

March 8, 2024

## Canadian unemployment rate edged higher in February

- Employment rose by another 41k in February but that was, again, not enough to keep up with rising population (+83k) growth so the unemployment rate also edged higher. The unemployment rate ticked up to 5.8% after edging down to 5.7% (the first decline in a year) in January and is up 0.7 ppts from a year ago.
- Details of the report remain consistent with the economy continuing to grow in the first quarter of 2024 - full time employment jumped a larger 71k and hours worked rose another 0.3%. But per-person output likely continued to decline for a seventh (by our count) consecutive quarter.
- To-date, much of the increase in unemployment has come from longer job searches for new labour market entrants (like students), but the number of permanent layoffs is also up 32% from a year ago in February.
- The rise in unemployment has come alongside sharp declines in hiring demand. Job vacancies have been running 25% below year ago levels. The re-balancing is shifting bargaining power in wage negotiations away from workers.
- Wage growth in today's labour force survey data is still firm but edged down to 5.0% year-over-year in February from 5.3% in January. And other estimates of wages from employer payrolls data has shown a more significant slowing in recent months.
- **Bottom line:** The February employment data is consistent with the overall economy growing early in 2024, but still not fast enough to keep up with population growth. And a surge in business bankruptcies and rising household debt service ratios are reinforcing that near-term growth headwinds remain. The unemployment rate is still expected to edge higher in the first half of this year

### Estimates of current Canadian wage growth vary widely



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alongside slowing per-capita GDP. We continue to expect the combination of a softening economic backdrop and slowing inflation pressures will allow the BoC to pivot to gradual interest rate cuts starting in June.

Canada employment summary				
	<u>Dec-23</u>	<u>Jan-24</u>	<u>Feb-24</u>	<u>Feb-24</u>
	<i>m/m change (thousands)</i>			<i>y/y change (thousands)</i>
Employment	7	37	41	368
Full-time	-8	-12	71	260
Part-time	14	49	-30	108
Public	9	48	19	197
Private	9	7	-16	160
Self-employed	-11	-18	38	11
Hours worked (% change)	0.3	0.6	0.3	1.3
	<i>%</i>			<i>Ppt change</i>
Unemployment rate	5.8	5.7	5.8	0.7
'R8' (SA by RBC)	8.2	7.7	8.0	1.1
Participation rate	65.5	65.3	65.3	-0.4
ages 25-54	88.7	88.6	88.8	0.0
Avg hrly wages (y/y %)	5.4	5.3	5.0	

Source: Statistics Canada, RBC Economics