



Canadian labour market scores again in March

The Canadian labour market continued to hum through March as rising population and expansion of the labour force supported strong demand for workers. Nationally, employment jumped by 34.7k persons (0.2 per cent) which far outpaced forecast consensus for a 12k increase and marked an acceleration from February. Net employment growth was split between full-time (+18.8k) and part-time work (15.9k), with relative gains much stronger in the latter and contributed to a 0.4 per cent increase in hours worked. March's gain lifted first quarter employment rose to a stellar annualized pace of 4 per cent. The employment-to-working age population ratio remained high and near pre-pandemic levels.

However, details of the report were mixed with some concern in some industries. There were 40k fewer people employed in the goods-producing sector in March, with broad losses among construction (-18.8k) and resources (-10.6k) among the lowlights. These are generally higher wage sectors. In contrast, net employment growth came from the services-producing sectors. Specifically, growth was concentrated among three sectors including transportation and warehousing (+40.6k), business support (+30.5k), and finance/insurance/real estate (+18.5k). These more than offset good-sector losses and declines in healthcare and other private services. Some life in housing markets and greater return to office may be driving some of the increase, while employment in about half of the industry sectors declined.

The increase in employment was largely supported by population growth, a direct impact of the massive inflow of immigrants and temporary residents in 2022. Labour force participation rates slipped, but the working age population rose 0.3 per cent supporting expansion of the labour force. The unemployment rate remained stuck at 5.0 per cent for a fourth consecutive month despite rapid employment growth. This has helped to hold wage growth in check, although levels remain quite strong. Average wages rose 5.3 per cent y/y compared to 5.4 per cent in February.

Employment gains were led by Alberta with a gain of 13.7k (0.6 per cent) and Ontario (21.4k or 0.3 per cent), with modest gains elsewhere in either net or relative terms. Alberta has seen strong conditions and rapid population growth. Employment is leading the way on a year-over-year basis at 4 per cent, with B.C. (1.5 per cent) and Ontario (1.8 per cent). Unemployment rates were steady in most provinces but fell back sharply in B.C. from 5.1 per cent to 4.5 per cent.

The March employment report remained solid despite softness in some of the details. For the Bank of Canada, ongoing strength is problematic in bringing inflation down, although improved labour market capacity, flat unemployment rate, and decelerating wage growth were positive signs of price stability. With GDP growth tracking 2.5-3.0 per cent in Q1, the Bank will need to monitor inflation closely. A cut in rates is unlikely in coming quarters, and there remains risk to the upside.

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Canada Labour Force Survey Summary

	2022M11	2022M12	2023M01	2023M02	2023M03
Employed, m/m	26.7	69.2	150.0	21.8	34.7
Employed, m/m %	0.1	0.3	0.8	0.1	0.2
Employed, y/y %	2.2	2.1	3.9	2.1	2.2
Unemployment Rate, %	5.1	5.0	5.0	5.0	5.0
Participation Rate, %	65.3	65.4	65.7	65.7	65.6
Employment Rate, %	62.0	62.1	62.5	62.4	62.4
Hourly Wage, y/y %	5.8	4.8	4.5	5.4	5.3
Employed, 3m % ch	0.5	0.8	1.2	1.2	1.0

LFS Employed, m/m ch. by select NAICS industry, persons

Goods	-15.2	23.2	25.4	17.5	-40.9
Resources	-1.0	-1.3	1.3	5.0	-10.6
Construction	-8.4	26.6	15.8	-1.5	-18.8
Manufacturing	0.1	-1.9	7.3	6.8	-6.1
Services	41.9	46.0	124.7	4.2	75.5
Trade	-9.0	-17.8	58.7	-2.5	-2.4
FIREL	10.1	5.6	-3.0	-8.0	18.5