

Economics

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Canadian employment (Dec): A mixed bag to end 2023

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Labour force survey (monthly change, thousands, unless otherwise noted)	Aug	Sep	Oct	Nov	Dec
Employment	39.9	63.8	17.5	24.9	0.1
• Full-time	32.2	15.8	-3.3	59.6	-23.5
• Part-time	7.8	47.9	20.8	-34.7	23.6
• Paid workers	-9.5	37.7	19.1	49.4	17.7
• Private	-22.7	1.1	0.2	37.7	10.9
• Public	13.2	36.6	18.9	11.7	6.8
• Self-employed	49.5	26.1	-1.7	-24.5	-17.6
Participation rate (%)	65.5	65.6	65.6	65.6	65.4
Unemployment rate (%)	5.5	5.5	5.7	5.8	5.8
Avg. hourly earnings, perm. workers (y/y %)	5.2%	5.3%	5.0%	5.0%	5.7%
Actual hours worked by industry (m/m %)	0.5%	-0.2%	0.0%	-0.7%	0.4%

Source: Statistics Canada

- December data provided a classic mixed bag of results, with some stronger than expected news in terms of wages and hours worked, alongside a weaker than anticipated headline change in employment. Because of that today's data don't change our expectation for the timing of a first Bank of Canada interest rate cut, which we still see occurring in June this year.
- Headline employment was unchanged in December, against consensus expectations for a modest 15K increase. The composition of jobs was fairly mixed. While gains in were made in private sector paid employment, which is generally positive news, the overall mix of jobs was tilted towards part time rather than full time positions this month. Despite this tilting of employment and despite a negative impact from public sector strike action in Quebec, total hours worked increased by 0.4%, which is potentially positive news for monthly GDP and offset just over half of the decline seen in the prior month.
- The sector breakdown of employment pointed to a strong gain in professional & scientific services, which was counteracted by declines in other areas such as wholesale & retail and manufacturing. The drop in retail & wholesale was the third in consecutive months, which is not too surprising given the sluggishness in Canadian consumer spending seen recently. An 18K decline in agricultural employment was unusually large given the size of that sector.
- While the population continued to grow quickly, a two-tick decline in the participation rate meant that the jobless rate held steady at 5.8%, against consensus expectations for a rise to 5.9%. The employment rate of 61.6%, however, was the lowest since January 2022 when the Omicron wave of Covid resulted in brief shutdown measures. This ratio peaked at 62.5% at the start of last year.
- Wage inflation for permanent employees accelerated to 5.7% year-over-year, from 5.0% previously, although that was partly expected by the consensus (+5.4%) due to base effects from a year ago. The acceleration in wage inflation could also be partly compositional, with the jobs count falling in lower paying areas such as retail & wholesale trade and accommodation & food services in December.

Implications & actions

Re: Economic forecast — While a further decline in the employment rate is evidence that the labour market continues to weaken, the decline in participation and acceleration in wage growth suggests that it isn't loose enough for the Bank of Canada to cut interest rates quite yet. We continue to see the unemployment rate creeping higher in the first half of 2024, reaching a peak of between 6-6.5%, which would bring a first interest rate cut from the Bank in June.

Re: Markets — Bond yields and the Canadian dollar saw some volatility around the time of the release, but ultimately settled close to their pre-release levels as the mixed bag of results for Canadian employment were mirrored by a similarly inconclusive set of data in the US.

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