

Plodding Payrolls

The ultra slow-motion recovery in U.S. labour markets continues. Nonfarm private-sector payrolls rose 71,000 in July, less than expected and less than the first-half average, and follows a downwardly-revised 31,000 gain in June (previously 83,000). Total payrolls fell 131,000, reflecting the loss of 143,000 temporary census workers and more axe-swinging at the state/local levels. (Roughly 200,000 census workers will be let go in coming months, too). Manufacturing accounted for half of the private-sector job gains, driven by the auto industry. But construction and financial services shed workers for the third straight month, and temporary help services—viewed as a leading indicator of employment—lost jobs for the first time since September. Ouch! The employment rate slipped to 58.4%, and is now even lower than last fall when the recession presumably ended. The private sector is not creating jobs nearly fast enough to lower the jobless rate, which stayed at 9.5% only because more people dropped out of the labour force. Aggregate weekly hours rose 1.2% annualized in July from Q2, which, with some help from rising productivity, is consistent with our Q3 GDP growth estimate of 2.0%. Average weekly hours in the private sector rose slightly to 34.2, but will likely need to climb further before businesses re-open the hiring taps.

(thousands)	(average change)					
	Jul	Jun	May	3 months	12 months	
Nonfarm Payrolls	-131	-221	432	27	-4	
Goods Producing	33	-3	21	17	-29	
Private Service Producing	38	34	30	34	26	
Manufacturing	36	13	39	29	-2	
Construction	-11	-21	-29	-20	-31	
Retail Trade	7	-21	-6	-7	-5	
Avg. Hourly Earnings (% chng)	0.2	0.0	0.2	1.6 **	1.8 ***	
Private Workweek (hours)	33.5	33.4	33.5	33.4 *	33.1 *	
Mfg. Workweek (hours)	41.1	41.0	41.5	41.2 *	39.9 *	
Aggr. Hours Worked (% chng)	0.4	-0.3	0.3	1.6 **	1.2 ***	
Unemployment Rate (%)	9.5	9.5	9.7	9.9 *	9.4 *	
Total Unemployment Rate (%)	16.5	16.5	16.6	17.1 *	16.4 *	
Avg. Duration of Unemp. (wks)	34.2	35.2	34.4	33.0 *	25.3 *	

* 3 and 12 months ago ** 3-month % change *** year/year % change

The Bottom Line: Scarred by the Great Recession, businesses remain wary about the recovery, and are hiring very cautiously. The soft jobs report spurred a further rally in Treasuries, with the 2-year rate touching record-lows of 0.50%. Anaemic job growth and still-high unemployment could pressure Fed policymakers to undertake further stimulus in the months ahead, and possibly signal an easing bias at next week's policy meeting.

Sal Guatieri, 416-359-5295