United States: The Job Market Situation Remains Favourable

HIGHLIGHTS

- The establishment survey indicates that there were 157,000 new jobs in July, following gains of 248,000 in June (revised from 213,000) and 268,000 in May (revised from 244,000).

- The goods sectors added 52,000 jobs. The construction sector created 19,000 jobs, and manufacturing gained 37,000 new hires.

- There were 118,000 net hires in private sector services, a slowdown compared to previous months. Slight job losses were noted in transportation and warehousing, utilities, financial activities and other services. Retailers created 7,100 jobs in July after 20,200 layoffs in June. The public sector shed 13,000 jobs.

- The jobless rate edged down from 4.0% in June to 3.9% in July. The household survey showed a gain of 389,000 jobs, while the labour force expanded by 105,000 people. The participation rate held steady at 62.9%.

- The average hourly wage rose 0.3% in July following a 0.1% increase in June (revised from 0.2%). The annual change remained at 2.7%.

COMMENTS

At first glance, 157,000 new jobs in July may seem disappointing, as the Bloomberg consensus had forecast an increase of 193,000. However, the slower job growth comes with a significant upward revision in data for the two previous months. The average growth of 224,000 jobs over the past three months is therefore still very strong. The household survey also paints a positive picture, as the jobless rate dropped despite a steady participation rate.

IMPLICATIONS

U.S. job market data still reflect a more than satisfactory situation, but do not suggest strong wage growth. The Federal Reserve should therefore be comfortable continuing the gradual 0.25% quarterly increases in its key rates.

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