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# The dynamic of the US job market

## Overview

Fears of sovereign default are progressively diminishing in Europe. As expected, the market focuses once again on the US economy, which seems to make a pause after the quick recovery of 2H09. The debate in the US turns now around the necessity to achieve the stimulus package or prepare austerity. The answer to this question lies in the situation of the labor market, which reflects structural changes of the US economy.

## Focus: The dynamic of the US job market

The US government has spent almost 60% of the stimulus package to date. The unemployment rate has only marginally decreased from a peak of 10.1% in October 2009 to 9.5% in June. Moreover, a large part of this decline is linked to a decline of active population explained by a discouragement phenomenon among the long-term unemployed. Does it mean that the current government policy is unsuccessful and that these poor performances announce economic difficulties in the months to come?

Despite being slow, we believe that the recovery of US job market is solid and sound for the following reasons.

- The stimulus package has produced moderate results in terms of employment but the improvements observed are largely satisfying given the unique size of the last negative shock linked to the crisis.
- The remaining part of the stimulus will be more corporate oriented and therefore encourage hiring benefiting job creation.
- The new industrial policy focusing on energy and health is employment protective.
- The improving corporate sector has already contributed to restart the process of job creation in the private sector. The turnover observable in the job market reveals an already favorable dynamic.
- The deleveraging and resulting decline in finance and construction jobs will have only a limited effect on the level of natural unemployment rate.
- The austerity period will be less painful in comparison to Europe.

## CITIC Securities Research

**Yifan Hu**  
(o) 852-22379116  
[yifanhu@citics.com.hk](mailto:yifanhu@citics.com.hk)

**Alexis Garatti**  
(o) 852-22379117  
[alexisgaratti@citics.com.hk](mailto:alexisgaratti@citics.com.hk)



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Performance of stock or sector relative to MSCI-China over next 6 months after research publications

	Rating	Remark
Stock rating	Buy	Relative performance over MSCI-China Index >20%
	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

地址： 香港中环  
添美道 1 号  
中信大厦 26 楼  
电话： (852) 2237 6409  
传真： (852) 2104 6580  
电邮： hkresearch@citics.com.hk  
网址： http://www.citics.com.hk

Address: 26/F CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong  
Tel: (852) 2237 6409  
Fax: (852) 2104 6580  
Email: hkresearch@citics.com.hk  
Web: http://www.citics.com.hk