



October 6, 2023

U.S. unemployment rate held steady in September

- Job growth in the U.S. accelerated to 336k in September. That combined with upward revisions to each of July and August put the average pace of increase in Q3 at 266k (in 2019 the average pace was +163k a month).
- The unemployment rate – calculated from the separately released households survey – held steady at 3.8% after ticking up to that level from 3.5% in August. Matching the steady unemployment rate reading was a much smaller 86k rise in employment in that survey. Alternative measures of underutilization that account for marginally attached workers (those that are not in labour force but want jobs) and involuntary part-time workers were also little changed in September.
- Importantly, wage pressures in the U.S. continue to dissipate. Reported growth in average hourly earnings for private employees decelerated again to 4.2% year over year in September. Wage growth on a three-month average basis fell to its lowest level since November 2020.
- Similar to prior months, the majority (70%) of the increase in payroll employment was accounted for by services sectors including leisure and hospitality (+96k) and health care (+66k). September also marks the first time when employment in food services and drinking places returned above its level in pre-pandemic February 2020. Government jobs rose by a larger 73k in the same month, while employment in information services fell by 5k and was the only sector that saw job losses.
- Other leading indicators on U.S. labour market conditions continue to suggest an unwinding in labour demand from very elevated levels. Job openings in August surged by 690k, but that was after consecutive declines that led it to the lowest in two and a half years in July. Quits rates in the U.S. also held steady at low levels in August after declining over the past year.

Bottom line: The employment growth in September is well above expectations but the data's not all strong. The increase in unemployment rate in the prior month did not reverse in September and wage growth also continued to decelerate. There is still momentum left in hiring activities but flagging indicators elsewhere mean we can continue to expect conditions to cool in the coming months. Price pressures still look like they have significantly dissipated in the U.S. Our base-case forecast does not assume another interest rate hike this year.

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Data Summary:

	<u>Jul-23</u>	<u>Aug-23</u>	<u>Sep-23</u>	<u>Sep-23</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	236	227	336	266
Private	145	177	263	214
Public	91	50	73	52
Hourly wages (m/m %)	0.4	0.2	0.2	4.2 (y/y %)
	%			<i>y/y change</i>
Unemployment rate	3.5	3.8	3.8	0.3
U6	6.7	7.1	7.0	0.3
Participation rate	62.6	62.8	62.8	0.5
25-54	83.4	83.5	83.5	0.9

Source: Haver, RBC Economics Research

Wage pressures showing persistent signs of slowing in the U.S.

