

ECONOMIC NEWS

United States: Improved Job Market Opens the Door to Monetary Policy Normalization

By Mathieu D'Anjou, CFA, Director and Deputy Chief Economist

HIGHLIGHTS

- ▶ The establishment survey indicates that there were 943,000 net hires in July, following gains of 938,000 jobs in June (revised from 850,000) and 614,000 in May (revised from 583,000).
- ▶ Manufacturing created 27,000 jobs. There were 11,000 net hires in construction.
- ▶ Private-sector services created 659,000 jobs. The food services sector gained 253,200 jobs. The rest of the leisure and hospitality industry saw an increase of 126,800 jobs. The education and health care sectors created 87,000 jobs. However, retailers lost 5,500 jobs. Public sector employment added 240,000 jobs, essentially in education.
- ▶ The unemployment rate fell from 5.9% in June to 5.4% in July. Following a surprising drop in June, the household survey (which is far more volatile) reported a gain of 1,043,000 jobs in July. The labour force grew by 261,000 people, and the participation rate ticked up to 61.7%.

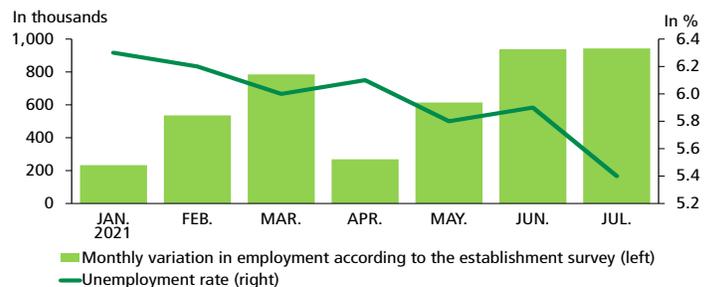
COMMENTS

The consensus was optimistic about this morning's job figures, but the results were even better than expected. If we combine July's gain of 943,000 jobs with the revisions for the previous two months, the United States saw an increase of more than 1,000,000 jobs according to the establishment survey. Unlike in June, the household survey posted similar growth, resulting in a 0.5% drop in the jobless rate. While it's still difficult to interpret wage figures, today's statement indicated that recent months' data hinted at upward pressure on wages.

Despite July's strong figures, the U.S. job market has yet to return to its more favourable pre-pandemic situation. The employment shortfall compared to February 2020 is now 5,702,000 workers,

GRAPH

The U.S. job market's recent trend is very promising



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

according to the establishment survey, and the unemployment rate is still 1.9 percentage points higher.

IMPLICATIONS

After a disappointing start to spring, the U.S. job market seems to have regained a strong momentum. The hardest-hit sectors by the pandemic continue to reopen, and businesses appear to be finding workers despite the challenging climate. If the job market stays healthy in August, the Federal Reserve could decide to announce a tapering of its bond purchases at its September meeting.