

ECONOMIC NEWS

United States: August's Job Numbers Are Disappointing

By Francis Généreux, Senior Economist

HIGHLIGHTS

- ▶ The establishment survey indicates that there were only 235,000 net hires in August, following gains of 1,053,000 in July (revised from 943,000) and 962,000 in June (revised from 938,000).
- ▶ In manufacturing, 37,000 jobs were created, mainly in the automobile sector (24,100). There were 3,000 net layoffs in construction.
- ▶ Private-sector services saw 203,000 jobs created, a sharp deceleration compared with the 734,000 jobs recorded in July. Drops were seen in food services (-42,500) and retail (-28,500). The education and health care sectors created 35,000 jobs, and the professional services sector created 74,000 jobs. Public sector employment lost 8,000 jobs, primarily in education.
- ▶ The jobless rate fell from 5.4% in July to 5.2% in August. The household survey posted a gain of 509,000 jobs. The labour force increased by 190,000, and the participation rate remained steady at 61.7%.

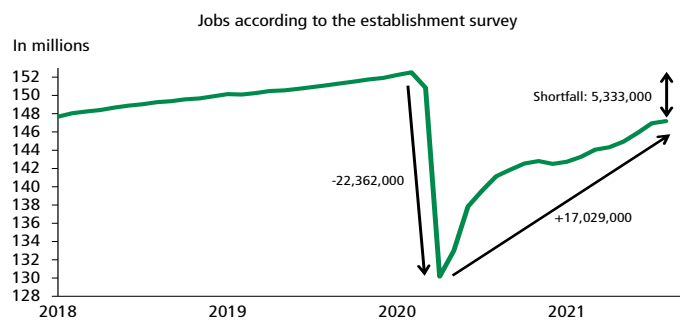
COMMENTS

The results of August's establishment survey are very disappointing. After two strong months of around 1,000,000 monthly hires, the drop to 235,000 is a serious blow. It's also a far cry from the consensus forecast, which called for the creation of more than 700,000 jobs. Only 61.7% of the 257 sectors surveyed saw growth in their number of workers in August, a clear decrease from July's rate of 68.9% and the lowest level since last April. Including August's data, 5,333,000 jobs still need to be created to reach the pre-pandemic peak of February 2020.

The drops seen in certain sectors likely reflect the problems caused by the Delta variant in some regions of the United States, particularly where vaccination efforts have been less successful. Food services posted a particularly sharp loss of 41,500 jobs, the first decrease since the third wave of the pandemic in

GRAPH

The U.S. job market recovery slowed in August



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

December 2020. For retailers, the situation was less pronounced, as most job losses occurred in grocery stores (-23,200 jobs). In brighter news, the automobile sector has created 60,900 jobs in the last four months, a sign that it's gradually recovering from the supply problems that have haunted the sector.

IMPLICATIONS

Hopes of a faster recovery of the job market, mainly encouraged by the strong performances posted in June and July, are fading due to August's disappointing results. This situation won't make things any easier for the Federal Reserve, which is also grappling with high inflation. However, there is reason to believe that it will still initiate a taper of its securities purchases by the end of the year.