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# TD Economics

## Commentary

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### U.S.: EMPLOYMENT SITUATION WORSENS DRAMATICALLY IN JUNE

- **U.S. nonfarm payrolls declined by a worse than expected 467K in June, following the 322K drop the month before.**
- **The unemployment rate rose to 9.5% from 9.4%.**
- **The details of the report were unequivocally weak.**

U.S. nonfarm payroll declined by 467K in June, following the upwardly revised 322K jobs lost the month before (previously reported as -345K). This was far worse than the market consensus for a -365K print, and brings the number of jobs lost since the turn of the U.S. labour market January 2008 to 6.5 million. The unemployment rate was also higher on the month, rising to 9.5% in June from 9.4% the month before. This, however, was a slower rate of joblessness than the 9.6% expected by the markets. Total hours worked were also lower on the month, falling by 0.3% M/M in June.

In terms of price pressures, average hourly wages were flat in June, while on a year-ago basis wages are up by only 2.7%, which is a slower pace of wage growth than the 3.0% Y/Y increase posted the month before. This is the slowest rise in average wages since late 2005, and it speaks to the fact that the weakening labour market conditions are continuing to keep a lid on wage inflation,

which historically has been a key source of consumer price inflation pressure.

The details of the report were unequivocally weak. Job losses in manufacturing (down 136K, though this is slightly better than the 156K jobs lost in May), business services (down 118K), and construction (down 79K) continue to be brisk, while employment by government (down 52K), trade and transportation services (down 51K) and the financial sector (down 27K) were also lower. As has been the case in the past few months, the losses were evenly split between the services-producing (-244K) and goods-producing (-223K) sectors.

On the whole, this was a very ugly labour market report, and there is no amount of lipstick that can improve its image. Indeed, not only does it suggest that the pace of job losses in the U.S. remains very high, it bucks the trend of four consecutive months of improvement in the pace of job losses. Moreover, with conditions in the U.S. economy continuing to be very weak, there is little to suggest that a turnaround in U.S. labour market conditions is on the horizon. Nevertheless, the weakening job market conditions is continuing to pour cold water on wage growth, and if anything, this will invariably keep a lid on U.S. consumer inflation for some time.

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