

February 4, 2022

US labour market posted solid gain in January

- Payroll employment rose 467k in January despite spread of Omicron cases.
- Unemployment rate and participation rate ticked up to 4% and 62.2%, respectively.
- Labour markets growing increasingly tight; wage pressures intensifying.

US payroll in January sharply beat consensus estimate, adding 467k jobs on top of 750k of upward revisions to November and December combined. That brings the overall employment to just under 3 million below its levels immediately pre-pandemic. Notable gains occurred in leisure and hospitality (+151k), professional and business services (+86k) as well as retail (+61k). Demand for workers likely remained robust in the midst of a surge of Omicron cases, with governments hesitant to re-impose disruptive containment measures. Labour supply increased as well, as 1.4 million workers flow into the labour force in January, pushing the participation rate higher to 62.2%. The unemployment rate ticked a tenth higher to 4% and hours worked slowed potentially due to large amounts of workers self-isolating from illness during the month.

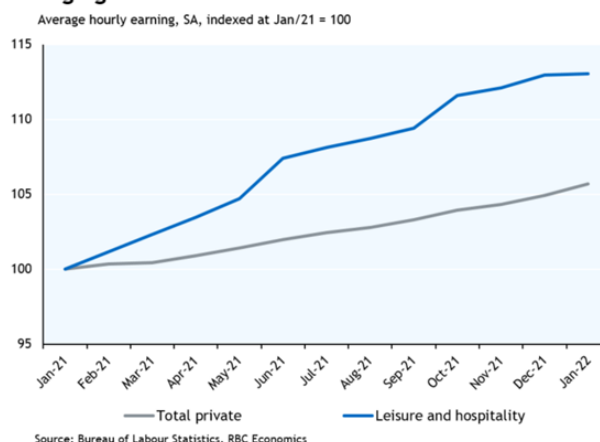
Early retirement has been among the factors, others including childcare and health concerns, that have been deterrents for a recovery in labour force participation. By our count, just over 40% of the remaining labour force shortfall relative to pre-pandemic levels can be accounted for by workers aged 55 and up, many of which have likely exited the labour force permanently through retirement. Limited labour supply has been putting significant pressure on wage growth, particularly for close-contact industries. Accommodation and food services jobs saw average hourly earnings rise by 13% year over year in January, much higher than the 5.7% increase for all private industries. Growing tension across labour markets, persistent inflation trends and firming wage pressure will all remain key concerns for the US Fed. Chairman Powell in the latest January policy meeting judged that full employment has been reached, and signaled a start to the rate hike cycle coming as early as the next rate decision in March.

Data Summary:

	Nov-21	Dec-21	Jan-22	Jan-22
	m/m change, thousands			12mth avg
Payroll employment	647	510	467	551
Private	627	503	444	521
Public	20	7	23	30
Hourly wages (m/m %)	0.4	0.5	0.7	5.7 (y/y %)
	%			y/y change
Unemployment rate	4.2	3.9	4.0	-2.4
U6	7.7	7.3	7.1	-4.0
Participation rate	61.9	61.9	62.2	0.8

Source: Haver, RBC Economics Research

Wage growth in close-contact industries rose faster



Claire Fan | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-3639
For more economic research, visit our website at www.rbc.com/economics