

Economics

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Canadian employment (Feb): Loosening at a snail's pace

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Labour force survey (monthly change, thousands, unless otherwise noted)	Oct	Nov	Dec	Jan	Feb
Employment	23.9	24.4	6.8	37.3	40.7
• Full-time	24.9	33.5	-7.5	-11.6	70.6
• Part-time	-1.1	-9.1	14.4	48.9	-29.9
• Paid workers	26.1	49.5	17.8	55.0	2.4
• Private	5.6	41.3	9.0	7.4	-16.4
• Public	20.5	8.2	8.8	47.6	18.8
• Self-employed	-2.2	-25.1	-11.1	-17.7	38.3
Participation rate (%)	65.6	65.6	65.5	65.3	65.3
Unemployment rate (%)	5.7	5.8	5.8	5.7	5.8
Avg. hourly earnings, perm. workers (y/y %)	5.0%	5.0%	5.7%	5.3%	4.9%
Actual hours worked by industry (m/m %)	0.0%	-0.5%	0.3%	0.6%	0.3%

Source: Statistics Canada

- The Canadian labour market continues to loosen, albeit at a snail's pace that isn't going to speed up the timeline for Bank of Canada interest rate cuts. Employment rose by a larger than expected 41K in February (consensus 20K), and even though the unemployment rate increased a tick to 5.8%, that move simply reversed the unexpected decline seen in the prior month. We continue to expect clearer signs of a cooling economy by the time of the June meeting, and an interest rate cut at that time.
- Unlike the prior two months, the increase in employment during January was driven by full-time positions (+71K), at the expense of part time jobs (-30K). However, some other details within the report were less encouraging, with private paid employment declining by 16K. The job count in this area is now only 1.2% higher than it was a year ago, which is well below the 3% increase in population and 2.8% rise in the size of the labour force over that same period. Public sector employment, meanwhile, is up 4.7% year-over-year. For February, self-employment actually drove most of the headline increase (+38K), which was the first monthly increase in this category since August 2023.
- By sector, accommodation & food services, alongside professional & scientific services, led the gains in February. However, even after a solid 26K increase in the latest month, employment in accommodation & food was up only 0.3% on a year-over-year basis, reflecting the weakening of consumer spending. In another sign that weakness in spending is impact hiring decisions in certain areas, retail & wholesale saw a decline in employment on a monthly (-17K) and annual basis (-0.5%) in February. Employment in the manufacturing sector is also now lower than it was a year ago, following a further monthly decline in February.
- While population growth remained stronger than the increase in employment, seeing the unemployment rate tick up slightly to 5.8%, that move simply offset the unexpected decline in the jobless rate seen in the prior month. However, there is growing evidence that the headline unemployment rate is being kept down by demographic and other factors, as people that are remaining in the labour force and looking for work are taking longer to find it. As of February, 1.1%

of persons had been unemployed for 27 weeks or longer, up from 0.7% a year ago and above a 2019 average of 0.85%.

- Wage growth for permanent employees decelerated modestly more than expected to 4.9%, from 5.3% (consensus 5.1%), but remains higher than policymakers would likely want to see.

Implications & actions

Re: Economic forecast — The surge in the population continues to flatter the Canadian jobs figures, and there is evidence from a further decline in the employment ratio and increase in long-term unemployment that labour market conditions are continuing to weaken. However, this is happening only gradually and not in a way that demands an imminent reduction in interest rates. We continue to forecast a first reduction at the June meeting.

Re: Markets — Even though today's Canadian data were somewhat stronger than had been expected, bond yields declined as US data pointed to weaker wage growth and a rise in the unemployment rate. The Canadian dollar appreciated relative to the greenback.

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