May 5, 2023

Momentum extended in U.S. labour market in April

- Pace of job gain in the U.S. still strong in spring - April saw 253k increase in payroll employment, slightly lower than the downwardly revised 295k (previously reported as 345k) average monthly increase in Q1. Half of the lift is attributed to the energy and mining sector

- Services sectors including professional and business services (+43k), and health care (+40k) led the jobs increase.

- Wage growth strengthened again in April, to 4.4% above a year ago but was still down from a peak rate of 5.9% in March 2022. Hours worked rose slightly and partially retraced the decline since January.

- Despite ultra-low unemployment rates, signs of weakening labour demand continue to emerge elsewhere - job openings have been trending lower since last spring. And slower quit rates are flagging less confidence in hiring conditions among workers.

- Tighter credit conditions and lending standards in the U.S. since late 2022 are adding headwinds to businesses' investment and hiring needs down the road.

- **Bottom line:** Solid momentum in U.S. employment reports not expected to continue later on this year, given signs of moderating hiring demand. Slower wage growth should also make currently tight labour market conditions less of a concern for the Federal Reserve. We continue to expect the rate hike this week was the last one in the current cycle, with tightening U.S. credit conditions adding to downside growth concerns.

Data Summary:

	Feb-23	Mar-23	Apr-23	Apr-23
	m/m change, thousands			12mth avg
Payroll employment	248	165	253	333
Private	193	123	230	294
Public	55	42	23	39
Hourly wages (m/m %)	0.3	0.3	0.5	4.4 (y/y %)
	%			y/y change
Unemployment rate	3.6	3.5	3.4	-0.2
U6	6.8	6.7	6.6	-0.4
Participation rate	62.5	62.6	62.6	0.4

Source: Haver, RBC Economics Research

Lower wage growth, quits rate signal cooling U.S. labour demand

Source: BLS, RBC Economics

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