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Canadian employment (Dec): Ending 2024 with a bang

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Labour force survey (monthly change, thousands, unless otherwise noted)	Aug	Sep	Oct	Nov	Dec
Employment	22.1	46.7	14.5	50.5	90.9
• Full-time	-43.6	112.0	25.6	54.2	57.5
• Part-time	65.7	-65.3	-11.2	-3.6	33.5
• Paid workers	29.6	37.6	3.3	51.3	67.1
• Private	38.2	61.2	20.5	6.3	26.7
• Public	-8.6	-23.6	-17.2	45.0	40.4
• Self-employed	-7.4	8.9	11.3	-0.7	23.7
Participation rate (%)	65.1	64.9	64.8	65.1	65.1
Unemployment rate (%)	6.6	6.5	6.5	6.8	6.7
Avg. hourly earnings, perm. workers (y/y %)	4.9%	4.5%	4.9%	3.9%	3.7%
Actual hours worked by industry (m/m %)	-0.1%	-0.4%	0.3%	-0.2%	0.5%

Source: Statistics Canada

- Canadian employment ended 2024 with a bang, with a 91K gain in jobs coming in well above consensus expectations (25K) and bringing the unemployment rate down to 6.7%. However, despite the positive end to the year, the unemployment rate is still 1% higher than it was as 2024 began, signalling a build up of slack within the economy. Because of that we continue to expect further interest rate cuts from the Bank of Canada in 2025, including a 25bp reduction at the next meeting later this month.
- The increase in employment was reasonably broad based by industry, led by education, transportation and finance. Full time positions increased by 57K, with part-time jobs up by 33K. Public sector paid employment was strong (+40K) for a second month in a row, but unlike the prior month we also saw healthy advances in private positions and self employment. By age, employment surged by 62K for persons aged 55 and older, with prime-aged (25-54) up by a more modest 30K.
- Population growth (+67K) is slowing, but is still much swifter than what we have seen recently in the quarterly count, which may have flattered some of the headline figures slightly if the LFS is still playing catch up. That said, the increase in employment was still strong enough to see the jobless rate tick down to 6.7%, against consensus expectations for an increase to 6.9%. The participation rate held steady at 65.1%, while the employment-to-population rate ticked up to partly reverse the general downturn seen since an early 2023 peak.
- Even though the unemployment rate ticked down in December, there was still evidence that elevated joblessness was more widespread among demographic groups than it was earlier in the year. Last April, all of the increase in unemployment relative to the same month of 2022 was driven by newcomers into the country or young people. In December, those two groups accounted for just over half of the rise in joblessness relative to 2022, with unemployment in other areas (including prime aged persons living in Canada for more than 5 years) also now having risen relative to the post-pandemic lows.

- Despite the strong employment gain and slight decline in the unemployment rate, wage growth for permanent employees continued to decelerate, reaching 3.7%, from 3.9% in the prior month.

Implications & actions

Re: Economic forecast — Overall, today's report was clearly better than anticipated and, if mirrored by other data, could signal a slower pace of interest rate cuts ahead than we were previously anticipating. However, with rates still above the mid-point of the neutral range, unemployment elevated relative to a year ago, and huge uncertainty emanating from the threat of US tariffs, we continue to forecast a 25bp reduction at the January meeting and a 2.25% trough for the overnight rate later this year.

Re: Markets — Better than expected employment data in both Canada and the US saw bond yields rise. The loonie was little changed against the greenback, but appreciated on other crosses.