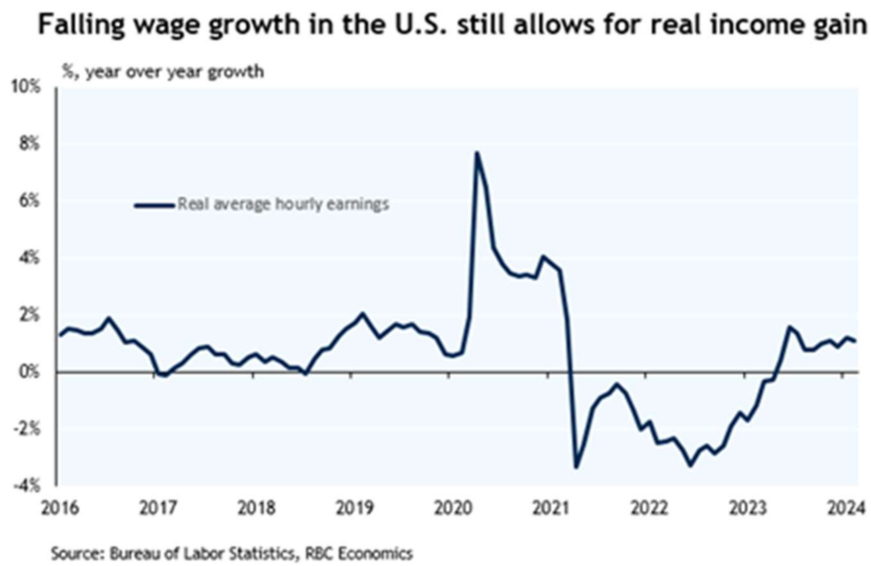
April 5, 2024

U.S. job gain remains larger than expected in March



- Robust hiring in U.S. labour markets has yet to let up with payroll employment growth accelerating to 303k in March from already solid readings in the months before.
- Notable employment gains were seen in health care (+72k), government (+71k and mostly local), construction (+39k) and accommodation and food services (+32k). Excluding construction, the rest of three sectors mentioned above have accounted for 60% of the outsized employment gain in the U.S. over the last year.
- In March, total hours worked among private industries increased by a larger 0.5% from February. Mining, construction and transport and warehousing led the increase.
- From the separately released household survey, the unemployment rate in the U.S. dropped slightly to 3.8%, from 3.9% in February. The labour force participation rate in the meantime ticked higher to 62.7% but was very little changed from a year ago and also still below the level in pre-pandemic 2020.
- Persistently strong hiring momentum in the U.S. did not translate to acceleration in wage gains. Growth in average hourly earnings (among private sector employees) has still been trending lower to 4.1% over last year in March, from 4.3% the prior month. That leaves real wages growth in positive territory. Real wages have been rising at a ~1% annual rate since mid-2023, similar to historical averages.

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- **<u>Bottom Line:</u>** Payroll employment continues to rise at a faster rate in the U.S., in part due to stronger than expected population increase that could have been biasing the steady state employment growth rate upward. Despite solid headline numbers, the Fed has been pointing to other indicators such as lower quits rate, falling job openings and moderating wage growth as signs of tight labour market conditions unwinding, and has maintained the assessment that risks with its dual mandate are coming into better balance. But the choppier the progress with inflation (as it has been in early 2024), the longer the Fed will need to hold rates steady. Our own base-case assumption is that the first rate cut will come in June, with risks tilting to a delay.

Data Summary:

	Jan-24	Feb-24	Mar-24	Mar-24
	m/m change, thousands			*12mth avg*
Payroll employment	256	270	303	244
Private	196	207	232	189
Public	60	63	71	55
Hourly wages (m/m %)	0.5	0.2	0.3	4.1 (y/y %)
		%		*y/y change*
Unemployment rate	3.7	3.9	3.8	0.3
U6	7.2	7.3	7.3	0.6
Participation rate	62.5	62.5	62.7	0.1
25-54	83.3	83.5	0.0	-83.2

Source: Haver, RBC Economics Research