

## Economics

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## Canadian employment (Mar): Are the wheels coming off?

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Labour force survey (monthly change, thousands, unless otherwise noted)	Nov	Dec	Jan	Feb	Mar
Employment	43.8	91.0	76.0	1.1	-32.6
• Full-time	52.9	59.1	35.2	-19.7	-62.0
• Part-time	-9.1	31.8	40.9	20.8	29.5
• Paid workers	48.8	77.4	48.8	17.8	-50.6
• Private	-0.1	39.4	57.2	10.2	-47.8
• Public	48.9	38.0	-8.4	7.6	-2.8
• Self-employed	-5.0	13.5	27.4	-16.8	18.0
Participation rate (%)	65.4	65.4	65.5	65.3	65.2
Unemployment rate (%)	6.9	6.7	6.6	6.6	6.7
Avg. hourly earnings, perm. workers (y/y %)	4.0%	3.8%	3.7%	4.0%	3.5%
Actual hours worked by industry (m/m %)	-0.1%	0.7%	0.9%	-1.3%	0.4%

Source: Statistics Canada

- The wheels may be starting to come off the Canadian labour market, with a 33K decline in jobs during March coming in well below consensus forecasts for a 10K gain. Admittedly, the soft readings that we have seen over the past two months followed a string of better-than-expected releases beforehand, and the six-month average change in employment is a reasonably solid 30K. However, the concerning recent trend, combined with the likelihood of further weakness ahead as US tariffs start to impact hiring decisions, leans towards further reductions in interest rates from the Bank of Canada, although the timing will depend on next week's business and consumer surveys as well as global risk sentiment.
- By sector, employment fell sharpest in wholesale & retail and information & culture, although the decline in the former only partly offset a big increase in the prior month. Staffing levels in areas expected to be the first/hardest hit by US tariffs were mixed, with transport & warehousing posting an increase while manufacturing employment fell modestly. Reductions seen in manufacturing employment over the past two moves haven't yet offset the increases seen in December/January which were likely related to efforts in front-running tariffs. Further declines are expected ahead due to the impact of US tariffs, particularly those on autos and steel/aluminum.
- By type of work, the headline decline was driven by full time (-62K), while part-time employment rose. Private paid employment dropped by 48K, and now stands 175K (1.3%) higher on a year-over-year basis. Employment fell in each of the broad age ranges (15-24, 25-54 and 55+) in March.
- The unemployment rate ticked up to 6.7%, from 6.6%, and would have risen more were it not for a further decline in participation. The 65.2% participation rate matches the recent low seen in 2024. While a decline in labour force participation is not completely unexpected in an aging society, the recent dip seems to have gone further than demographics alone can explain. The base population posted a 52K increase during the latest month, which was a slight acceleration relative to February, and still above the 30K six-month average increase in employment.

- Despite the monthly decline in employment, hours worked posted a 0.4% increase in March. That's because bad weather had negatively impacted working hours in the prior month, and the modest rebound in March offset only a fraction of the 1.3% decline posted in February. Wage inflation for permanent workers eased unexpectedly to 3.5%, from 4.0% in the prior month.

## Implications & actions

**Re: Economic forecast** — Today's report was clearly weaker than expected, although next week's BoC surveys and global risk sentiment will also be key in determining whether the Bank cuts interest rates later this month or elects to skip a meeting before continuing in June. We continue to expect some further weakness in employment ahead, particularly in sectors most directly impacted by US tariffs, which could see the unemployment rate peak slightly above 7% during the second half of the year.

**Re: Markets** — Bond yields and the Canadian dollar were already lower on the day heading into the release, due to concerns about global growth, and maintained those moves following the weaker-than-expected data.

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