

ECONOMIC NEWS

Canada: Jobless Rate Reaches Record Low

By Royce Mendes, Managing Director and Head of Macro Strategy

HIGHLIGHTS

- ▶ The labour market added another 72,500 jobs in March after a post-Omicron advance of 336,600 in February.
- ▶ Full time employment led the way higher, seeing 92,700 positions added, while roughly 20,300 part-time jobs were lost in March. The skew towards full-time positions saw hours worked up a heady 1.3%.
- ▶ Employment rose by approximately 42,000 in services-producing sectors and 31,000 in goods producing sectors.
- ▶ The jobs gains pushed the unemployment rate down to 5.3% from 5.5% in February, a record low since comparable data became available in 1976.
- ▶ Wage growth accelerated to 3.4% on a year-over-year basis from 3.1% in February.

IMPLICATIONS

There's no denying that the labour market is tight, and workers are becoming harder to find. The economy has come a long way since the depths of the pandemic. However, the labour market now seems to be on the verge of overheating, which would create unwanted inflationary pressures. As a result, look for aggressive action from the Bank of Canada next week to bring the economy back into balance. Central bankers will likely not only raise the target for the policy rate by 50bps, but they will also initiate a program to reduce their bond holdings.

COMMENTS

As we expected, the post-Omicron hiring spree continued in March with the labour market adding 72,500 new jobs. That was in line with our forecast and the consensus of private sector economists.

There were continued gains in sectors affected by lockdowns, but there were also new jobs showing up in industries that had proven more resilient throughout the pandemic. That broad-based strength is indicative of a very healthy underlying economy. Indeed, the strong gains in hours worked suggest that GDP ended the quarter with solid momentum.

The decline in the unemployment rate to 5.3%, a record low, was aided by the fact that labour force participation remained steady at 65.4% in March, slightly below its pre-pandemic average. Labour force participation should, however, continue to recover this year so long as another wave of COVID-19 doesn't drive people back into their homes.

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