United States: Job Creation Slowed in 2017

HIGHLIGHTS

- The establishment survey shows that 148,000 new jobs were created in December following November’s 252,000 (revised from 218,000) new jobs.

- The construction sector created 30,000 jobs and manufacturing gained 25,000. There were 91,000 net hires in private sector services, following a gain of 176,000 jobs in November. Retailers lost 20,300 jobs, but the food services sector saw 25,100 new jobs created. The health care and education sector gained 28,000 workers. Professional services only added 19,000 hires to payrolls.

- A total of 2,055,000 jobs were created in 2017 (from December to December), a smaller gain than the 2,240,000 hires in 2016, and a far cry from the 2014 peak, which saw 2,998,000 new jobs created. The annual average gain was 2,140,000 workers.

- The jobless rate remained at 4.1% in December. Its annual average is 4.4% compared with 4.9% in 2016 and 5.3% in 2015. We would have to go back to 2000 to find a lower annual jobless rate (4.0%).

- The average hourly wage rose 0.3% in December following a 0.1% increase in November. The annual change went from 2.4% to 2.5%. In December 2016, the annual increase was 2.9%.

COMMENTS

After two months of strong growth, the U.S. job market appears to have caught its breath in December. The posted figure of 148,000 hires was well below consensus expectations, which called for 190,000 new jobs. It is also in contrast to the solid performance of jobless claims and other job market indicators.

However, December’s slowdown was seen in only a few sectors. The most notable example was the more than 27,000 jobs lost in general merchandise stores, bringing the total to 44,200 jobs lost in three months. Professional services also experienced its worst job growth since January 2016. This weak performance was partially due to the loss of 15,400 jobs in accounting services, a possible consequence of the tax reform.

IMPLICATIONS

Job creation returned closer to its long-term trend in December, and we cannot consider this slowdown as a sign of weakness. It is also not unusual at this stage of the economic cycle to see slightly lower annual gains. Nevertheless, the Federal Reserve, which will soon be led by Jerome Powell, will likely raise its key interest rates at its March meeting.

Francis Généreux, Senior Economist