

November 3, 2023

Canadian unemployment rate up again in October

- Employment rose another 18k in October to build on a 64k jump in September, but the unemployment rate also rose again (to 5.7% from 5.5%) with employment growth no longer keeping up with higher population/workforce growth.
- The small increase in September employment was all in part-time positions (+21k) with full-time jobs edging lower. Total hours worked were unchanged after slipping 0.2% lower in September.
- The tick up in the unemployment rate brought the cumulative increase over the last 6 months to 0.7% (from 5.0% in April). The rate itself is still low, but an increase of that magnitude over that period is relatively rare historically (it has happened 6 times prior to this year dating back to the 1980s by our count, and four of those times were during a recession)
- Broader measures of unemployment like the alternative 'R8' rate that includes involuntary part-time employment and discouraged workers also continued to rise in October.
- To-date, higher unemployment has come from slower hiring (not strong enough to keep pace with rapid population growth) rather than layoffs, but hours worked have essentially flatlined into October, suggesting that the softening in economy-wide output (GDP) over the spring and summer is extending into Q4.
- Wage growth is still high, but edged down to 4.8% on a year-over-year basis from 5% in September. With (separately reported) job openings continuing to fall, and unemployment moving higher, wage growth is expected to continue to slow.



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- Bottom line:** The average level of output over July and August is slightly below its Q2 average - in line with our prior assumption that output declined for a second straight quarter in Q3, and below the BoC's assumption that GDP rose 0.8%. And details were arguably softer than the headline growth number suggested with consumer-sensitive sectors like retail sales and hospitality services looking softer (despite surging population growth) and the manufacturing sector pulling back for a third straight month. The BoC is still concerned about broader inflation pressures running above the 2% target. But evidence continues to build that go-forward inflation pressures are easing as the economic growth backdrop softens. We don't expect additional interest rate hikes from the BoC as long as that continues.

Canada employment summary				
	Aug-23	Sep-23	Oct-23	Oct-23
	<i>m/m change (thousands)</i>			<i>y/y change (thousands)</i>
Employment	40	64	18	501
Full-time	32	16	-3	450
Part-time	8	48	21	51
Public	13	37	19	101
Private	-23	1	0	353
Self-employed	50	26	-2	47
Hours worked (% change)	0.5	-0.2	0.0	2.1
	%			<i>Ppt change</i>
Unemployment rate	5.5	5.5	5.7	0.5
'R8' (SA by RBC)	7.5	7.9	8.1	0.6
Participation rate	65.5	65.6	65.6	0.2
ages 25-54	88.6	89.0	88.8	0.3
Avg hrly wages (y/y %)	4.9	5.0	4.8	

Source: Statistics Canada, RBC Economics