

The U.S. Employment Update

Economic Update | 4th February 2023

U.S. Payrolls Surprise With Surge As Jobless Rate Hits 53-Year Low

Event	Actual	Consensus	Previous
Unemployment Rate	3.4%	3.6%	3.5%
Non Farm Payrolls	517K	185K	260K

Highlights:

- U.S. job growth accelerated sharply in January while the unemployment rate hit more than a 53-1/2-year low of 3.4%, pointing to a stubbornly tight labor market and is likely bolstering the Federal Reserve's resolve to extend its run of interest-rate hikes.
- The U.S. economy created 517K jobs in January of 2023, the most since July, and way above an average monthly gain of 401K in 2022, easily beating market forecasts of 185K.
- Job growth was widespread in January, led by gains in leisure and hospitality (128K), professional and business services (82k), and health care (58K). Employment also increased in government (74K), partially reflecting the return of workers from a university strike in California.
- Other gains were seen in retail trade (30K), construction (25K), transportation and warehousing (23K) and manufacturing (19K).
- There were also big revisions, with employment gains in November and December combined being 71K higher than previously reported. The January data continued to show a tight labour market although some companies prepare for an economic slowdown and the tech layoff continues.
- The jobs report showed average hourly earnings rose 0.3% from December and up 4.4% from a year earlier. That's an easing from the prior month, which was revised higher. At the same time, the average workweek increased to 34.7 hours, the highest since March.
- On the other hand, unemployment rate in the U.S. inched lower to 3.4% in January 2023, the lowest level since May 1969 and below market expectations of 3.6%, as the number of unemployed people declined by 28 thousand to 5.69 million and the number of employed increased by 894 thousand to 160.1 million.
- The figures highlight the resilience of the job market despite rising borrowing costs, a pullback in consumer demand and an overall uncertain economic outlook. Demand for workers continues to outpace supply, threatening to keep wage growth strong and fan inflation further.
- That's been a key concern for the Fed, outlined by Chair Jerome Powell on Wednesday after the central bank slowed its pace of interest-rate hikes to a quarter point. Even so, Powell expressed optimism that officials can still pull off a so-called soft landing, in which they quell inflation without putting millions of people out of work.

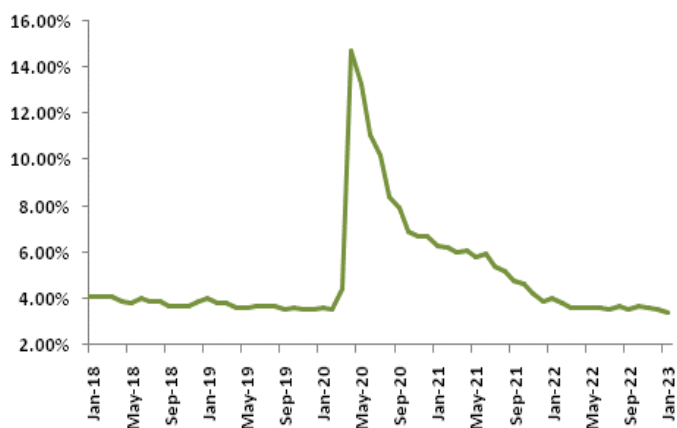
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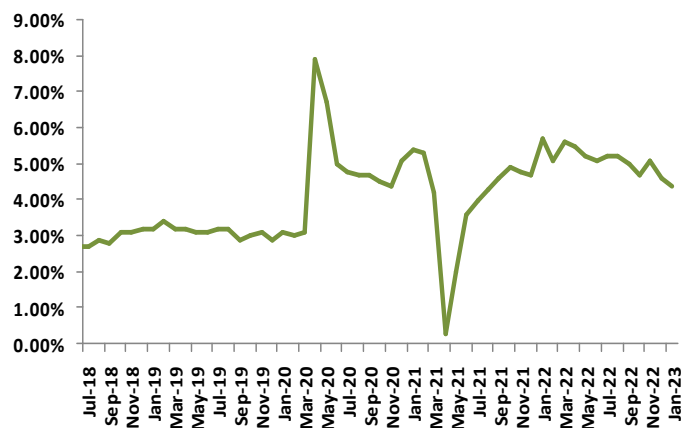
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Fig 1: U.S. Unemployment Trend



Source: U.S. Bureau of Labor, SMIFS Research

Fig 2: U.S. Average Hourly Earnings Trend YoY



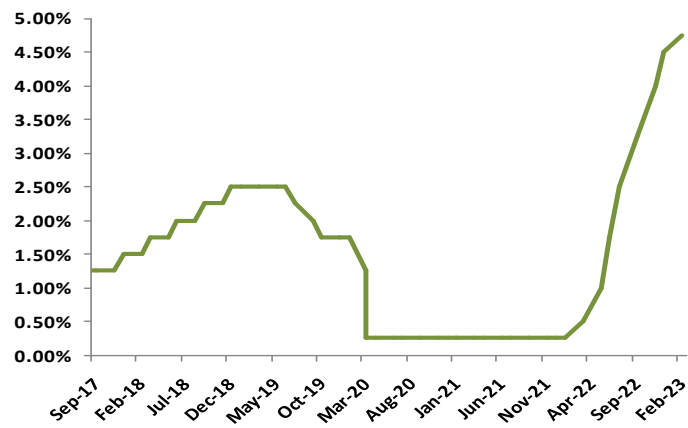
Source: U.S. Bureau of Labor, SMIFS Research

Fig 3: U.S. Nonfarm Payroll



Source: U.S. Bureau of Labor, SMIFS Research

Fig 4: U.S. Interest Rate Trend



Source: U.S. Bureau of Economic Analysis, SMIFS Research

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