

## ECONOMIC NEWS

# United States: Finally a Pleasant Surprise for Employment

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### HIGHLIGHTS

- ▶ The establishment survey indicates that there were 850,000 net hires in June, following gains of 583,000 in May (revised from 559,000) and 269,000 in April (revised from 278,000).
- ▶ In manufacturing, 15,000 jobs were created, despite the loss of 12,300 workers in the automobile sector. There were 7,000 net layoffs in construction.
- ▶ Private-sector services created 642,000 jobs. The food services sector gained 194,300 jobs. The increase in the rest of the leisure and hospitality industry was 148,700 jobs. Retailers saw an increase of 67,100 jobs. The education and health care sectors created 59,000 jobs, and the professional services sector created 72,000 jobs. Public sector employment added 188,000 jobs, all in education.
- ▶ The unemployment rate edged up from 5.8% in May to 5.9% in June. Oddly, the household survey (which is far more volatile) reveals a loss of 18,000 jobs in June. The labour force increased by 151,000, and the participation rate remained steady at 61.6%.

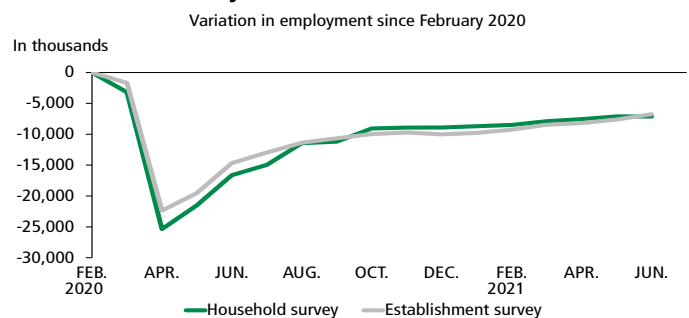
### COMMENTS

The 850,000 increase in jobs in June puts an end to the short run of disappointments with below-expectation job creation in April (a lot) and in May (more moderate). The ongoing relaxation and even lifting of the principal public health restrictions has evidently given new impetus to the U.S. job market. However, it is too soon to see any real effect of the termination, by some states, of the federal increase to unemployment benefits, since the reference week for the employment survey was before most of these changes. The same is true for the effects of the extreme heat currently battering the western United States, which began after the reference week.

With June's results and the net change of +15,000 for April and May, the employment shortfall compared to February 2020 is

### GRAPH

**Despite some divergence in June, employment improvements are similar in both surveys**



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

now 6,764,000 workers, according to the establishment survey (-7,130,000 according to the household survey). This means that 69.8% of the 22,362,000 jobs lost in March and April 2020 have now been recovered. Although real GDP has probably already reached and exceeded its pre-pandemic level, recovery in the job market has clearly been slower. Assuming that future monthly improvements hold steady at 850,000 (which is not our forecast), it would take another eight months to attain the level in February 2020. Our scenarios bank on an even slower catching-up around fall 2022.

### IMPLICATIONS

The strength of hiring in June is very good news. It suggests continued momentum for the job market and the U.S. economy. This, combined with a more worrisome inflationary portrait, should push Federal Reserve leaders to announce more formally that they could begin to normalize their monetary policy in the fall.