

Economics

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Canadian employment (Feb): Taking a worrisome turn

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Labour force survey (monthly change, thousands, unless otherwise noted)	Oct	Nov	Dec	Jan	Feb
Employment	73.7	52.3	10.1	-24.8	-83.9
• Full-time	-22.1	-4.9	51.4	44.9	-108.4
• Part-time	95.8	57.2	-41.3	-69.7	24.5
• Paid workers	76.3	64.5	4.0	-38.7	-89.7
• Private	75.7	47.9	4.1	-52.0	-72.6
• Public	0.6	16.6	-0.1	13.3	-17.1
• Self-employed	-2.8	-12.2	6.2	14.0	5.6
Participation rate (%)	65.2	65.2	65.4	65.0	64.9
Unemployment rate (%)	6.9	6.6	6.8	6.5	6.7
Avg. hourly earnings, perm. workers (y/y %)	4.0%	4.0%	3.7%	3.3%	4.2%
Actual hours worked by industry (m/m %)	-0.1%	0.3%	-0.2%	0.6%	-1.1%

Source: Statistics Canada

- The Canadian labour market took a worrisome turn in February, with employment dropping by 84K and the unemployment rate rising to 6.7% from 6.5%. That was in contrast to the consensus expectation for a gain of 10K jobs, and for the unemployment rate to increase to 6.6%. Even worse, the drop in jobs was fully accounted for by full-time positions (-108K), and hours worked plummeted by 1.1% m/m. This is clearly a very worrisome report for the BoC that shows that labour market slack has increased and activity is frozen amidst trade uncertainty.
- There was a suspicious jump in average wages, which accelerated to 3.9% y/y from 3.3%. Part of the jump appears to be due to compositional factors in which job losses were disproportionately accounted for by the lower-paid youth age group, with employment down by 1.7% m/m in that group, versus a 0.3% drop for those aged 25-54. Even when adjusting for seasonality, the 1.0% m/m jump looks suspiciously high, so we won't read into what appears to be an outlier.
- The job losses were widespread across industries, with private sector employment down by 73K, and public sector jobs decreasing by 17K, while self-employment rose by 6K. Service-producing industries shed 56K jobs and goods-producers shed 28K positions, led by wholesale/retail trade, other services, information/culture/recreation, and manufacturing. The employment-to-population ratio is now sitting at a depressed level of 60.6, down from the highs of around 62.5 in early 2023.
- The participation rate slumped to 64.9, a low not seen since the pandemic in 2021, with the easing reflecting drops in both the youth and prime-age groups. Reasons for not participating in the labour force have jumped lately for the personal/family responsibility category, and awaiting recall/reply. A broader measure of the unemployment rate that includes discouraged workers, those waiting for replies, and involuntary part-timers is sitting above 9%.

Implications & actions

Re: Economic forecast — This data will throw cold water on market hawks who had priced in a chance of BoC hikes this year prior to the data, and we continue to expect no move from the BoC this year. However, in terms of risks, a cut is more likely than a hike if the BoC were to have to move this year. We will need to see progress on reducing trade uncertainty in order to see a sustained improvement the labour market.

Re: Markets — Bond yields dropped off on the broad based weakness in the report.

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