

ECONOMIC NEWS

United States: A Rebound in the Job Market Makes Life Harder for the Federal Reserve

HIGHLIGHTS

- ▶ The establishment survey indicates that there were 224,000 new jobs in June, following gains of 72,000 in May (revised from 75,000) and 216,000 in April (revised from 224,000).
- ▶ Construction gained 21,000 jobs, and manufacturing 17,000.
- ▶ There were 154,000 net hires in private sector services, more than double the 72,000 in May. Retailers lost 5,800 jobs and the food services sector lost 300. The health and education sector came up with 61,000 new hires, and professional services added 51,000 new jobs. There were 33,000 hires in the public sector, mainly in local government.
- ▶ The jobless rate went from 3.6% to 3.7%, the first time it has risen since January. The household survey showed a gain of 247,000 jobs, while the labour force expanded by 335,000 people. After holding steady at 62.8% for two months, the participation rate rose to 62.9%.
- ▶ The average hourly wage in the private sector rose 0.2% in June. The annual variation remained at 3.1%.

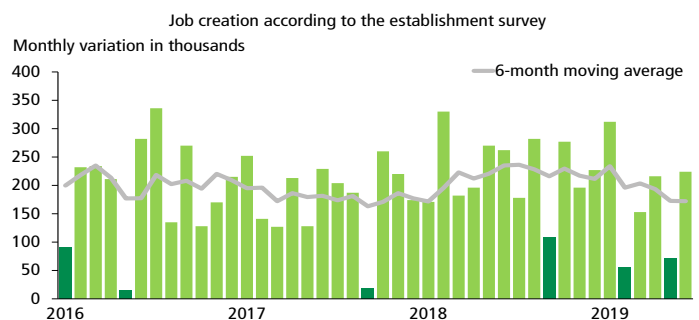
COMMENTS

The low rate of job creation in May worried observers of the U.S. economy; it also worried the financial markets. That underperformance accentuated the job market slowdown that had started a few months ago. So the new hiring impetus in June brings very good, calming news. The addition of 224,000 new jobs is a very good showing compared with the consensus forecast of 160,000. It is even better than the highest individual forecast of 220,000.

Some of the sectors that were battered in May have bounced back, especially manufacturing, which turned in its

GRAPH

Increased job creation steadies the pace



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

best performance since January, as did transportation and warehousing. Professional services and health picked up more steam after modest growth in May. However, other industries seem to be bogged down: the retail sector posted net job losses in June for the fifth month in a row.

IMPLICATIONS

June's job growth is a good sign, of course, but it is making life harder for the leaders of the Federal Reserve. During their June meeting, they opened the door to a drop in key rates, which the financial markets fully expect to see as of the next meeting at the end of July. Low inflation could still make that very likely, but June's good job market showing could cast a spanner in the works.

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