

May 3, 2024

## Job growth in the U.S. slowed in April

- Payroll employment growth slowed at the start of Q2, to 175k in April from an average pace of 270k in the first quarter. That pace itself can still be considered as solid, but was below consensus forecast of 245k.
- Most of the job gain in April was accounted for by private services sectors, notably in healthcare and social assistance (+87k), transportation and warehousing (+22k) and retail sales (+20k).
- After two strong monthly increases in February and March, total hours worked among private industries fell marginally in April by 0.1% led by declines in mining and logging, and construction.
- From the separately released household survey, the unemployment rate ticked back up to 3.9% in April from 3.8% in March – that is still historically low but is up half a percent from a year ago. The labour force participation rate stayed at 62.7% and was little changed from last April.
- Despite seemingly solid hiring momentum overall in 2024, wage growth in the U.S. continues to moderate. The three-month annualized run-rate in average hourly earnings growth slowed to 2.8% in April or the slowest reading in three years.
- **Bottom line:** Today's downside surprise in payroll employment follows a string of upsides. Still, unemployment has been (very gradually) creeping higher and hiring demand continues to slow. The job openings rate has been dropping since March of 2022, to a touch above levels pre-pandemic levels at last count in March. The slowing in wage growth also suggests inflationary pressures coming from labour market activities are easing despite the downside surprise in productivity in Q1. Fed chair Powell at the post FOMC press conference this week pointed to these indicators as evidence that higher interest rates are working to restrict economic activity, but stressed that more time is needed for it to ease price pressures. Contingent on inflation in the

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U.S. slowing back down throughout the year, we expect a first rate cut to come later in December.

<b>Data Summary:</b>				
	<u>Feb-24</u>	<u>Mar-24</u>	<u>Apr-24</u>	<u>Apr-24</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	236	315	175	234
Private	181	243	167	182
Public	55	72	8	52
Hourly wages (m/m %)	0.1	0.3	0.2	3.9 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	3.9	3.8	3.9	0.5
U6	7.3	7.3	7.4	0.8
Participation rate	62.5	62.7	62.7	0.1
25-54	83.5	83.4	83.5	0.2

Source: Haver, RBC Economics Research