gain (revised from 38,000) in May and April's 144,000 hires (revised from 123,000).
- Construction employment stagnated, while manufacturing added 14,000 jobs. The natural resources sector made 5,000 layoffs.
- 256,000 jobs were added in private sector services, a big difference from the 35,000 jobs added in May. Retailing gained 29,000 jobs. Food services took on 21,900 new workers. The number of workers in professional services increased 38,000. The health care and education sectors created 59,000 jobs. The end of a labour dispute in the information sector triggered an increase of 44,000 jobs; 39,000 jobs were lost there in May. 22,000 jobs were added in the public sector.
- A rebound by the labour force made the jobless rate go up; it rose from 4.7% to 4.9%. The household survey shows a gain of 67,000 jobs, with the labour force expanding by 414,000 people.
- The average hourly wage went up 0.1% in June on the heels of May's 0.2% increase. The annual change in average hourly wages went from 2.5% to 2.6%.

COMMENTS

In the United States, hiring has been trending down since the fall of 2015. This worrisome movement culminated with the news of just 38,000 hires in May (now downgraded to 11,000). Although some indicators, such as jobless claims, were suggesting some improvement in June, some fear remained. These fears have now been eliminated. Last October was the only time job creation has beaten 287,000 since the start of 2015. It is better, however, to consider the volatile results for May and June as a set, and focus on the average, 149,000 hires, growth that is good but not great for the last two months of the second quarter. The 6-month average remains somewhat weak in relation to the previous trend.

Monthly job creation rebounded, but the trend is still lower



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The uptick in the participation rate is encouraging; it went from 62.6% to 62.7%. This gain follows two monthly declines. Under these circumstances, June's increase in the jobless rate is not bad news. The broader measure of underemployment (which also includes discouraged job seekers and involuntary part-time workers) fell from 9.7% to 9.6%, the lowest it has been since April 2008.

Implications: June's strong job creation put an end to the downtrend in hiring. Over two or six months, the average for jobs created remains modest, but not really worrisome. At their June meeting, Federal Reserve (Fed) leaders showed concern over the job market and the uncertainty surrounding the referendum in the United Kingdom. Today's results eliminate some of these concerns, but Brexit continues to be a drag on confidence and the financial markets. The Fed will therefore remain cautious.

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