

December 1, 2023

Canadian labour markets softened further in November

- Employment rose another 25k in November to build on an 18k increase in October - and marking a fourth straight monthly gain. But the pace of hiring was again not strong enough to keep up with higher labour force growth.
- The unemployment rate rose to 5.8% from 5.7%, bringing the total gain since April to 0.8 percentage points. That scale of increase in unemployment over that period of time usually only happens in the early stages of a labour market downturn.

Canadian labour shortages easing as demand slows



Source: CFIB, RBC Economics Research

- Job gains in November were all full-time (+60k) with part-time employment falling 35k. But average total hours worked still fell 0.7%, and are down almost a full percentage point over the last three months.
- Broader measures of unemployment like the alternative 'R8' rate that includes involuntary part-time employment and discouraged workers also continued to rise in November.
- Wage growth remained high at 4.8% on a year-over-year basis, unchanged from October. There is still scope for wages to move higher near-term, particularly for unionized workers as wages continue to catch up to inflation. But business surveys and softening labour markets continue to suggest the pace will slow.

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Bottom line: Further softening in labour market data after a soft Q3 GDP report yesterday should reinforce that the Bank of Canada is done hiking interest rates for now. Higher unemployment to-date has come mostly via slower hiring rather than more firing. Wage growth is running hot, but should cool going forward as labour demand cools relative to supply - November was the first month since the pandemic that Canadian businesses reported insufficient demand for their products as a bigger concern than labour shortages. The BoC will also be cautious about pivoting to rate cuts too quickly, but our own assumption is that they will start to push the overnight rate lower in the second half of next year.

Canada employment summary				
	Sep-23	Oct-23	Nov-23	Nov-23
	<i>m/m change (thousands)</i>			<i>y/y change (thousands)</i>
Employment	64	18	25	499
Full-time	16	-3	60	419
Part-time	48	21	-35	81
Public	37	19	12	114
Private	1	0	38	390
Self-employed	26	-2	-25	-5
Hours worked (% change)	-0.2	0.0	-0.7	1.3
		%		<i>Ppt change</i>
Unemployment rate	5.5	5.7	5.8	0.7
'R8' (SA by RBC)	7.9	8.1	8.3	0.7
Participation rate	65.6	65.6	65.6	0.3
ages 25-54	89.0	88.8	88.8	0.2
Avg hrly wages (y/y %)	5.0	4.8	4.8	

Source: Statistics Canada, RBC Economics