

ECONOMIC NEWS

Canada: The Labour Market Starts the Year 2020 Off Right

HIGHLIGHTS

- ▶ The labour market added 34,500 new jobs in January, more than expected.
- ▶ Goods-producing sectors gained 49,100 jobs in January due to significant increases in manufacturing (+20,500) and construction (+15,800).
- ▶ The service sectors lost 14,500 jobs during the month.
- ▶ The unemployment rate dipped from 5.6% in December to 5.5% in January.
- ▶ Average hourly wages continued to grow strongly, with an annual variation of 4.2% in January compared to 3.6% in December.

COMMENTS

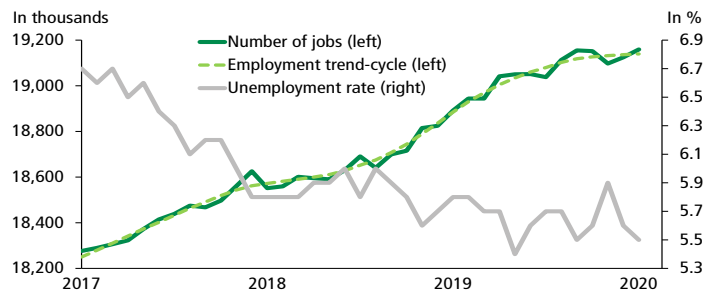
January's increase brought the trend for the monthly employment variation based on a 6-month moving average to +20,200 jobs. Job creation may be moving a bit too quickly compared to the economic growth of recent months. Moreover, job creation was by no means generalized in January, indicating that the labour market has still some difficulty. Leaving manufacturing and construction aside, January wound up with a loss of 1,800 jobs. Under these circumstances, we can expect employment growth to slow down in the coming months.

IMPLICATIONS

Today's results are reassuring for the Bank of Canada (BoC), however, since the unemployment rate edged closer to its historic low. Wages are continuing to experience high growth as well, and that could fuel anxieties about inflation potentially speeding up. In the circumstances, it would take a hugely disappointing economic development for the BoC to reduce its key rates in the short-term. That means the status quo is likely to continue throughout 2020.

GRAPH 1

Employment is slightly above the trend, while unemployment is closer to its historic low



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2

Wage increases remain high



Sources: Statistics Canada and Desjardins, Economic Studies

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