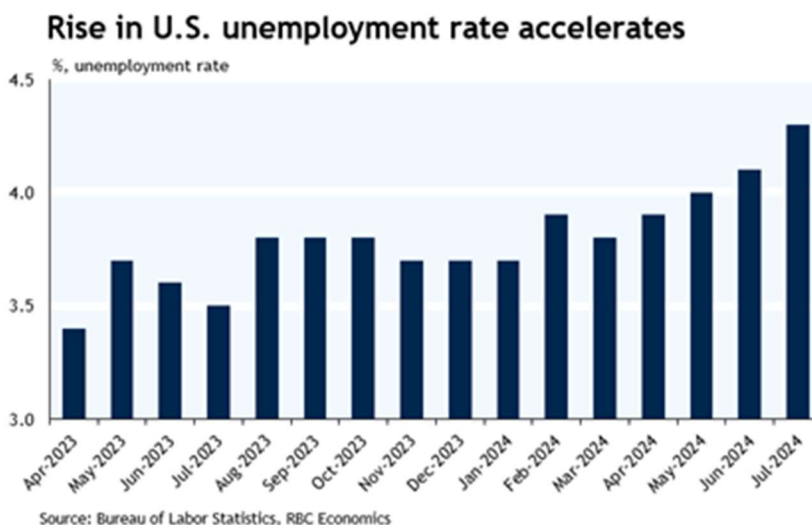


August 2, 2024

U.S. unemployment rate rose to 4.3% in July

- In July, payroll job gains of 114k (consensus 175k), and the unemployment rate of 4.3% (consensus 4.1%) both pointed to larger deterioration in the U.S. labour market than expected.
- Hurricane Beryl hit during the survey period of both surveys. Although BLS' assessment was that it had "no discernible effect" on the data outturn for the month.



- Indeed, according to the household survey, people who miss work during the entire survey week due to weather related reasons are still counted as employed regardless of if they are paid for the time off.
- The majority of the increase in the unemployment rate from June to July was driven by higher temporary layoffs that are not necessarily tied to the hurricane. The number of permanent job losers was little changed in July, at 1.7 million but was still higher than the 1.4 million seen in July 2023.
- Back to the payroll surveys, private sectors saw the smallest job gain (+97k) since March 2023, with healthcare (+55k) accounting for the lion's share of it. Construction (+25k) and leisure and hospitality (+23k) also added jobs, while information services (-20k) lost workers.

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- Total hours worked among private industry employees contracted by 0.3% in July, driven by goods-producing sectors including mining (-1.2%) and construction (-1%).
- Growth in average hourly earnings slowed from 3.8% year-over-year in June to 3.6% in July. On a monthly basis, wages grew 0.2% from June, slower than the average monthly pace of 0.3% in the 12 months before.

Bottom line: U.S. labour market started the third quarter with a downside surprise. The July data also marked a clear deceleration in labour market conditions that had been gradually unfolding through the past year. The unemployment rate rose to 3.9% in April from 3.4% in the April of 2023, and then rose to 4.3% within the span of three months. In the press conference for the Fed meeting this week, Powell continued to characterize ongoing labour market weakening as conditions normalizing from being overheated. He did stress that the Fed will be ready to respond “if labour market were to weaken unexpectedly.” We continue to expect the Fed will cut interest rate at the next meeting in September, and see risks tilting towards more cuts than less for the rest of this year.

Data Summary:				
	<u>May-24</u>	<u>Jun-24</u>	<u>Jul-24</u>	<u>Jul-24</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	216	179	114	209
Private	206	136	97	164
Public	10	43	17	46
Hourly wages (m/m %)	0.4	0.3	0.2	3.6 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	4	4.1	4.3	0.8
U6	7.4	7.4	7.8	1.1
Participation rate	62.5	62.6	62.7	0.1
25-54	83.6	83.7	84.0	0.6

Source: Haver, RBC Economics Research