United States: Another August of Disappointing Job Growth

HIGHLIGHTS

- The establishment survey shows that 156,000 net hires were made in August, after 189,000 (downgraded from 209,000) new jobs were created in July.
- Construction hired 28,000 new workers and manufacturing upped its ranks by 36,000. The resources sector created 6,000 new jobs. Private sector services created 95,000 new jobs, almost half of July’s total of 179,000 new hires. Retailers added only 800 new workers to payrolls while food services boosted its ranks by only 9,200. Professional services added 40,000 new jobs and 25,000 workers were hired in health care and education.
- The jobless rate moved from 4.3% to 4.4%. The household survey showed a loss of 74,000 jobs while the labour force increased by 77,000 workers.
- The average hourly wage was up 0.1% in August, after a 0.3% increase in July. The annual change in the hourly wage stayed put at 2.5%.

COMMENTS

Job growth in August was weak, especially compared to the recent hiring trend which, before the revision, pointed to an average of 220,000 in June and July (this average fell to 199,500 post-revision). Our expectations were not that far from the results shown, however. In the last few years, the job market in August has often underperformed, at least according to the first estimate. In 2016, only 151,000 new jobs were created after an average of 273,000 for the two previous months. But these disappointing figures are often revised upward, 2015 being the exception.

Why such weak hiring in August 2017? Certainly not because of goods! Manufacturing has seen the best job growth since August 2013 and construction had its best showing in six months. The main cause of this weakness is the services sector. Retailers created just 800 jobs, far from overturning the 88,200 layoffs recorded since February. Food services turned in its worst performance since February 2014, and we have to go back to January to see fewer new jobs in health care and education.

IMPLICATIONS

The data on the job market for August are fairly disappointing, even if manufacturing and construction are showing encouraging signs. Like in previous years, upgrades are expected, as is a better showing in September. However, these expectations do not take the impact of Hurricane Harvey into account. In 2005, job growth slowed considerably in the wake of Hurricane Katrina.

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