

ECONOMIC NEWS

United States: The Jobless Rate Reaches a New Cyclical Low

HIGHLIGHTS

- ▶ The establishment survey shows that 211,000 net new hires were made in April, after the disappointing 79,000 (downgraded from 98,000) jobs created in March and February's tally of 232,000 (upgraded from 219,000) new jobs.
- ▶ The construction industry added 5,000 new workers and manufacturing boosted its ranks by 6,000. The resources sector hired 10,000 net new workers.
- ▶ The private sector created 173,000 new positions, more than three times the 54,000 new hires in March. After two months of steep declines, retailers created 6,300 new jobs in addition to the 26,200 new jobs in food services. Employment in professional services added 39,000 new workers, less than in March, and 41,000 positions were created in the health care and education sectors.
- ▶ The unemployment rate ticked down from 4.5% to 4.4%—which is the bottom of the economic cycle of the mid-2000s last reached in May 2007. The household survey showed 156,000 new jobs while only 12,000 people joined the labour force.
- ▶ The average hourly wage gained 0.3% in April, after ticking up 0.1% in March (revised from 0.2%). Its annual change edged down from 2.6% to 2.5%.

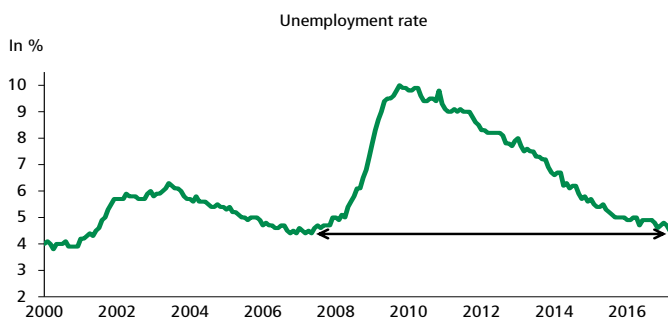
COMMENTS

Weak job creation in March, made worse by the revision published today, was in the end merely a blip in an otherwise much more positive trend. The net monthly new hires quickly returned to its trend of about 200,000 recorded for the past few years now.

The newfound gains in the retail sector are especially gratifying, compared with the 56,100 jobs lost in February and March. On the other hand, manufacturing seems to be losing some steam;

GRAPH

The unemployment rate reaches the low from the previous cycle



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

after the 52,000 new workers hired between December and February, only 19,000 new workers in total were hired in the last two months.

The new drop in the jobless rate contrasts with the consensus forecast that expected unemployment to rise to 4.6%. The labour force weakness largely explains this new result. The participation rate in fact declined, from 63.0% to 62.9%.

Recent advances on the wage front continue to disappoint. While the annual change in wages was striving to reach a 3% threshold last fall, a pullback has been in the works for the past few months. This goes against the other indicators that point to less excess slack in the job market.

IMPLICATIONS

With the exception of the wage growth slowdown, the job market's results for April are flush with good news. If the economic data are this upbeat by mid-June, the Federal Reserve could very well decide to raise its key rate at its next meeting.

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