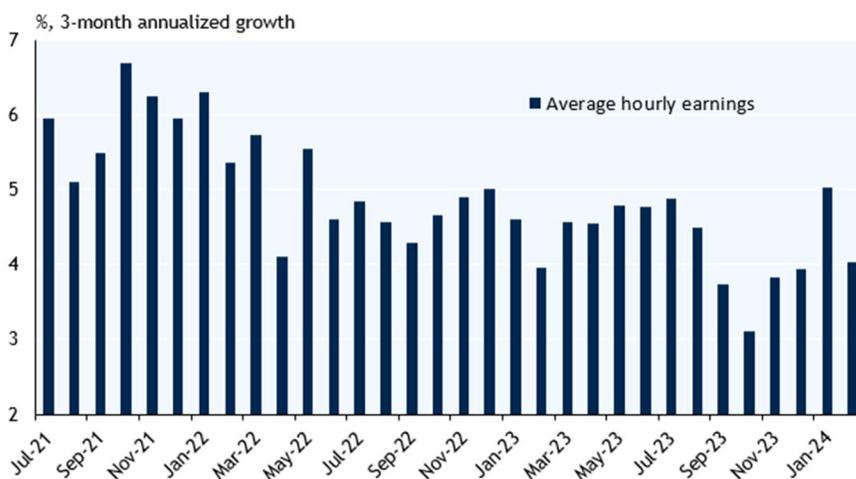


March 08, 2024

U.S. job growth still solid in February

- Payroll employment rose 275k in February, building on downwardly revised but still large gains in the prior months to suggest persistently robust hiring activity in the U.S.
- Notable employment gains in February were in health care (+67k), government (+52k) and food services and drinking places (+42k). Total hours worked among private industries increased by 0.4% in February after declining by a similar amount in January.

Wage pressures recede in the U.S. in February



Source: Bureau of Labor Statistics, RBC Economics

- Unemployment from the separately released household survey ticked higher to 3.9% from 3.7% in January, with the increase entirely accounted for by rising youth unemployment (those between the age of 14 and 24). The unemployment rate for those that are 25 and above was little changed in February, at 3.2%.
- Wage growth in the U.S. resumed its downward trend after ticking higher in the preceding months. On a year-over-year basis, average hourly earnings (among private sector employees) rose by 4.3% in February, or a smaller 0.1% on a seasonally adjusted basis from one month ago.
- **Bottom line:** The bigger picture from the February payroll report today remains that labour market activity in the U.S. is strong. The employment gain was large and the rise in the unemployment rate was driven entirely by youth unemployment which can be quite volatile on a monthly basis. The slowing in wage growth should calm the Federal Reserve, especially after a flare up in inflation readings in January. Fed Chair Powell in his remarks to the Senate Banking Committee

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yesterday reiterated that more confidence is needed before the central bank is ready to move rates lower, but they're not far from it. Contingent on price pressures easing back down in the coming months, our base case assumes the Fed will start cutting rates in June.

Data Summary:

	<u>Dec-23</u>	<u>Jan-24</u>	<u>Feb-24</u>	<u>Feb-24</u>
	<i>m/m change, thousands</i>			<i>12mth avg</i>
Payroll employment	290	229	275	229
Private	214	177	223	177
Public	76	52	52	52
Hourly wages (m/m %)	0.3	0.5	0.1	4.3 (y/y %)
		%		<i>y/y change</i>
Unemployment rate	3.7	3.7	3.9	0.3
U6	7.1	7.2	7.3	0.5
Participation rate	62.5	62.5	62.5	0.0
25-54	83.2	83.3	83.5	0.4

Source: Haver, RBC Economics Research

