

Economics

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Canadian employment (Jan): Good news, but possibly old news

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Labour force survey (monthly change, thousands, unless otherwise noted)	Sep	Oct	Nov	Dec	Jan
Employment	36.7	3.3	43.8	91.0	76.0
• Full-time	92.0	6.6	52.9	59.1	35.2
• Part-time	-55.3	-3.3	-9.1	31.8	40.9
• Paid workers	10.5	-13.8	48.8	77.4	48.8
• Private	34.7	8.0	-0.1	39.4	57.2
• Public	-24.2	-21.8	48.9	38.0	-8.4
• Self-employed	26.1	17.2	-5.0	13.5	27.4
Participation rate (%)	65.2	65.2	65.4	65.4	65.5
Unemployment rate (%)	6.6	6.6	6.9	6.7	6.6
Avg. hourly earnings, perm. workers (y/y %)	4.5%	4.9%	4.0%	3.8%	3.7%
Actual hours worked by industry (m/m %)	-0.4%	0.1%	-0.1%	0.7%	0.9%

Source: Statistics Canada

- Today's labour force report provided some very good news regarding the health of the Canadian economy, with employment growth easily beating consensus expectations and the unemployment rate edging down for a second consecutive month. However, it could be considered old news as well, given how tariff uncertainty has increased further since the survey was conducted. The Bank of Canada will be able to view the next employment report, which is more likely to pick up an impact from recent trade threats, and should have more clarity over tariffs as the current 30-day reprieve ends, before it makes its next decision. We continue to lean towards a further 25bp cut at that March meeting.
- The 76K gain in jobs was well above consensus forecasts (25K), and was fairly evenly split between full-time and part-time. Private sector paid employment contributed most of the increase seen during the month, alongside self-employment. Public sector hiring edged down, albeit following two strong months.
- The sector breakdown was interesting, with manufacturing (+33K) actually seeing the largest gain, despite that area likely to be hardest hit by tariff uncertainty ahead. Professional & scientific services and construction also saw solid increases.
- The strong gain in jobs was enough to bring a further decline in the unemployment rate, from 6.7% to 6.6%, despite a rise in participation and continued solid population growth. The 58K (3.2% y/y) rise in the base population was the slowest since December 2022 but still much stronger than the recent quarterly demographic data have suggested. That still-strong population growth could be flattering the employment figures slightly, although the employment ratio rose for a third consecutive month as it continues a slow recovery of the broad decline it saw since the end of 2022. The decline in the headline unemployment rate was driven mainly by youth (15-24), with the prime aged 25-54 rate holding steady relative to the prior month.
- Wage growth for permanent workers edged down to 3.7%, from 3.8% in the prior month and was the slowest since April 2022. Hours worked posted a very healthy 0.9% advance, led by manufacturing (+2.6%) and transportation &

warehousing (+7.4%). The sharp rise in the latter likely reflects the ending of labour disputes that had impacted activity in that area, as the absolute number of hours worked largely just returned to its September 2024 level, before strike activity started to impact the data.

Implications & actions

Re: Economic forecast — Overall, this is clearly a very positive report once again. However, even after the improvement seen during the past two months, the unemployment rate is still only just back to where it stood in October, and is still consistent with a labour market with plenty of slack. We continue to think that even lower interest rates will be needed for the economy to fully absorb that slack, particularly given heightened trade uncertainty which could impact hiring decisions ahead.

Re: Markets — Bond yields rose and the Canadian dollar appreciated following the better than expected data.

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