

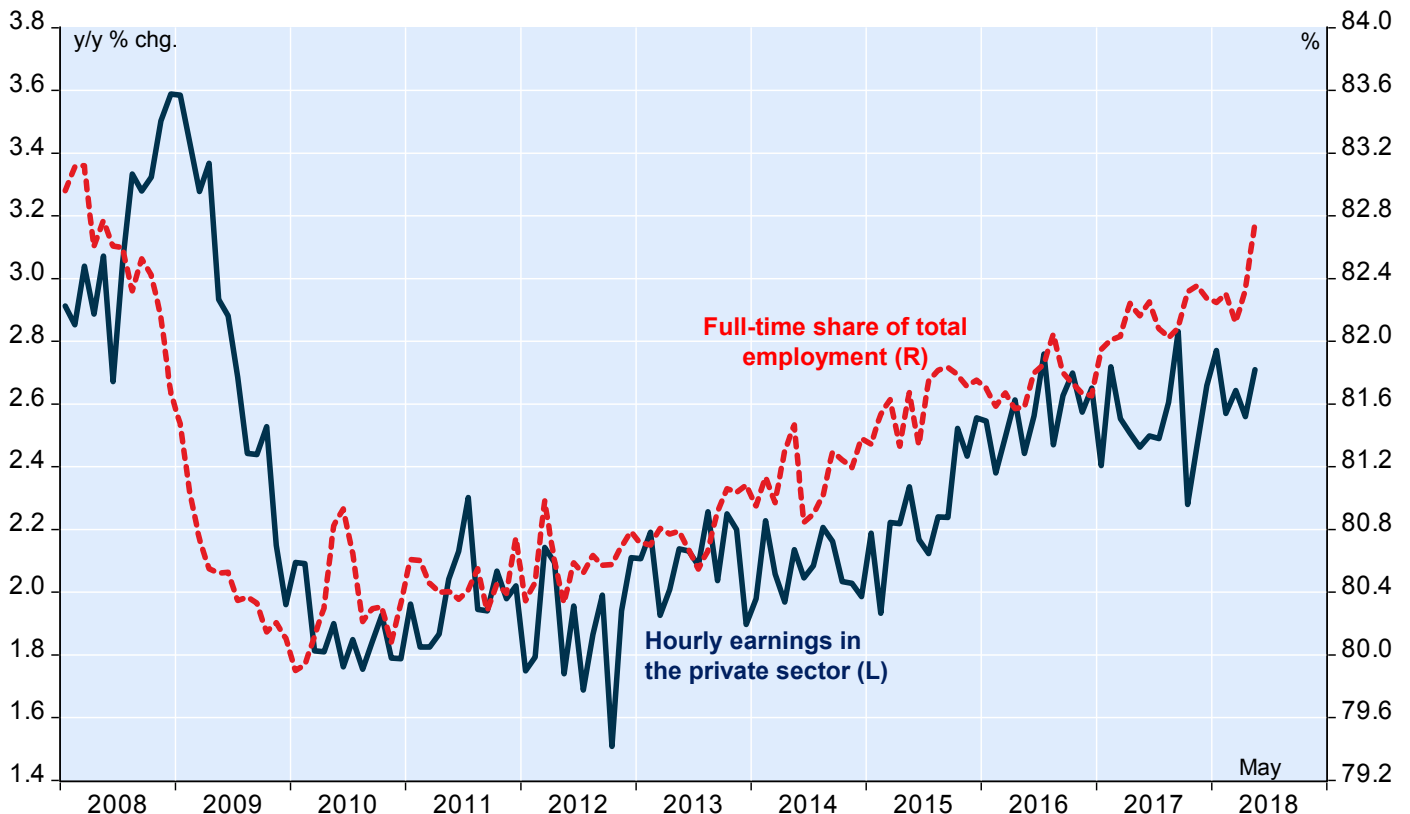
U.S. Watch

The U.S. labour market continues to defy expectations of a moderation in employment creation amidst a reported skills shortage. May's increase for non-farm payrolls (+223K) as well as its diffusion were the best in three months. Strong hiring in cyclical sectors is consistent with continued economic expansion in Q2, that quarter's real GDP growth now expected to come in at more than 3% annualized. The household survey's full-time employment also hit an all-time high thanks to the biggest monthly increase in 18 years. Those massive job gains coupled with a one-tick decline in the participation rate to 62.7% allowed the unemployment rate to fall to just 3.8%, the lowest since April 2000. As today's *Hot Chart* shows, the share of full-time jobs in total employment climbed to a decade-high of 82.7%, which partly explains the uptick in hourly wages. Indeed, workers moving from part-time to full-time status tend to earn better wages. But at just 2.7% on a year-on-year basis, the wage increase won't fully satisfy a Fed which is seeking for further evidence of sustained inflation. Regardless, the persistence of solid GDP growth and strong employment creation should give the FOMC the green light to raise interest rates this month, although subsequent Fed moves remain unclear amidst the lack of sustained inflationary pressures.

Krishen Rangasamy

U.S.: Full-time share of total employment hits decade-high

Wage inflation versus Full-time share of total employment



NBF Economics and Strategy (data via BLS)

Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Krishen Rangasamy

Senior Economist
krishen.rangasamy@nbc.ca

Marc Pinsonneault

Senior Economist
marc.pinsonneault@nbc.ca

Matthieu Arseneau

Senior Economist
matthieu.arseneau@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Jocelyn Paquet

Economist
jocelyn.paquet@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD & Head of Public Sector Strategy
warren.lovely@nbc.ca

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