

ECONOMIC NEWS

Canada: Further astonishing job creation

HIGHLIGHTS

- ▶ The labour market added 48,300 jobs in January, on the heels of December's 46,100-job gain.
- ▶ All provinces except New Brunswick and Saskatchewan saw employment increase in January.
- ▶ Canada's unemployment rate goes from 6.9% to 6.8%.

COMMENTS

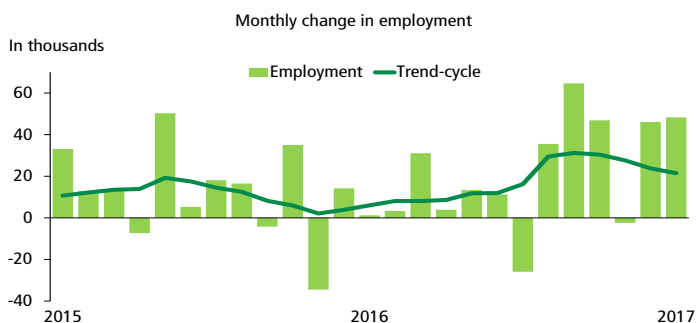
Once again, the results for the Labour Force Survey played havoc with the forecast consensus, which was calling for a loss of 10,000 jobs in January. Note that many forecasters were expecting the labour market to underperform following the strong job creation seen in the last few months of 2016.

In an *Economic Viewpoint* published last week, we concluded that the strong growth at the end of 2016 was in fact a catch-up effect following the overly weak employment growth early that year. As employment is now at a level consistent with economic growth, we thought the risks of a very poor performance by employment in early 2017 were, all in all, limited. Under these conditions, our forecast for January called for 10,000 jobs to be created—the biggest consensus increase—hoping that job growth would close in on the average of 15,000 jobs per month, which we are expecting for the coming months.

With 48,300 jobs created, it goes without saying that employment growth beat our expectations for January hands down. Once again, we can probably chalk up much of the major difference to the Labour Force Survey's highly volatile results. According to Statistics Canada, the standard deviation in the monthly change in employment is $\pm 29,500$ jobs. For the 48,300 jobs created in January, the interval of a standard deviation is therefore between 18,800 and 77,800. Clearly, the bottom of the interval's range is more consistent with the picture we have of the labour market, based on current economic conditions. This kind of decoupling now increases the risk of

GRAPH

The trend for employment is still too high



Sources: Statistics Canada and Desjardins, Economic Studies

labour market underperformance in the coming months, to get the trend for job creation back to around 15,000 per month.

IMPLICATIONS

As shown by the weakness in employment at the start of 2016, the catching up that ensued at year-end and the much-better-than-anticipated results in January 2017, there is a lot of noise in the results for employment. Nothing in this should therefore influence Bank of Canada leaders in their conduct of monetary policy.

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