



**February 10, 2023**

## Canada added 150K jobs in January; no sign of labour markets losing steam

- A jarring 150K jobs were created in January as labour markets remained exceptionally tight
- The unemployment rate held steady at 5.0% and hours worked rose 0.8%
- Growth in hourly earnings slowed again despite near-record low unemployment
- The BoC will likely look past one strong jobs report, but persistent labour market strength would increase pressure for more restrictive monetary policy

**Canada posted the strongest job growth in nearly a year (+150K).** The January Canadian jobs report mirrored that of the U.S. with exceptionally tight labour markets showing little signs of loosening. Canada has now added over 800K jobs since the start of the pandemic. Two thirds of job gains were driven by prime-age workers (those 25 to 54). In fact, the prime-age labour force participation rate rose to a record high 88.9% in January. The boost to employment across the private (+115K, +0.9%) and public (+32K, +0.8%) sectors was balanced, with notable gains in the services-producing sector (+125K). Wholesale and retail trade (+59K), health care and social assistance (+40K), and educational services (+18K) led the bulk of the employment growth. Transportation and warehousing was one of the few sectors where employment pulled back (-17K).

**Headline numbers conflict with recent Bank of Canada Survey data.** The Bank of Canada Business Outlook Survey indicated business plans to hire staff have fallen alongside wage growth. This conflicts with the January Labour Force Survey data. Indeed, year-over-year wage growth has fallen to 4.5% year-over-year, but hiring continues at a rapid pace and the unemployment rate held steady at a near record low 5.0%. Any signs of labour market cooling require a deeper dive beyond headline numbers. Job postings are still up 50% from pre-pandemic levels, but have come down in recent months. It remains our view that labour markets will not remain this tight over the near term. The delayed impact of the Bank of Canada's 425 basis points of hikes are still gradually flowing through to household and business debt payments and will ultimately erode demand, pushing unemployment higher through the end of the year. Moreover, with record high participation and fewer unemployed Canadians to fill jobs, job creation is not sustainable at the current pace. The Bank of Canada has indicated that rates will be held steady unless there is sufficient evidence that more restrictive monetary policy is needed. While the BoC will likely look past one strong jobs report, if additional reports prove to be stronger than expected, this would pose upside risk to the current terminal rate forecast of 4.50%.

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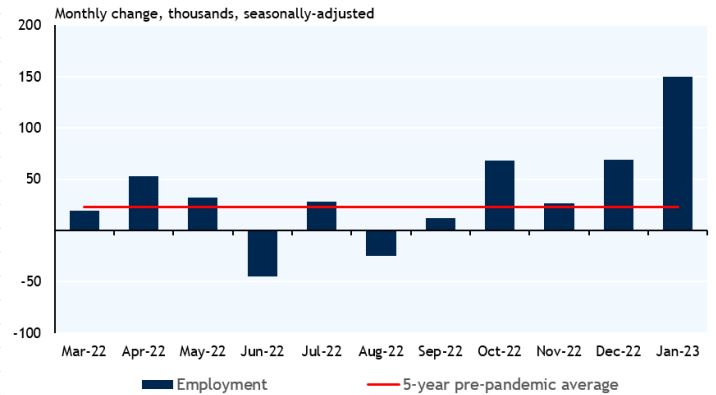
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## Canada employment summary

	Nov-22	Dec-22	Jan-23	Jan-23
	m/m change (thousands)			change from pre-pandemic
Employment	27	69	150	809
Full-time	91	71	121	819
Part-time	-64	-2	29	-10
Public	-2	-30	32	431
Private	1	99	115	520
Self-employed	27	0	4	-142
	%			
Unemployment rate	5.1	5.0	5.0	-0.7
'R8' (SA by RBC)	8.0	7.6	6.9	-1.4
Participation rate	65.3	65.4	65.7	-0.2
ages 25-54	88.6	88.5	88.9	1.4
Avg hrly wages (y/y %)	5.8	4.8	4.5	

Source: Statistics Canada, RBC Economics

## January job growth highest in nearly 1 year



Source: Statistics Canada, RBC Economics

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