Employment Rebounds in the United States

**HIGHLIGHTS**

- The establishment survey indicates that there were 222,000 net hires in June after a gain of 152,000 (revised from 138,000) in May.

- The construction industry gained 16,000 jobs, while manufacturing posted 1,000 new hires; the resources sector created 8,000 jobs.

- There were 162,000 new jobs in private sector services, or slightly more than the 146,000 new hires recorded in May. Retail jobs increased by 8,100, while the food services saw 29,300 jobs added. Employment grew by 35,000 jobs in professional services and 45,000 jobs in healthcare and education. The public administration sector added 35,000 new jobs.

- The jobless rate rose from 4.3% to 4.4%, a return to the level last seen in April. The household survey shows that employment posted a gain of 245,000 jobs, while the number of labour force participants jumped by 361,000.

- Average hourly wages increased by 0.2% in June after rising 0.1% in May (revised from 0.2%). The annualized change increased from 2.4% to 2.5%.

**COMMENTS**

June's positive data are clearly encouraging after May’s disappointing numbers. The gain of 222,000 jobs is not only higher than the consensus forecast, but also exceeds even the most optimistic forecast within the consensus. In addition to the increase in new jobs in June, there are the positive adjustments made to the previous months’ data, i.e. 33,000 additional jobs in April and 14,000 in June. The job market suddenly seems more encouraging compared to the situation a month ago.

This is also reflected in the main sectors of activity. In June, construction saw the highest increase since February. Job creation was modest in manufacturing, but is already better than the loss of 2,000 jobs recorded in May. Retailers added jobs last month for the first time since January. Even department stores were hiring despite the difficulties of several chains recently making the headlines. Nonetheless, clothing stores did post a loss of 8,400 jobs.

There is no need to be concerned about the first increase in unemployment since January. It mostly reflects the fact that the labour force recorded its biggest monthly increase in a year. The participation rate rose from 62.7% to 62.8; however, it continues to remain very low.

**IMPLICATIONS**

The strong employment advance in June is reflective of a more positive job market trend, and even the rise in the jobless rate isn't really bad news. However, weak growth in wages continues to disappoint. If wages fail to rise soon, the Federal Reserve may hesitate to normalize its monetary policy.

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