RBC Economics
Daily Economic Update

April 8, 2022

Canadian unemployment hit multi-decade low in March

- Employment rose 73k in March, to 442k above pre-pandemic levels
- The unemployment rate fell to 5.3%, the lowest since at least 1976
- Wage growth increased from 3.1% to 3.4% in March year-over-year
- Extremely tight labour markets add to central bank rate hike pressures

The rise in March brought the total job count to 442k above pre-pandemic levels - and the unemployment rate is at its lowest level (5.3%) since comparable data became available in the 1970s. Hours worked jumped another 1.3% - pushing the Q1 increase to a 4.4% (annualized) increase from Q4. That was despite a sharp pullback in January when rapid virus spread and containment measures left a large share of the population at home sick and/or self-isolating.

Job gains were relatively broadly based across industries. Employment in accommodation & food services rose again (+15k) alongside further easing in virus containment measures, but still is running far short of pre-pandemic levels (-195k versus February 2020). Employment in professional services edged 11k lower in March, but was still running over 200k above pre-pandemic levels.

With the unemployment rate so low, virtually all industries are bumping up against labour shortages, including those hospitality sectors that have yet to fully recover. Wages are showing more signs of drifting higher, with average hourly earnings up 3.4% year-over-year in March, up from 3.1% in February. Business surveys have widely flagged that higher wages are expected to be necessary to attract additional workers.

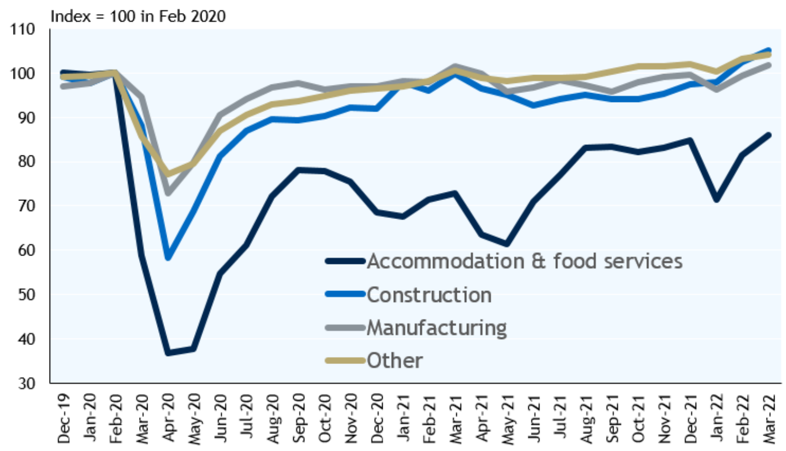
With (extremely) tight labour markets and above-target inflation, there is no reason for the Bank of Canada to leave interest rates at emergency low levels. We look for the central bank to hike rates next week to build on a 25 basis point increase in March, with a 50 basis point hike this time more likely.

Canada employment summary

	Jan-22	Feb-22	Mar-22	Mar-22 change from pre-pandemic
	m/m change (thousands)			
Employment	-200	337	73	442
Full-time	-83	122	93	376
Part-time	-117	215	-20	66
Public	-8	8	2	315
Private	-206	347	39	341
Self-employed	13	-19	31	-215
		%		
Unemployment rate	6.5	5.5	5.3	-0.4
'R8' (SA by RBC)	8.7	7.9	7.6	-0.7
Participation rate	65.0	65.4	65.4	-0.2
ages 25-54	88.2	88.5	88.6	1.3
Avg hrly wages (y/y %)	2.4	3.1	3.4	

Source: Statistics Canada, RBC Economics

Canada hours worked by industry



Source: Statistics Canada, RBC Economics Research

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