

September 6, 2024

Canadian labour markets continue to soften

- Employment rose 22k in August after edging lower in each of the two prior months, but the unemployment rate also jumped higher (to 6.6% from 6.4% in July) with a rise in the number of available workers again outpacing job growth.



- Details behind the August employment gain were on the soft side - a 44k drop in full-time employment was offset by a 66k increase in part-time jobs, and hours worked edged 0.1% lower after jumping higher in July. The labour force participation rate edged up 0.1 percentage points to 65.1% to only partially reverse a 0.3 percentage point drop in July.
- The unemployment rate is now up 1.8 percentage points from post-pandemic lows, and up more than a percentage point from a year ago. About three-quarters of the unemployment increase has come from younger workers (under the age of 35) with a heavy weight on students and new graduates entering the labour force and taking longer to find their first jobs. Still, layoffs are also running more than 20% above year ago levels.
- Wage growth remains higher in the Labour Force Survey data than in other Canadian wage measures, but slowed to 5.0% on a year-over-year basis from 5.2% in July and 5.4% in June. Wage growth estimated from business payroll filings is running a percentage point or two below the LFS estimates. Slowing hiring demand (job openings continue to fall) combined with higher unemployment argues that wage growth will continue to slow.

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Bottom line: Canadian labour markets continue to soften. Much of the unemployment rate increases to-date have come from longer job searches for new labour market entrants (particularly students) but layoffs are also rising under the surface. And a down-drift in job openings signals that hiring demand from businesses is still slowing. From the Bank of Canada's perspective, higher unemployment coupled with persistent declines in per-capita GDP will reinforce that inflation will continue to drift lower and clearly argues for further interest rate cuts from what are still elevated levels. We continue to expect the BoC to cut the overnight rate for a fourth consecutive decision point next month.

Canada employment summary				
	Jun-24	Jul-24	Aug-24	Aug-24
	<i>m/m change (thousands)</i>			<i>y/y change (thousands)</i>
Employment	-1	-3	22	317
Full-time	-3	62	-44	133
Part-time	2	-64	66	184
Public	-15	41	-9	182
Private	5	-42	38	132
Self-employed	8	-2	-7	3
Hours worked (% change)	-0.4	1.0	-0.1	1.4
	%			<i>Ppt change</i>
Unemployment rate	6.4	6.4	6.6	1.1
'R8' (SA by RBC)	8.5	8.6	8.8	1.4
Participation rate	65.3	65.0	65.1	-0.5
ages 25-54	88.4	88.2	88.4	-0.3
Avg hrly wages (y/y %)	5.4	5.2	5.0	

Source: Statistics Canada, RBC Economics