

ECONOMIC NEWS

Canada: February Hiring Is the Cherry on Top of Prior Surge

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HIGHLIGHTS

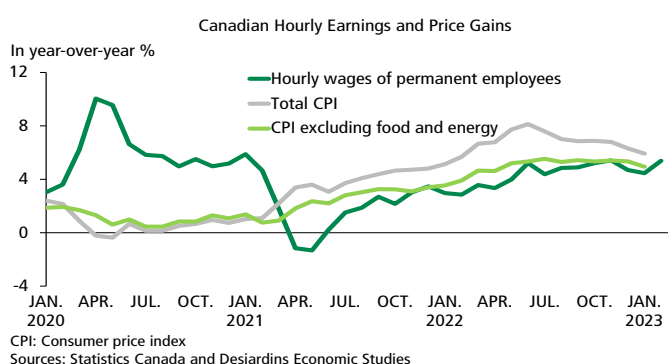
- ▶ After surprise surges of 69k in December and 150k in January, net total Canadian employment rose by a more modest 22k in February. It was still a sixth consecutive gain, for a total of 348k jobs created over this period.
- ▶ A 31K jump in full-time positions offset a small decline in part-time work.
- ▶ Gains were concentrated in health care (+15k), public administration (+10k), and utilities (+7.5k). Those increases were eroded by an 11k loss in business, building and other support services.
- ▶ The unemployment rate was unchanged at 5.0%—still near all-time lows—while the participation rate was also steady at 65.7%.
- ▶ Total hours worked built on last month's 0.8% jump with a strong 0.6% climb, which was broad based across sectors.
- ▶ Gains in hourly earnings of permanent employees—important for the Bank of Canada in its assessment of potential wage-push inflation—spiked to 5.4% y/y (graph). That followed growth under 4.8% in the last two months. The uptick was prominent in services, where wage growth went from 4.1% to 5.4% y/y.
- ▶ All provinces but Nova Scotia (-4.7k) and Quebec (-15.5k) witnessed net total employment gains. With job losses, Quebec's unemployment rate up to 4.1%, still among the lowest ever recorded in the province.

COMMENTS

Although the headline job growth slowed, the real story here is that employment didn't reverse any of the surprising and somewhat curious hiring seen in the prior two reports. Ongoing momentum in full-time employment and hours worked, hiring across most provinces, and a reacceleration of wage growth after multiple months of slowing reinforce the strength of this report.

GRAPH

Reaccelerating Wage Gains Do Not Bode Well for Inflation



Source population growth accelerated, hovering at its fastest rate since 1981. One possible interpretation of the recent employment surge is that immigrants and net non-permanent residents are filling job openings, thereby offsetting weakness in other parts of the economy. Developments on this front should be monitored closely going forward.

IMPLICATIONS

We still have only a few data points for the quarter, but the better-than-anticipated job print lifted our tracking of Q1 2023 GDP growth toward 2% (q/q annualized). That is much stronger than the 0.5% penciled in by the Bank of Canada for the first three months of 2023 in its last Monetary Policy Report.

Still, it's too early to say whether this changes the Bank of Canada's current plans to halt interest rate increases. The bounce in wage growth relative to a year earlier is no doubt troubling from an inflation control perspective. But given slowing price pressures and signs of weakness elsewhere in the Canadian economy, recent labour market momentum alone may not qualify as an "accumulation of evidence" contradictory to BoC forecasts. The upcoming February inflation print will be telling.