United States: Significant Job Creation in May

HIGHLIGHTS

- The establishment survey indicates that there were 223,000 new jobs in May, following gains of 159,000 in April (revised from 164,000) and 155,000 in March (revised from 135,000).

- The construction sector created 25,000 jobs and manufacturing gained 18,000 new hires.

- There were 171,000 net hires in private sector services, a spurt following the 109,000 new jobs created in April. Retailers created 31,100 jobs and the food services sector created 17,600 new jobs. The health care and education sector gained 39,000 workers. Professional services added 31,000 hires to payrolls. The public sector gained 5,000 jobs.

- The jobless rate dropped to 3.8%, which corresponds to the cyclical low of the 1990s. The household survey showed a gain of 293,000 jobs, while the labour force expanded by only 12,000 people. The participation rate dropped from 62.8% to 62.7%.

- The average hourly wage rose 0.3% in May following a 0.1% increase in April. The annual change ticked up from 2.6% to 2.7%.

COMMENTS

After two rather disappointing months in terms of the number of jobs created, hiring clearly picked up speed in May. The gain of 223,000 is somewhat higher than the consensus forecast, which was calling for the creation of 190,000 jobs. Also worth noting is that hiring was spread fairly well among all the sectors: 67.6% of the 258 sectors listed saw a rise in the number of jobs. In the last year, only this past February (during which 324,000 jobs were created) posted a higher ratio. Of particular interest is the excellent performance by retailers, especially the gain of 13,400 jobs in general merchandise stores, a sector that struggles normally (-43,000 jobs in two years). The main disappointments are motor vehicle manufacturing (-4,400 jobs) and temporary job placement services (-10,300 jobs).

The jobless rate is now 3.8%, i.e. the cyclical low reached in April 2000 during the second last economic cycle. Therefore, the jobless rate is nearing rates that prevailed in the late 1960s. Although employment also performed well on the household survey, the drop in the jobless rate was once again supported by the low labour force numbers. Despite the positive economic situation, the participation rate appears to be stuck at low levels.

IMPLICATIONS

Significant job creation, the latest drop in the jobless rate, and the increase in wages in May are all reasons for the Federal Reserve to hike the key rate once again at the June 13 meeting.

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