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U.S. jobs market strength persist in January

- US labour market data started 2024 with a bang. The job count surged by 353k in January (roughly double market expectations) following a similar, and upwardly revised, 333k surge in December.
- The employment gain was led by increases in health care (+70k) and social assistance (+30k), reflecting persistently high demand in the sector that was seen throughout 2023.

Elsewhere, retail employment also rose 45k in January and government jobs were up by 36k.

- Both the participation rate (62.5%) and the unemployment rate (3.7%) were little changed in January. The unemployment rate is also not meaningfully different from where it was before the pandemic.
- Wage growth also jumped sharply to build on a reacceleration towards the end of 2023. Average hourly earnings among private workers ticked higher to 4.5% year-over-year upon a 0.6% monthly increase from December. In the year pre-pandemic, the average monthly rate of increase for that measure was around 0.25%.
- The only real soft spot in the January data was a 0.4% dip in hours worked that built on a small decline in December (despite an almost 600k surge in private employment over those last two months combined.)
- Bottom line:** The first employment report in 2024 confirmed that labour market activities are still incredibly heated in the U.S. Counts of job openings have continued to move lower but remain elevated. The strong early data for 2024 points to strong momentum in consumer demand late last year potentially persisting into early

Wage pressures rising in the U.S. after easing



Source: Bureau of Labor Statistics, RBC Economics

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2024. And the acceleration in wage growth will add to concerns at the Federal Reserve about whether the recent run of softer inflation data will be sustained. Fed Chair Powell in the press conference already largely ruled out a March rate cut, and expressed the need to see more data before growing convinced that the progress with inflation is here to stay. We continue to expect additional rate hikes are unlikely but expect the Fed to wait until closer to mid-year before pivoting to outright cuts.

Data Summary:

	<u>Nov-23</u>	<u>Dec-23</u>	<u>Jan-24</u>	<u>Jan-24</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	182	333	353	244
Private	152	278	317	194
Public	30	55	36	50
Hourly wages (m/m %)	0.4	0.4	0.6	4.5 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	3.7	3.7	3.7	0.3
U6	7.0	7.1	7.2	0.5
Participation rate	62.8	62.5	62.5	0.1
25-54	83.3	83.2	83.3	0.6

Source: Haver, RBC Economics Research