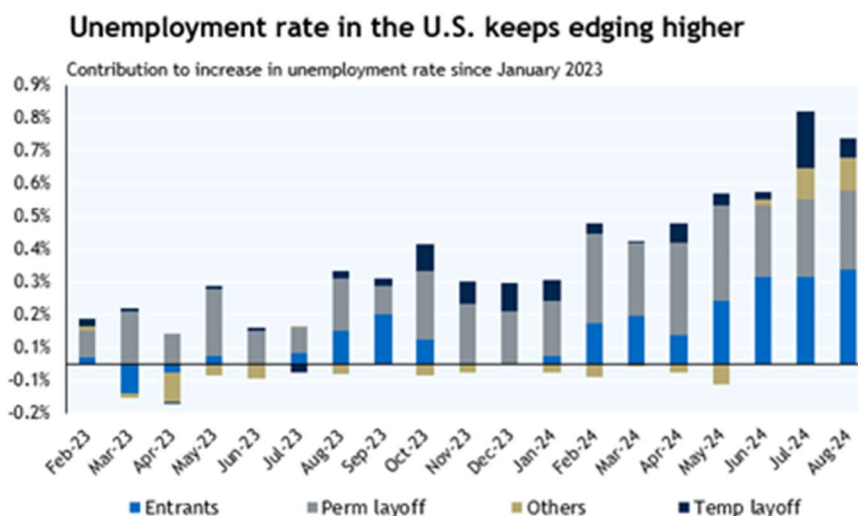


September 6, 2024

## No signs of stopping in a gradually softening U.S. jobs market

- A drop in the unemployment rate in the U.S., from 4.3% in July to 4.2% in August should quell concerns that what has been a gradual slowdown in labour markets is imminently turning into a sharper downturn .
- The surge in temporary layoffs in July that drove the sharp increase in the unemployment rate all but reversed in August, while the number of permanent job losers remained unchanged at 1.7 million. That is, however, still 44% higher than the post-pandemic trough level of 1.2 million in September 2022.
- Also in August, payroll employment rose by 142k also but that was on top of downward revisions to each of June and July that collectively shaved 89k off job growth in the summer.
- On a three-month basis, the pace of job growth in the U.S. has slowed sharply this year, to 116k in August down from 243k back in January.
- Looking into the details, August again saw services sectors supporting most of the employment increase, with notable job gains seen in leisure and hospitality (+46k) and healthcare and social assistance (+44k). Construction also added jobs (+34k), but with the



Source: Bureau of Labor Statistics, RBC Economics

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housing sector activities cooling (home resale down 25% from last year) we don't expect that strength will persist.

- Total hours worked among private industry employees increased 0.3% month-over-month in August to reverse the decline in July. The manufacturing sector continues to underperform with hours worked essentially unchanged in August after falling 0.6% in July.
- Wage growth among private sector employees ticked back higher to a yearly reading of 3.8% in August thanks to a larger 0.4% monthly increase. Moving forward, we expect softening in hiring to continue exert downward pressure on wage growth in the U.S., for it to trend back towards the average monthly pace of 0.25% or yearly pace of 3.3% in pre-pandemic 2019.

**Bottom line:** Although today's much anticipated employment report doesn't point to a sharp contraction in labour market, it also gave no indications that the broader cooling trend – which is not welcomed by the Federal Reserve – has in any way run its course. That's also against a jobs market that's already looser than pre-pandemic. Growth in payroll employment has slowed, the number of permanent job losers is still edging higher slowly, and leading indicators, such as job openings, are still declining into July. Overall, we think that the Fed will start cutting interest rates in September, with risks tilting to more cuts after that than our current assumption for just one follow-up this year in December.

| Data Summary:                         |                       |        |        |             |
|---------------------------------------|-----------------------|--------|--------|-------------|
|                                       | Jun-24                | Jul-24 | Aug-24 | Aug-24      |
|                                       | m/m change, thousands |        |        | 12mth avg   |
| Payroll employment                    | 118                   | 89     | 142    | 197         |
| Private                               | 97                    | 74     | 118    | 156         |
| Public                                | 21                    | 15     | 24     | 41          |
| Hourly wages (m/m %)                  | 0.3                   | 0.2    | 0.4    | 3.8 (y/y %) |
|                                       | %                     |        |        | y/y change  |
| Unemployment rate                     | 4.1                   | 4.3    | 4.2    | 0.4         |
| U6                                    | 7.4                   | 7.8    | 7.9    | 0.8         |
| Participation rate                    | 62.6                  | 62.7   | 62.7   | -0.1        |
| Source: Haver, RBC Economics Research |                       |        |        |             |