RBC Economics

Daily Economic Update

April 1, 2022

Robust US payrolls set tone for faster Fed hiking path

- Payroll employment added 431k jobs; hours worked held flat
- Unemployment rate edged lower again to 3.6%, just above the pre-pandemic (February 2020) 3.5%
- Tightening labour markets, rising wages, and surging inflation worries pushing the Fed to hike more quickly

Another bigger increase in US payrolls in March pushed the unemployment rate down to 3.6%, just above rates immediately pre-pandemic. Service sector industries again led the increase, with leisure and hospitality as well as professional and business services adding 112k and 102k jobs, respectively. Total hours worked held flat from February, but have already recovered to early 2020 levels despite the still-large 1.6 million employment shortfall. Hours worked are still well-below pre-pandemic levels in leisure and hospitality services, but with offset from higher transport and warehousing as well as professional and business services.

Overall, labour markets look exceptionally tight, as a slower recovery in labour force participation coincide with soaring demand for workers. Job openings continued to rise into early this year. Yet the pool of those available for hire continues to shrink even when we account for those that are employed part-time for economic reasons and those that are marginally attached to the labour force (and so not officially counted as 'unemployed.) Wage growth as a result, accelerated. Growth in average hourly earnings has been consistently creeping higher in recent months, and rose again to 5.6% above year-ago levels in March – led by stronger growth among those that work in non-supervisory roles.

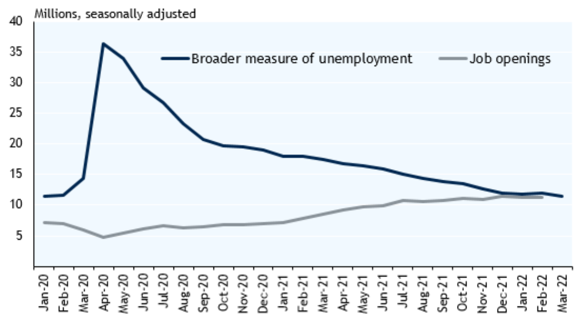
Low unemployment, rising wages and surging inflation pressures all argue for interest rates to move quickly off of emergency low levels. Another hike from the Fed is expected in May to build on the 25 basis point increase in March, with a 50 basis point move looking more likely.

Data Summary:

	Jan-22	Feb-22	Mar-22	Mar-22
	m/m change, thousands			*12mth avg*
Payroll employment	504	750	431	541
Private	492	739	426	515
Public	12	11	5	26
Hourly wages (m/m %)	0.6	0.1	0.4	5.6 (y/y %)
		%		*y/y change*
Unemployment rate	4	3.8	3.6	-2.4
U6	7.1	7.2	6.9	-3.8
Participation rate	62.2	62.3	62.4	0.9

Source: Haver, RBC Economics Research

Job openings closing in on available workers for hire in the US



Source: Bureau of Labour Statistics, RBC Economics

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