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Canadian employment (Jan): Another blockbuster

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Labour force survey (monthly change, thousands, unless otherwise noted)	Sep	Oct	Nov	Dec	Jan
Employment	11.8	68.3	26.7	69.2	150.0
• Full-time	12.8	21.0	90.8	70.9	121.1
• Part-time	-1.1	47.3	-64.1	-1.7	28.9
• Paid workers	30.6	62.4	-0.7	69.4	146.2
• Private	-7.2	58.6	0.8	99.2	114.7
• Public	37.8	3.8	-1.5	-29.8	31.5
• Self-employed	-18.8	6.0	27.3	-0.1	3.7
Participation rate (%)	65.2	65.4	65.3	65.4	65.7
Unemployment rate (%)	5.2	5.2	5.1	5.0	5.0
Avg. hourly earnings, perm. workers (y/y %)	4.9%	5.2%	5.4%	4.7%	4.5%
Actual hours worked by industry (m/m %)	-0.2%	0.5%	0.0%	-0.1%	0.8%

Source: Statistics Canada

- Another month, another blockbuster job print for the Canadian economy. Today's data showed a gain of 150K jobs during January, ten times the consensus forecast and an acceleration from the already-strong 69K seen in the prior month. However, this surge in hiring was supported by strong population growth and a spike in labour force participation, keeping the unemployment rate steady at 5.0%. That's good news from an inflation point of view, and therefore doesn't necessarily mean that the still-strong labour market will bring more interest rate hikes from the Bank of Canada later this year.
- Most of the jobs this month were in full time (121K), and in paid private sector employment (+115K). By sector, wholesale & retail and healthcare led the way, with the increase in the latter offsetting a decline in the prior month. Partially offsetting strong gains in many areas, employment in transportation & warehousing fell by 16K relative to the previous month.
- Like with the US payrolls report, the strong gain in employment in Canada was mostly the result of seasonal adjustment and fewer layoffs than typically seen for January. The unadjusted job print was -125K, which compares to pre-pandemic norms of around 200-300K net job losses to start the year.
- While seasonally adjusted employment surged on the month, the unemployment rate held steady at 5.0%, as the size of the labour force also increased by 152K persons. The monthly increase in seasonally adjusted population (+63K) was easily the highest on record in terms of number, and as a percentage increase was the strongest since the late 70's/early 80's. The strong labour force growth was also supported by a three-tick increase in the participation rate, which at 65.7% is back to levels seen last May. Participation rates rose for both men and women aged 25-54 and 55+, with the 25-54 participation rate for women posting a record high of 85.6% (previous high of 85.5% last May).
- Unlike during the latter part of last year, the strong job figure was also accompanied by an increase in hours worked (+0.8%) as sickness-related absenteeism was closer to seasonal norms, which is a positive for monthly GDP. Wage inflation decelerated to 4.5%, from 4.7% in the prior month, although that largely reflects the fact that average

earnings were biased upwards a year ago as Omicron-related shutdowns led to temporary job losses in low wage sectors.

- Job gains were broad-based by province, led by Ontario (+63K) and Quebec (+47K). The only province to see a decline in employment was Newfoundland & Labrador, with the 2.3K reduction mostly offsetting a gain in the prior month.

Implications & actions

Re: Economic forecast — We should always treat the Labour Force Survey with caution. Having said that, the surge in hiring is clearly a sign that the economy is stronger than expected and isn't on the verge of a recession that, up until recently, had been the consensus view for the first half of the year. The good news from an inflation point of view is that the surge in hiring wasn't driven by a further tightening in the labour market, but rather strong labour force growth which has been helping to fill previously open vacancies. We still forecast that the Bank of Canada will remain on pause in terms of interest rates for the remainder of this year.

Re: Markets — The Bank of Canada's conditional pause on interest rates was likely done in part so that policymakers didn't feel the need to respond to any single data print, no matter how strong, but rather assess how the economy is faring over the course of a few months. However, that hasn't stopped markets reacting to today's data by pricing in a greater probability of rate hikes, and pricing out cuts, before the end of the year. Bond yields rose sharply after the release and the Canadian dollar strengthened against the greenback.