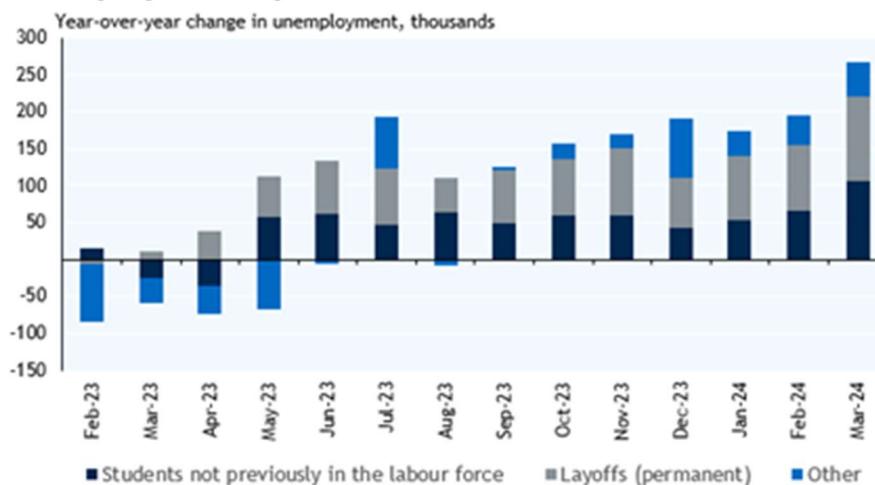


April 5, 2024

Canadian unemployment rate rose again in March

- Canadian employment edged down 2k in March. The change in employment itself is small - and entirely accounted for by a pullback in self-employment - but the numbers look significantly weaker when measured against another surge in population (91k) in March and rising labour supply.

Longer job searches and layoffs pushing Canadian unemployment up



Source: Statistics Canada, RBC Economics

- The unemployment rate jumped another 0.3 percentage points to 6.1%. That is up 1.3 percentage points from its post-pandemic low and roughly half a percent above pre-pandemic levels.
- Much of the increase in the unemployment rate to-date has come from longer job search times for students (an unusually high share compared to prior labour market slowdowns) but layoffs are also up 40% from a year ago in March
- Hours worked dropped 0.3% from February. That follows increases in each of the prior three months but argues that surprisingly firm GDP growth momentum early this year won't be sustained.
- Wage growth remained firm (ticking up to 5.1% year-over-year from 5.0% in February) despite rising unemployment, but other measures of wage increases from business payrolls have been running around 2 percentage points below that and business surveys continue to suggest wage growth will slow as labour shortages ease.
- Bottom line:** The rise in the Canadian unemployment rate and pullback in hours worked in March are reasons to take substantially firmer looking GDP growth numbers in early 2024 with a large grain of salt. The number of job openings has continued to decline as labour demand softens and the

Nathan Janzen | Assistant Chief Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-0569
For more economic research, visit our website at <https://thoughtleadership.rbc.com/economics/>

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unemployment rate increase has been larger than in other advanced economies in the wake of higher interest rates. Labour markets still haven't collapsed in a way that would force the Bank of Canada to react quickly or aggressively with lower interest rates, but a rising unemployment rate and further signs that inflation pressures are broadly consistent with our base-case assumption that the central bank will shift to cuts by mid-year.

Canada employment summary

	<u>Jan-24</u>	<u>Feb-24</u>	<u>Mar-24</u>	<u>Mar-24</u> <i>y/y change</i> <i>(thousands)</i>
	<i>m/m change (thousands)</i>			
Employment	37	41	-2	324
Full-time	-12	71	-1	233
Part-time	49	-30	-2	92
Public	48	19	12	202
Private	7	-16	15	141
Self-employed	-18	38	-29	-19
Hours worked (% change)	0.6	0.3	-0.3	0.7
	%			<i>Ppt change</i>
Unemployment rate	5.7	5.8	6.1	1.0
'R8' (SA by RBC)	7.7	8.1	8.2	1.3
Participation rate	65.3	65.3	65.3	-0.4
ages 25-54	88.6	88.8	88.8	0.0
Avg hrly wages (y/y %)	5.3	5.0	5.1	

Source: Statistics Canada, RBC Economics