

April 4, 2025

Canada: The labour market began to deteriorate again in March

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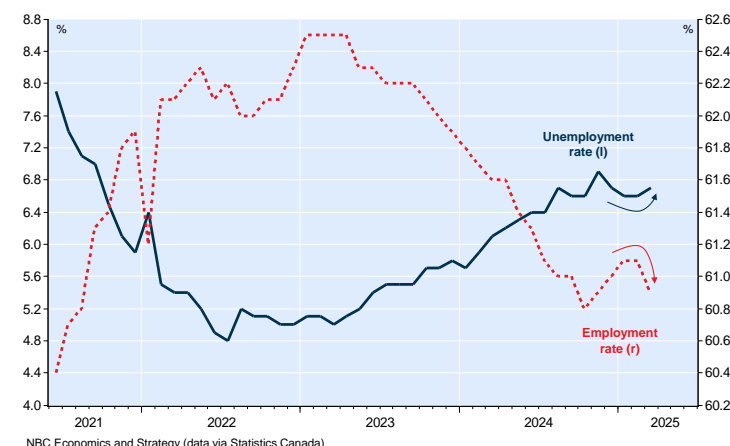
Highlights (see next page for details):

- Canadian employment dropped by 33K in March, below consensus expectations for a 10K increase. The participation rate, meanwhile, fell by one tick to 65.3%. Together this produced a one tick increase in the unemployment rate (6.7%), in-line with the consensus expectation for a one-tick increase (top chart).
- The net employment loss was driven by full-time positions, which collapsed by 62K in the month. That was more than enough to offset the part-time employment increase (+29.5K).
- Meanwhile, the number of jobs in the private sector regressed 47.8K, while the public sector posted a slight loss of 2.8K. Self-employment provided some offset as it rose by 18.0K.
- Job losses were higher for services-producing industries (-20.9K), driven by wholesale and retail trade (-28.5K), which more than offset the increase in other services (+11.6K). On the goods-producing front, employment fell by 11.7K, with larger declines coming from agriculture (-9.3K) and manufacturing (-7.1K).
- Regionally, employment fell in Ontario (-28.0K, or -0.3%) while Alberta posted a 15K loss. Saskatchewan employment rose by 6.6K. Quebec was steady in the month.
- Hours worked rose 0.4% in March, on the back of a sizeable 1.3% decline in February due to the weather. Total hours worked were up 1.2% on a YoY basis. Wages were up 3.6% on a year-over-year basis in March, following growth of 3.8% in February.

The repercussions of American protectionism and uncertainty on the job market are already being felt in March, with employment falling by 33K, the worst monthly performance in 38 months. The details of the report were not encouraging, with a notable loss of 62K full-time jobs. Weakness in the private sector was behind the poor performance in March, with employment falling by 48K, the worst since the last COVID lockdown at the end of 2021. Job losses were not confined to the sectors potentially most affected by tariffs, with no fewer than 9 out of 16 sectors showing declines. The fall in employment in March is consistent with the latest CFIB data. Indeed, the SME confidence index fell to a record low in March, following repeated threats from the US administration. The indicator of hiring intentions also deteriorated sharply, with a greater proportion of firms now expecting to reduce rather than increase the number of employees (see chart below). So it should come as no surprise if the March data was just the start of an unwelcome trend for the Canadian labour market. It is true that Canada breathed a sigh of relief on 2 April when the reciprocal tariffs were unveiled, as the USMCA partners were relatively spared this time. However, the US administration has set the stage for significant tariffs to be imposed on all trading partners, who will inevitably retaliate. Without a de-escalation before tariffs are imposed, Canada, which is heavily exposed to the US and global economies through commodity prices, risks being dragged down along with everyone else. While we see the need for further monetary easing in the coming months, the April BoC decision is still up in the air. If everything Macklem has said since the March decision is to be believed, a pause remains likely given concerns about inflation and inflation expectations anxiety. However, given the renewed labour market weakness and rapid deterioration in financial conditions that could continue without a turnaround from the White house, it will become more difficult to stay on the sidelines for the BoC.

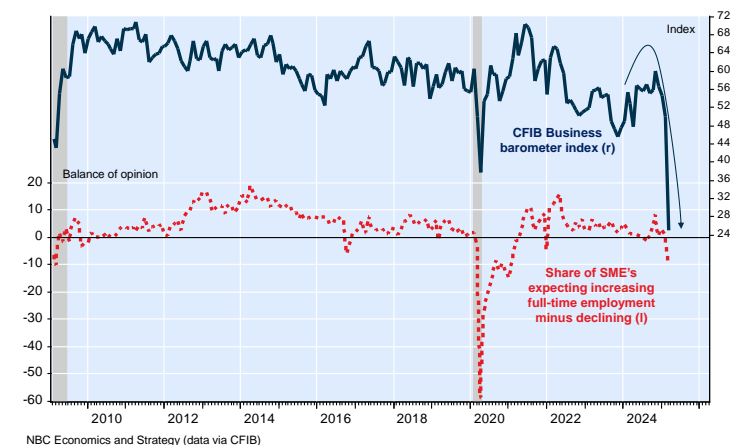
Canada: The labour market stabilization came to an end in March

Employment rate and unemployment rate



Canada: Labour market at risk amid plunge in SME's confidence

CFIB business barometer index and hiring intentions





	Mar-25	Feb-25	1-Month	1-Month	1-year change		Current Level	1-Month Change (000s)		
	%	%	Change (pp)	Trend	(pp)			(000s)	Mar-25	Feb-25
Unemployment Rate	6.7	6.6	0.1	▲	0.6	Industries				
Participation Rate	65.2	65.3	-0.1	▼	-0.4	High-Paid	11,313	22.9	▲	-21.9
Employment Rate	60.9	61.1	-0.2	▼	-0.7	Low-Paid	9,649	-55.6	▼	23.0
	Current Level*	1-Month Change*		1-year change*		Goods-producing sector	4,231	-11.7	▼	-19.5
		Mar-25	Feb-25							
Employment	20,962	-32.6	▼	1.1	347.4	Agriculture	229	-9.3	▼	-1.2
Total Hours Worked, %	-	0.4	▲	-1.3	1.2	Forestry, fishing, mining, quarrying, O&G	341	4.4	▲	-0.7
Average Hourly Wage NSA, %	-	-0.14	▼	0.3	3.5	Utilities	152	4.2	▲	-7.8
Provinces						Construction	1,642	-3.8	▼	-5
						Manufacturing	1,866	-7.1	▼	-4.8
Ontario	8,230	-27.5	▼	16.9	134.3	Services-producing sector	16,732	-20.9	▼	20.6
Quebec	4,627	-4.9	▼	-3.4	88.3	Trade	2,969	-28.5	▼	50.8
British Columbia	2,945	5.7	▲	-4.9	27.7	Transportation and warehousing	1,079	10.1	▲	-23
Alberta	2,551	-15.4	▼	-2.2	49.5	Finance, insurance, real estate and leasing	1,466	6.3	▲	15.6
Manitoba	731	-1.1	▼	0.9	18.8	Professional, scientific and technical svc.	1,996	9.6	▲	-32.9
Saskatchewan	614	6.6	▲	0.5	18.6	Business, building and other support svc.	720	-10.3	▼	3.5
Nova Scotia	525	2	▲	-4.3	0.9	Educational services	1,596	-3.5	▼	2.3
New Brunswick	402	0.2	▲	-1.5	8.6	Health care and social assistance	2,878	-0.6	▼	2.2
Newfoundland and Labrador	244	1.6	▲	-0.4	-1.5	Information, culture and recreation	835	-20.3	▼	3.2
Prince Edward Island	94	0.1	▲	-0.5	2.2	Accommodation and food services	1,178	-1.8	▼	4.2
Employment Type						Other services	773	11.6	▲	-9.7
Full-Time	17,104	-62	▼	-19.7	207.3	Public administration	1,242	6.3	▲	4.4
Part-Time	3,858	29.5	▲	20.8	140.1	Age				
Public Sector	4,527	-2.8	▼	7.6	91.8	15 to 24	94	-9.7	▼	-8.5
Private Sector	13,697	-47.8	▼	10.2	175.0	25 to 54	525	-5.9	▼	30.5
Self Employed	2,738	18	▲	-16.8	80.6	55 and over	402	-17	▼	-21.0

*Thousands unless otherwise stated

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