

ECONOMIC NEWS

United States: Disappointing Job Creation but the Unemployment Rate Declines Further

By Francis Généreux, Senior Economist

HIGHLIGHTS

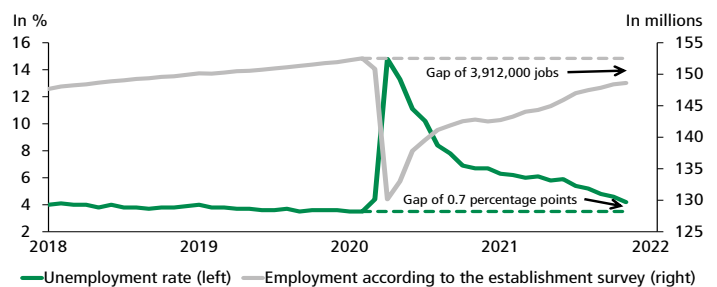
- ▶ The establishment survey indicates that there were only 210,000 net hires in November, following gains of 546,000 jobs in October (revised from 531,000) and 379,000 in September (revised from 312,000).
- ▶ In manufacturing, 31,000 jobs were created despite the 10,100 net layoffs in the automobile sector. There were also 31,000 net hires in construction.
- ▶ Private sector services saw 175,000 new jobs, slowing from the 534,000 jobs added in October. Jobs at retailers declined by 20,400, and there was substantial slowing in food services (+11,000) and education and health care (+4,000). 49,700 jobs were created in transportation and warehousing, while professional services added 90,000. The public sector lost 25,000 jobs.
- ▶ The unemployment rate went from 4.6% in October to 4.2% in November. The household survey recorded a spectacular gain of 1,136,000 jobs. The labour force grew by 594,000 people, and the participation rate rose from 61.6% to 61.8%.

COMMENTS

Job creation according to the establishment survey is disappointing. The consensus was expecting 2.6 times as many hires. This is the weakest job creation since the 306,000-job decline in December 2020. Note also that only 63.0% of the 257 sectors surveyed saw their payrolls increase in November, compared with 73.9% in October. This is the lowest rate since April. The poor performance comes at a time when the U.S. job market is still quite far from its February 2020 level. It is now 3,912,000 jobs short of it.

GRAPH

Despite the gap in the number of jobs, the unemployment rate is closing in on its pre-pandemic low



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

The household survey, however, provides a striking contrast. The 1,136,000 jobs created is the strongest performance since October 2020. However, this survey's shortfall from February 2020 is not very different, at 3,557,000 jobs. Although a lot of catching up remains to be done, the unemployment rate is closing in on its February 2020 level, 3.5%. Note that, in general, the household survey is much more volatile than the establishment survey.

IMPLICATIONS

The weakness in hiring recorded by the establishment survey could complicate the discussion at the Federal Reserve, particularly in a more uncertain public health context. However, the officials seem to be leaning toward faster monetary policy normalization in response to high inflation.