United States: The Labour Market Continues to Perform Well

HIGHLIGHTS

- According to the establishment survey, there were 209,000 net new jobs in July, after a gain of 231,000 (revised from 222,000) in June.
- Employment rose by 16,000 in the manufacturing sector. The construction sector gained 6,000 jobs, while employment was stable in the resources sector.
- There were 183,000 new jobs in private sector services, the strongest job creation since September 2016. Employment rose by 53,400 jobs in the accommodation and food service sector and 49,000 new hires were counted in professional services. A total of 54,000 jobs were created in health services and education. There are 4,000 additional jobs in government.
- The unemployment rate came down to 4.3%, thereby erasing the slight rise in June. The household survey posted a gain of 345,000 jobs while the labour force rose by 349,000.
- The average hourly wage rose by 0.3% in July. The annual variation is steady at 2.5%.

COMMENTS

According to the establishment survey, job creation surpassed expectations for a second consecutive month, reaching over 200,000. The household survey also shows good job creation, taking the unemployment rate down to its cyclical low of 4.3%. The monthly wage increase of 0.3% is also a good result, although the annual variation remains fairly modest.

The details of the establishment survey are also encouraging. The creation of 16,000 jobs in the manufacturing sector combined with an upward revision for June paints a somewhat more positive picture for this sector. Robust hiring in the private services sectors is also very good news. It remains to be seen, however, if the surprise drop in July’s ISM non-manufacturing index will have a moderating effect on this aspect.

IMPLICATIONS

This morning’s numbers confirm that the U.S. job market continues to show very satisfactory performance. If job creation does not slow down somewhat over the coming months, the jobless rate could even continue to drop. In this context, the Federal Reserve (Fed) will likely continue its gradual tightening of monetary policy, even if inflation and wage pressure remain limited. We still anticipate that, in September, the Fed will decide to reduce the size of its balance sheet and that it will raise its key interest rates by 0.25% next December.

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