

ECONOMIC NEWS

United States: Very Disappointing Job Creation

HIGHLIGHTS

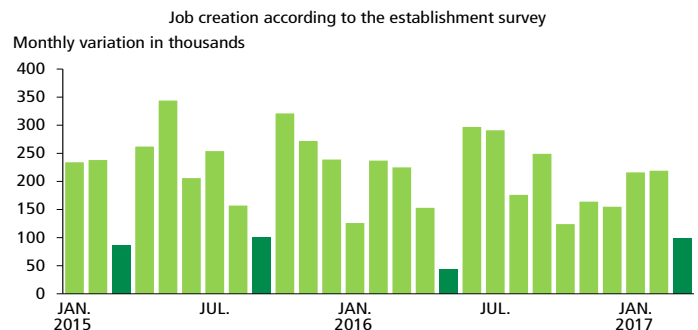
- ▶ The establishment survey shows that only 98,000 net hires were recorded in March after gains of 219,000 jobs in February (downgraded from 235,000) and 216,000 in January (downgraded from 238,000). This is the weakest job creation since May 2016.
- ▶ Construction gained 6,000 jobs and manufacturing added 11,000 new hires. The resources sector also made 11,000 net hires.
- ▶ A total of 61,000 jobs were created in the private services sector, less than half of the 125,000 hires made in February. The number of workers at retailers plunged by 29,700, but 21,700 new workers found jobs in food services. Employment in professional services boosted its ranks by 56,000 jobs. The health and education sectors created only 16,000 jobs.
- ▶ The jobless rate fell from 4.7% to 4.5%, its lowest level since May 2007. The household survey showed 472,000 new jobs while 145,000 people joined the labour force.
- ▶ The average hourly wage was up 0.2% in March after rising 0.3% in February (upgraded from 0.2%). Its annual change slipped from 2.8% to 2.7%.

COMMENTS

After starting the new year amid a flurry of good news about the job market, the data for March drawn from the establishment survey are like a cold shower. The consensus forecast, fuelled by several positive indicators, had called for 180,000 new jobs. The impact of the storm that barreled through part of the United States the week the employment surveys were conducted seems to have been modest. The data on the number of workers that missed work that entire week due to the weather do not show any blip. That said, the data that point to the weather as the reason for the drop in the hours worked jumped to their highest level since February 2014. We cannot exclude that the return of more winter-like weather conditions in March could

GRAPH

Temporary setbacks are normal



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

have affected industries such as construction. The weakness in the retail sector is starting to raise concerns, with 89,300 jobs lost in five months at general merchandise stores. This loss largely outweighs the gains made in manufacturing during the same period (67,000).

The drop in the jobless rate can be viewed as good news. There is, however, a wide gap between job creation according to the establishment survey (generally more reliable) and the household survey (much more volatile).

IMPLICATIONS

The weak hiring in March is bad news, but this type of underperformance often follows a succession of strong job growth. If this setback represents the real start of a slowdown, then we will be concerned. For the time being, this outcome supports our scenario in which the Federal Reserve will wait until September before it continues its key rate hikes.

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