

March 4, 2022

## US labour market maintained hiring momentum in February

- Payroll employment rose a 678k; hours worked also rebounded
- Unemployment rate fell to 3.8%; participation rate edged up to still-stagnant 62.3%
- Markets tightening with job openings outpacing unemployed; Fed to hike rates in March

**The 678k increase in February employment built on strength in January**, and brought the year-to-date net hiring to over a million. Notable job gains again occurred in services sector industries including leisure and hospitality (+179k) and education and healthcare (+112k). Total hours worked rose a larger 0.8% after dipping lower in January from worker absenteeism. The separately released household survey showed another tick lower in the unemployment rate to 3.8% in February, and is closing in on the 3.5% rate in February 2020. The labour force participation rate however despite edging a tenth higher to 62.3% was still well below the pre-pandemic peak rate of 63.4%.

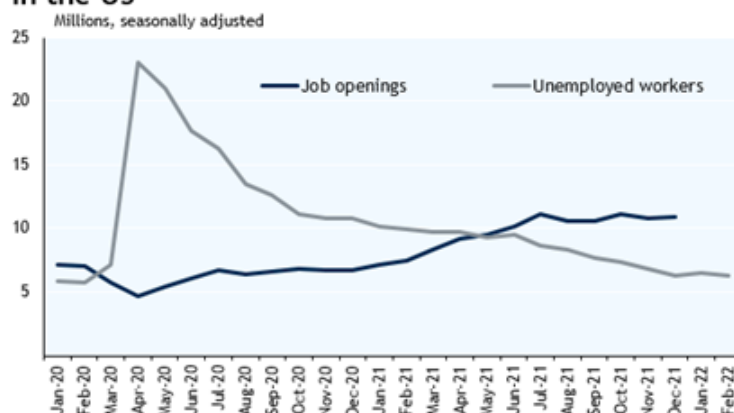
Hiring demand continues to outstrip the number of workers available in the jobs market. Indeed, the number of unemployed workers in the labour force (i.e. those not employed but actively searching for work) declined to 6.3 million in February. Meantime job openings in December of last year (latest data available) was already approaching 11 million. Many of those that could be filling the vacancies remained outside the labour force due to various reasons. Overall, limited labour supply and rising demand for output and workers has been putting significant upward pressure on wages. Growth in average hourly earnings slowed in February but was still over 5% above last year. That has been particularly true for close-contact industries, where labour shortage issues have been more acute. The Russian invasion of Ukraine has caused a surge in commodity prices. That should keep upward pressure on already-high inflation rates near-term. But the direct impact on the US economy is expected to be limited given narrow trade exposure. The stronger domestic economy, tightening labour market and rising inflation all argue for the Fed to hike rates in March, notwithstanding intensified geopolitical risks.

### Data Summary:

	Dec-21	Jan-22	Feb-22	Feb-22
	m/m change, thousands			12mth avg
Payroll employment	588	481	678	556
Private	561	448	654	523
Public	27	33	24	33
Hourly wages (m/m %)	0.5	0.6	0.0	5.1 (y/y %)
	%			y/y change
Unemployment rate	3.9	4	3.8	-2.4
U6	7.3	7.1	7.2	-3.9
Participation rate	61.9	62.2	62.3	0.8

Source: Haver, RBC Economics Research

### Job openings outpacing available unemployed workers in the US



Source: Bureau of Labour Statistics, RBC Economics

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