

# ECONOMIC NEWS

## United States: Employment Rises (Too?) Sharply Once Again

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### HIGHLIGHTS

- ▶ According to today's establishment survey, the US economy added 311,000 jobs in February. This comes after an increase of 504,000 in January (revised from 517,000) and 239,000 in December (revised from 260,000).
- ▶ Employment rose 24,000 in construction but fell 4,000 in manufacturing.
- ▶ Private sector services added 245,000 jobs, down from 335,000 in January. Job gains were also recorded in retail trade (50,100), food services (69,900), wholesale trade (11,100), professional services (45,000) and education and health services (74,000). Job losses occurred in transportation and warehousing (-21,500) and the information industry (-25,000). The public administration sector added 46,000 jobs.
- ▶ Average hourly earnings rose 0.2% in February. Year-over-year, they were up 4.6% in February versus 4.4% in January.
- ▶ The jobless rate edged up from January's cyclical low of 3.4% to 3.6% in February. According to the household survey, employment rose by 177,000 as the labour force grew by 419,000.

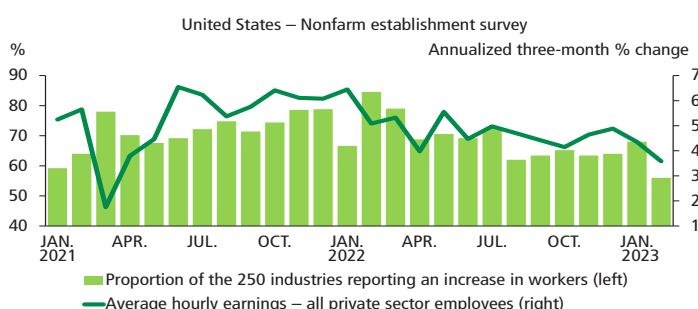
### COMMENTS

After January's red hot labour market print, we could be forgiven for expecting a rather less stellar month in February. In that sense, the 311,000 jobs added last month is surprisingly strong given that the consensus forecast was for 225,000. While not as surprising as January, this month's print shows that the US labour market remains strong.

Given that the Federal Reserve wants to cool the labour market, the slowdown in the month-over-month change in average hourly earnings is better news. February's 0.2% increase is the smallest in a year. The annualized three-month change in hourly earnings fell from 4.4% to 3.6% in February, its lowest

### GRAPH

#### Job Creation is Strong but Less Widespread Across Industries



Sources: Bureau of Labor Statistics and Desjardins Economic Studies

level since March 2021. However, this conceals a stronger print for non-management employees, whose earnings rose 0.5% month-on-month and 4.8% on an annualized three-month basis in February. A more telling sign of an impending slowdown is that, in sector terms, job creation was much less widespread. In February, only 56% of the 250 listed industries reported an increase in the number of workers, compared to an average of 69% in 2022.

### IMPLICATIONS

The US labour market remains very tight—too tight in the eyes of Federal Reserve officials. Monetary tightening clearly needs to continue. The strength of job creation could warrant a return to outsized rate hikes, but slower wage growth makes the decision less straightforward.