

Economics

ECONOMIC FLASH!

economics.cibccm.com

April 6, 2023

Canadian employment (Mar): Solid, but narrow

by **Andrew Grantham** andrew.grantham@cibc.com

Labour force survey (monthly change, thousands, unless otherwise noted)	Nov	Dec	Jan	Feb	Mar
Employment	26.7	69.2	150.0	21.8	34.7
• Full-time	90.8	70.9	121.1	31.1	18.8
• Part-time	-64.1	-1.7	28.9	-9.3	15.9
• Paid workers	-0.7	69.4	146.2	30.6	38.0
• Private	0.8	99.2	114.7	38.5	34.8
• Public	-1.5	-29.8	31.5	-7.9	3.2
• Self-employed	27.3	-0.1	3.7	-8.9	-3.3
Participation rate (%)	65.3	65.4	65.7	65.7	65.6
Unemployment rate (%)	5.1	5.0	5.0	5.0	5.0
Avg. hourly earnings, perm. workers (y/y %)	5.4%	4.7%	4.5%	5.4%	5.2%
Actual hours worked by industry (m/m %)	0.0%	-0.1%	0.8%	0.6%	0.4%

Source: Statistics Canada

- The solid hiring to start 2023 continued in March, with a 35K increase in employment easily outstripping consensus forecasts for a modest 7.5K gain. However, job gains were narrower by sector than they had been in prior months, with the overall increase driven by strong hiring in only three areas (transportation, business services and finance). Other sectors of the economy either saw little change in employment or outright declines, and as such today's data are not quite as strong as they first appear. Still, the continued hiring, combined with low unemployment rate and strong wage inflation, will likely see the Bank of Canada maintain a hiking bias as it holds rates steady next week, and not hint at the cuts that have been priced into markets.
- Job increases were led by transportation & warehousing (+41K), business & support services (+31K) and finance (+19K). In the case of transportation and business services, headcount remains below pre-pandemic peaks even following the strong gains seen in the latest month. Of sectors posting a decline in employment during March, the sharpest was a 19K drop in construction.
- The strength in employment also needs to be considered in the context of the rapid growth in population and the labour force that we have witnessed since the start of the year. The aged 15+ population increased by more than 80K in March, with that surge following already strong increases of 60K in each of the prior two months. A slight fall in participation during the latest month meant that growth of the labour force (+21K) was weaker than that of the overall population and resulted in the jobless rate holding steady at 5.0% for a fourth consecutive month.
- The percentage increase in hours worked (+0.4%) slightly outpaced the increase in employment (+0.2%), and could reflect a continued easing of sickness-related absenteeism that had been elevated and hampering labour supply in Q4 last year. That is a positive sign for monthly GDP, but also for an easing in some supply constraints that had contributed to inflation. However, on a less positive note for inflation, wage growth remained too hot for comfort at 5.2% y/y, despite posting a slight deceleration relative to the prior month.

Implications & actions

Re: Economic forecast — While the Bank of Canada is widely expected to leave interest rates on hold next week, continued employment growth, a low jobless rate and high wage inflation mean that policymakers are likely to maintain a hiking bias within the statement rather than hint at the cuts that have been priced into financial markets. However, with gains in employment appearing to be narrowing by sector, we still suspect that overall job gains will lag the rapid growth in the population as 2023 progresses, seeing the unemployment rate rise modestly and wage inflation ease. That will keep the Bank of Canada on hold this year, before allowing for rate cuts starting early in 2024.

Re: Markets — Bond yields were slightly higher after the data release, but there was little movement in the C\$ relative to its US counterpart.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2023 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

The CIBC logo and "CIBC Capital Markets" are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC