

May 6, 2022

U.S. posted solid job growth in April

- Payroll employment rose by 428k; all private industries added jobs.
- The unemployment rate held flat at 3.6%.
- Soaring demand for workers is driving up wage growth, adding to pressures for the Fed to hike rates quickly.

US payrolls advanced again in April with a 428k increase in employment. The gain was widespread but most notable in leisure and hospitality (+78k) as the high-contact services sector continues to recover from the pandemic. Comparing to levels pre-pandemic, total employment was still down 1.2 million, with losses more than accounted for by leisure and hospitality (-1.4 million) alone. Despite the employment shortfall total hours worked among private sector industries was 0.3% higher than pre-pandemic in April.

Both the unemployment rate at 3.6% and the amount of unemployed workers at 5.9 million were little different from March or levels in pre-pandemic February 2020. But that likely understates how tight labour markets are as the size of the labour force remains smaller all while job openings soar. Currently, there are close to 2 job openings for every unemployed worker. That compares to a ratio of 1.2 just before the pandemic.

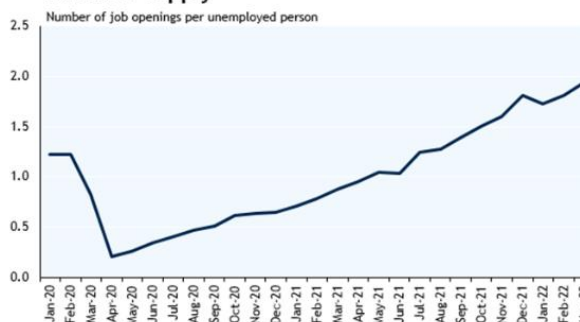
Wage growth as a result has been firming. Average hourly earnings were up 5.5% from last year, much higher than the 3.3% annual rate of increase in 2019. The pay gain is picking up across most industries but is more pronounced in leisure and hospitality where earnings were up 11% from a year ago. Tight labour market conditions and firming wage growth are adding to already surging inflation pressures. Monetary policy makers are expected to hike interest rates quickly in response. We anticipate another 50 bps hike from the Fed in June, following the 50 bps increase earlier this week

Data Summary:

	Feb-22	Mar-22	Apr-22	Apr-22
	m/m change, thousands			12mth avg
Payroll employment	714	428	428	552
Private	704	424	406	528
Public	10	4	22	23
Hourly wages (m/m %)	0.1	0.5	0.3	5.5 (y/y %)
		%		y/y change
Unemployment rate	3.8	3.6	3.6	-2.4
U6	7.2	6.9	7.0	-3.3
Participation rate	62.3	62.4	62.2	0.5

Source: Haver, RBC Economics Research

Soaring demand for workers in the US outpacing available supply



Source: Bureau of Labor Statistics, RBC Economics

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