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Canadian labour markets tightened further in April

- Employment up 15k in April - slowing after more-than-recovering from the winter pandemic wave over February and March.
- The unemployment rate fell to 5.2%, a new low since at least 1976
- Labour demand remains strong, wage growth to add to inflation pressures

Labour demand remains exceptionally strong, but the number of available workers continues to shrink. As a result, employment growth slowed to just 15k in April after a 409k surge over the prior two months more-than-reversed a 200k pull-back during the winter wave of virus spread and restrictions. The virus once again had an impact in April with hours worked falling almost 2% - and 9% of employees off work due to illness - but that will reverse once the latest wave has passed.

The unemployment rate was already at its lowest level since at least 1976 in March, and edged down further to 5.2% in April. And job postings continue to run well in excess of pre-pandemic levels (indeed.com job postings were more than 70% above February 2020 levels in April). With available workers in short supply, further hiring demand is likely to show up more in wages than in higher employment counts going forward. That includes in the higher-contact travel and hospitality sectors where employment is still well-below pre-pandemic levels. Year-over-year average hourly earnings edged a touch lower in April (to 3.3% from 3.4% in March) but businesses are widely reporting wage pressures are rising.

With upward wage pressure adding to inflation concerns, the Bank of Canada is expected to continue to hike interest rates aggressively from what are still historically low levels. Today's data strengthens the case for another another 50 bp hike to the overnight rate in June.

Canada employment summary

	Feb-22	Mar-22	Apr-22	Apr-22 change from pre- pandemic
	<i>m/m change (thousands)</i>			
Employment	337	73	15	457
Full-time	122	93	-32	344
Part-time	215	-20	47	113
Public	8	2	-5	310
Private	347	39	22	362
Self-employed	-19	31	-1	-216
	<i>%</i>			
Unemployment rate	5.5	5.3	5.2	-0.5
'R8' (SA by RBC)	7.9	7.6	6.5	-1.9
Participation rate	65.4	65.4	65.3	-0.3
ages 25-54	88.5	88.6	88.4	1.1
Avg hrly wages (y/y %)	3.1	3.4	3.3	

Source: Statistics Canada, RBC Economics

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