

July 7, 2023

## U.S. posted moderate job growth in June

- Headline employment grew by a smaller 209k in June in the U.S., smaller than the downwardly revised 306k in May. The unemployment rate ticked lower and hours worked among private sectors were up a bigger 0.4%. And a still-tight labour market has been working against easing in wage growth.

Easing in wage growth losing momentum in the U.S.



Source: BLS, RBC Economics

- Notable job gains in June were seen in government (+60k), health care and social assistance (+65k) as well as construction (+23k) whereas retail and transport and warehousing both shed jobs.
- The unemployment rate (from the separately released household survey) ticked lower to 3.6% after jumping to 3.7% in May from 3.4% in April. The labour force participation rate held at 62.6% in June and was still below the
- Wages grew 4.4% from last year in June in the U.S., still well above the 2.5% average rate in the decade pre-pandemic. That was also the sixth month that wage growth held around that level. Indeed, easing in wage growth appears to have lost the downward momentum after moderating from the peak rate of 5.9% in March 2022.
- Still, early signs suggest that labour demand has been slowing from very elevated levels. Job openings keep trending lower and so have quits rate (on balance) among private sector employees.

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- Bottom line:** We continue to expect that the surge in interest rates since early 2022 will slow demand for workers before driving unemployment higher later this year. But easing in labour demand has not yet shown up in any of the headline numbers. As noted in the meeting minutes for the last FOMC decision in June, policymakers still view current labour market conditions as too tight, and wage gain too elevated for inflation to sufficiently return to the 2% target overtime. We expect the Fed to hike the fed funds rate by 25 bps in July.

### Data Summary:

	<u>Apr-23</u>	<u>May-23</u>	<u>Jun-23</u>	<u>Jun-23</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	217	306	209	316
Private	179	259	149	266
Public	38	47	60	50
Hourly wages (m/m %)	0.4	0.4	0.4	4.4 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	3.4	3.7	3.6	0.0
U6	6.6	6.7	6.9	0.2
Participation rate	62.6	62.6	62.6	0.4

Source: Haver, RBC Economics Research