

The U.S. Employment Update

Economic Update | 13th March 2023

Mixed Signal for Fed As U.S. Payrolls Top Estimates but Unemployment Rate Accelerates

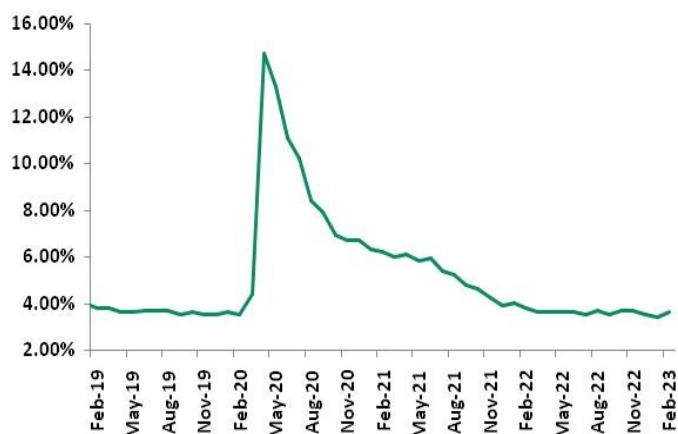
Event	Actual	Consensus	Previous
Unemployment Rate	3.6%	3.4%	3.4%
Non Farm Payrolls	311K	205K	504K

Highlights:

- The unemployment rate in the U.S. edged up to 3.6% in February 2023, up from a 50-year low of 3.4% in January and above market expectations of 3.4%. The number of unemployed people increased by 242 thousand to 5.94 million and employment levels rose by 177 thousand to 160.32 million.
- The economy created 311K jobs in February of 2023, well above market forecasts of 205K, and following a downwardly revised 504K in January. The reading continues to point to a tight labour market, with the economy adding an average of 343K jobs per month over the prior 6 months. It is also well above 100K per month considered necessary to keep up with growth in the working-age population.
- Notable job gains occurred in leisure and hospitality (105K), namely food services and drinking places (70K); retail trade (50K), namely general merchandise retailers (39K); government (46K); professional and business services (45K); health care (44K); and construction (24K).
- On the other hand, employment declined in the information industry (-25K), namely motion picture and sound recording (-9K) and in telecommunications (-3K). Employment in information has decreased by 54K since November 2022. The transportation and warehousing also lost 22K jobs.
- Average hourly earnings climbed 0.2% from a month earlier and 4.6% from a year ago. Wages for production and nonsupervisory workers which make up the majority of U.S. workers and aren't in management positions advanced 0.5%, the biggest gain in three months and primarily driven by service industries.
- The labor force participation rate was edged up to 62.5% in February 2023, up from 62.4% in the previous month. The activity rate was the highest since March 2020, but remained well below its pre-pandemic February 2020 level of 63.3%.
- The report points to a still-tight job market, where hiring needs exceed the number of available workers. However, if sustained, improved labor supply and easing wage growth in some sectors should help the Fed in its goal to curb inflation.
- The job gain numbers exceeded expectations by so much that it clears the way for the Fed to follow through with a hike, despite several signs of softening in the report, such as reduced work hours and a slowdown in average hourly earnings growth.

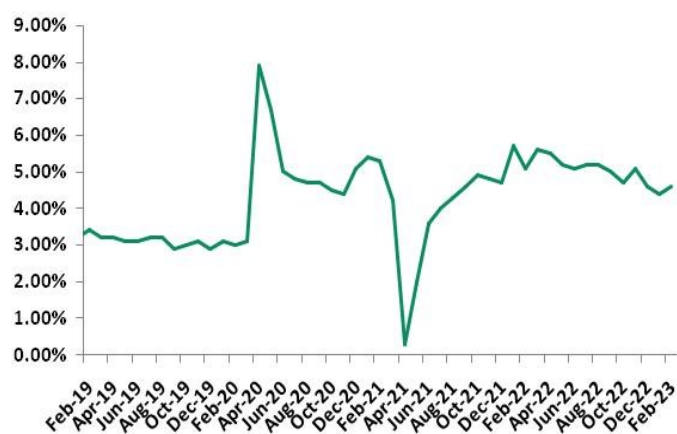
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Fig 1: U.S. Unemployment Trend



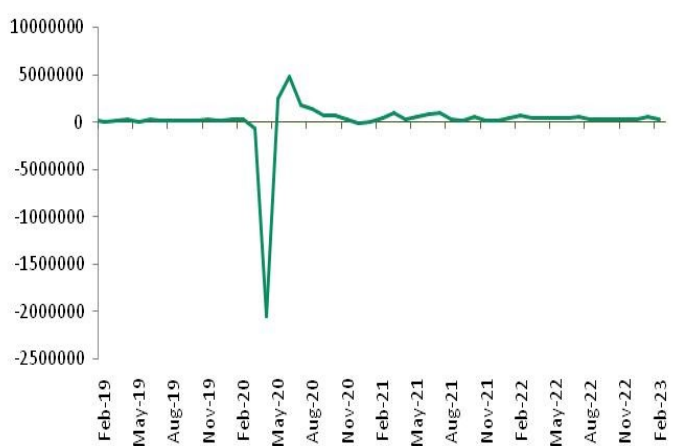
Source: U.S. Bureau of Labor, SMIFS Research

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



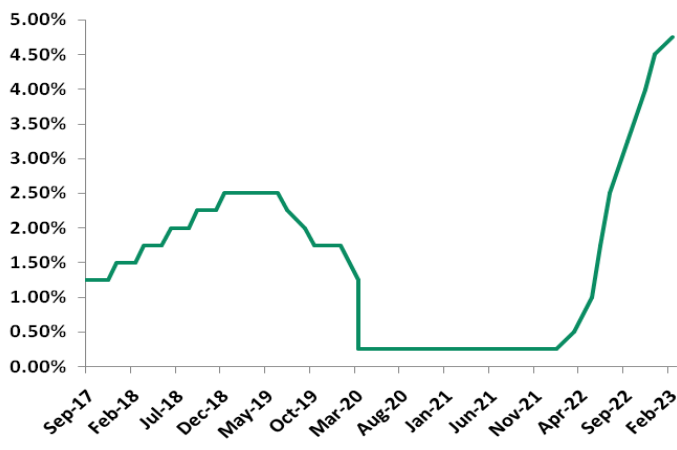
Source: U.S. Bureau of Labor, SMIFS Research

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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