

ECONOMIC NEWS

Canada: Labour Market Starts 2023 with a Bang

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HIGHLIGHTS

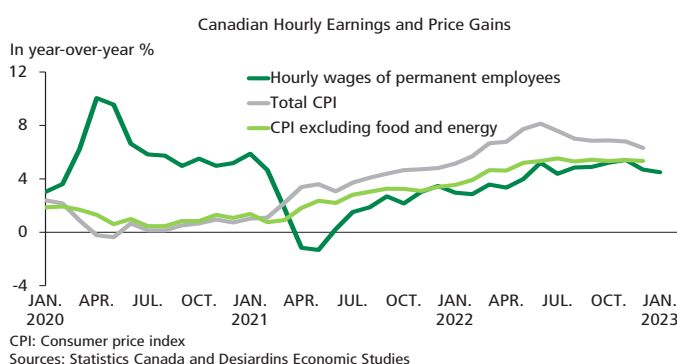
- ▶ Net total Canadian employment jumped by 150k in January 2023.
- ▶ The bulk of the gains were in full-time work, which rose by 121k positions.
- ▶ Hiring was reasonably broad-based across sectors. The largest job increases came in wholesale and retail trade (+59k), health care and social assistance (+40k) and educational services (+18k).
- ▶ The unemployment rate was unchanged at a still-near-record low 5.0%, as the labour force participation rate rose by 0.3 pts to 65.7% and population growth surged to 0.20% from 0.13% in December. The participation rate was tied for the second-highest rate since the start of the pandemic and is nearly back to its pre-COVID level.
- ▶ Total hours worked also jumped. The 0.8% increase brought hours about 0.6% above the prior peak attained in March 2022.
- ▶ Gains in hourly earnings of permanent employees—tracked by the Bank of Canada to assess underlying inflationary pressures—eased to 4.5% y/y. That was the softest annual rise since July 2022 (graph), but the drop is exaggerated by a strong print falling out of the calculation.
- ▶ Employment rose in Ontario, Quebec, Alberta, Nova Scotia, and Saskatchewan, declined in Newfoundland and Labrador, and was little changed elsewhere. Quebec's 3.9% unemployment rate continued to hover near a record low following a third significant employment increase in four months.

COMMENTS

The Canadian labour market began 2023 with a bang that included strong job creation and a stable unemployment rate (given the solid increase in population and participation). The rise in hours worked was particularly positive as this indicator

GRAPH

Wages Pressures Ease Despite Red Hot Job Market



had generally languished over the last several months despite the hiring spree. Against that backdrop, cooling wage pressures were the only factor in today's report that augurs well for further easing of inflation.

A key consideration coming into the release was whether the seasonal adjustment would impact the headline number; that does not appear to have driven the strong result. The month of January typically sees job declines on a non-seasonally adjusted basis. But January 2023 reported the fewest job losses in recorded history.

IMPLICATIONS

It's just one month of data, but the obviously much better-than-anticipated labour market print does not point to the easing economic trajectory normally needed to bring inflation to heel. The sheer strength of the report should certainly cause concern for the Bank of Canada as it considers whether to continue to keep rates on hold.