

## Economics

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## Canadian employment (Jan): More mixed messages

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Labour force survey (monthly change, thousands, unless otherwise noted)	Sep	Oct	Nov	Dec	Jan
Employment	53.3	73.7	52.3	10.1	-24.8
• Full-time	102.6	-22.1	-4.9	51.4	44.9
• Part-time	-49.3	95.8	57.2	-41.3	-69.7
• Paid workers	46.2	76.3	64.5	4.0	-38.7
• Private	16.6	75.7	47.9	4.1	-52.0
• Public	29.6	0.6	16.6	-0.1	13.3
• Self-employed	7.2	-2.8	-12.2	6.2	14.0
Participation rate (%)	65.2	65.2	65.2	65.4	65.0
Unemployment rate (%)	7.1	6.9	6.6	6.8	6.5
Avg. hourly earnings, perm. workers (y/y %)	3.6%	4.0%	4.0%	3.7%	3.3%
Actual hours worked by industry (m/m %)	-0.2%	-0.1%	0.3%	-0.2%	0.6%

Source: Statistics Canada

- The Labour Force Survey continues to produce mixed messages, with employment and unemployment both managing to fall during the same month thanks to a slump in labour force participation. With no consistent message emerging within the labour market, there's no reason for the Bank of Canada to move off the sidelines and we continue to forecast no change in interest rates throughout 2026.
- The 25K decline in employment compared to a consensus expectation for a 5K gain, although the reduction was driven exclusively by part-time positions (-70K) with full time jobs actually increasing. However, in another mixed signal, the 52K reduction in private paid employment, offset partly by public sector and self employment, is not an encouraging sign.
- The industry breakdown showed declines in manufacturing and education, partly offset by increases in sectors such as information & recreation and business & building services. The decline in manufacturing positions took the number of workers in that sector back in line with the recent low recorded last August.
- With the participation rate slumping to 65.0%, from 65.4%, the unemployment rate fell by three ticks to 6.5% despite the decline in employment. The employment-to-population ratio edged down, including for prime aged (25-54) workers, while hourly wage inflation for permanent workers eased to 3.3%, from 3.7%.
- The 120K decline in the overall size of the labour force (-0.5%) was the largest since January 2022 when some social-distancing measures were (temporarily) introduced for the final time coming out of the pandemic. The reduction in the prime-aged (25-54) labour force was particularly large (-96K or -0.65%) showing that the aggregate reduction was not due to demographic forces. Reasons for not participating in the labour market showed a modest increase in those citing discouragement over job prospects relative to a year ago (+8K), although there has been a larger (20K) increase in people citing personal or family responsibility reasons. It's possible that return to office mandates are seeing some parents dropping out of the labour market. However, it is also possible that adverse weather in Ontario during the survey week, resulting in school closures, temporarily impacted workforce participation. By province, all of

the decline in the size of the labour market during January was due to Ontario (-136K). Of course, this wild swing could simply also be statistical noise that is reversed in the months ahead.

- Despite the reductions in employment and the size of the labour market, aggregate working hours managed to increase in January, albeit driven partly by equally suspicious surges in agriculture and forestry.

## Implications & actions

**Re: Economic forecast** — Overall, today's release is clearly a mixed bag, with the decline in employment suggesting weakness in hiring but at the same time the reduction in unemployment signalling a decline in labour market slack. Because of those mixed messages, today's data doesn't change our view that interest rates will be on hold for the foreseeable future.

**Re: Markets** — Bond yields rose initially, but settled back close to pre-release levels as investors viewed the mixed release as having little impact on Bank of Canada policy.

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