Canada: First Employment Setback in 18 Months

HIGHLIGHTS

- The labour market trimmed 88,000 jobs in January.
- This came after 17 monthly increases in a row for a total of 600,900 jobs created, an average of 35,300 jobs per month.
- The unemployment rate edged up from 5.8% in December to 5.9% in January.
- Average hourly wages went up too. The monthly change was 3.3% in January, compared with 2.7% in December.
- The annual revision of the Labour Force Survey does not change the overall picture. For example, 427,300 jobs were created in 2017, while previous figures had pointed to 422,500 jobs.

COMMENTS

In view of the strong growth in employment in recent months, the labour market was going to have to stop to catch its breath at some point. That said, the trend is still positive and the unemployment rate remains close to its record low (since 1976). The robust labour market is causing more upward pressure on wages, which could boost fears of inflation.

We should also point out that January’s drop in employment was accentuated by a significant reduction in part-time jobs in Ontario (-59,400). Some observers will link that to the hike in Ontario’s minimum wage. Given the volatility of employment data, we think it is far too soon to draw conclusions.

IMPLICATIONS

January’s results for the Labour Force Survey do not really change the overall picture of Canada’s labour market. Under the circumstances, key interest rates still seem too accommodating, which indicates that they should be raised gradually in the coming quarters.

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