

ECONOMIC NEWS

United States: Further good employment growth leaves room for a key rate increase in March

HIGHLIGHTS

- ▶ The establishment survey shows 235,000 net hires for February, on the heels of gains of 238,000 hires in January (revised from 227,000) and 155,000 in December (revised from 157,000).
- ▶ Construction added 58,000 jobs, with manufacturing adding 28,000.
- ▶ Private sector services grew by 132,000 jobs, fewer than January's 167,000. The retail workforce contracted by 26,000, while food services expanded by 16,700. Employment increased by 37,000 jobs in professional services. The health care and education sector created 62,000 jobs.
- ▶ The jobless rate went from 4.8% to 4.7%, where it was last December.
- ▶ Average hourly wages rose 0.2% in February, following an identical increase in January (revised from 0.1%). Its annual change stayed at 2.8% (January's unrevised result was 2.5%).

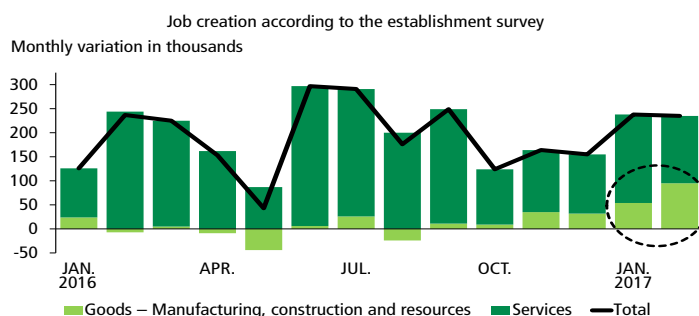
COMMENTS

The job market continues to perform well following an encouraging January. Over two months, the average for hires, 236,500, is the best since the early summer of 2016. February's result is also above the consensus forecast, which called for 200,000 jobs.

Note that 63% of the 261 sectors recorded posted employment growth in February, the highest rate since December 2015. Hiring accelerated in the goods sector, but slowed in services. In the goods sector, note that the 58,000 new jobs in construction is the best result since March 2007. February's unusually warm weather probably had a hand in the surge. The 28,000 jobs added in manufacturing is the highest number since

GRAPH

More good job creation, particularly in goods



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

August 2013. It reflects the better performance of manufacturing indexes like the ISM. In services, the jobs lost at department stores are what took the results down. However, we are also seeing weaker job creation in the financial sector, a contrast with the optimism this sector has been seeing since Donald Trump was elected.

In terms of wages, the figure for February and revision to prior months wipe out January's disappointing result, thus eliminating one of the factors that could have made the Federal Reserve (Fed) hesitant about the next key rate increase.

IMPLICATIONS

The good string of results for job creation and better performance by wages will allow Fed leaders to opt for a key rate increase at the March 15 meeting without hesitation.

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