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Strength in U.S. labour market stretching on in May

- After slowing at the start of Q2, U.S. payroll gain again picked up pace and increased by 272k in May. That's ahead of the consensus forecast for a 180k rise.
- The separately released household survey showed U.S. unemployment rate ticking higher to 4.0% in the same month, a level not seen since January 2022. Relative to trough levels in 2023, the unemployment rate has risen by about half a percent on a cumulative basis.
- The labour force participation rate dropped slightly lower to 62.5% in May. It's little changed from a year ago but still about a percent below levels in pre-pandemic 2019.
- Back to the job gains, the same sectors that have supported job growth over the last year again led the increase in May. That includes health care (+68k), government (+43k) and leisure and hospitality (+42k). Transportation and warehousing, after being one of the only sectors that shed jobs persistently in 2023, started to see that trend reverse. The sector has added 63k new jobs since the turn of the new year.
- Total hours worked among private industry employees also increased strongly, by 0.4% from April to May. Unlike employment, that larger increase in hours worked was led by goods producing sectors including construction and manufacturing, both reversing losses in the prior month.

Easing wage growth in the U.S. took a pause in May



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- In terms of wage growth, earlier downward momentum took a pause in May – average hourly earnings (also among private industries) rose 0.4% from last month or to a 4.1% annualized pace on a three-month basis. That’s higher than the 3% quarterly annualized rate in April, but still lower comparing to the 4.8% rate of increase reported a year ago.
- **Bottom line:** Last month’s downside surprised in U.S. payroll data proved temporary, with the May employment gain reaccelerating to match the strong pace in Q1. Other labour market data like job openings rate and quits rate all continue to point to unwinding in elevated labour demand, although not enough to prevent further growth in headline employment numbers, yet. More concerning perhaps is the tick higher in wage growth in May, especially amidst an environment where inflation pressures are still strong. More data is needed however to prove a persistent upward trend in that one. The combination of a higher unemployment rate and lower job openings have pushed wage growth broadly lower in the past. All told, labour market data to-date is still firm and is adding little if any urgency for the Fed to cut rates any time soon. Next week’s inflation data should give more clues. We continue to expect a first cut from the Fed won’t come until December.

Data Summary:				
	<u>Mar-24</u>	<u>Apr-24</u>	<u>May-24</u>	<u>May-24</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	310	165	272	230
Private	232	158	229	178
Public	78	7	43	51
Hourly wages (m/m %)	0.4	0.2	0.4	4.1 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	3.8	3.9	4.0	0.3
U6	7.3	7.4	7.4	0.6
Participation rate	62.7	62.7	62.5	-0.1
25-54	83.4	83.5	83.6	0.2

Source: Haver, RBC Economics Research