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## Canadian labour markets unexpectedly firmed early in 2024

- Employment rose by another 37k in January, and the unemployment rate ticked lower (to 5.7%) for the first time in more than a year.
- The employment gain was outpaced by another record monthly population increase (+126k) but a drop in the labour force participation rate still pushed the unemployment rate lower.
- Employment in goods producing industries was softer for a second consecutive month (-23k), consistent with a relatively soft global manufacturing backdrop. But employment in service-producing industries jumped by 60k. Public sector employment (which has accounted for roughly half of job growth over the last year) continued to rise but there was also a 31k jump in wholesale/retail employment in January.
- Full-time employment fell for a second straight month (-12k), with offset from a 49k jump in part-time jobs. But total hours worked still bounced back 0.6% in January after posting the first quarterly decline since the pandemic in Q4 2023. The increase in hours worked is consistent with GDP growth holding in positive territory in Q1.
- Wage growth ticked lower but is still running hot at +5.3% from a year ago (down from a 5.5% rate of growth in December) There is still scope for wages to move higher near-term, particularly for unionized workers as wages continue to catch up to inflation. Although business surveys and softening labour markets continue to suggest the pace will slow.
- **Bottom line:** The Canadian labour market data is notoriously volatile, but details underlying the January upside employment growth (and downside unemployment rate) surprise were also firm. The increase in hours worked is consistent with GDP ticking higher early in 2024, and adds to early signs that housing markets have perked up. Growth in the economy still looks softer accounting for surging population growth. Canadian GDP is on track to post a 7th consecutive per-capita decline in Q1/2024. But stronger than feared economic data both in Canada and abroad are leaving central banks with flexibility to be patient before starting to ease off the monetary policy brakes. The data today will

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reinforce that near-term interest rate cuts from the Bank of Canada are unlikely. Our own base case assumes the first interest rate cut from the BoC in June.

<b>Canada employment summary</b>				
	<u>Nov-23</u>	<u>Dec-23</u>	<u>Jan-24</u>	<u>Jan-24</u>
	<i>m/m change (thousands)</i>			<i>y/y change (thousands)</i>
Employment	24	7	37	345
Full-time	34	-8	-12	227
Part-time	-9	14	49	119
Public	8	9	48	174
Private	41	9	7	210
Self-employed	-25	-11	-18	-39
Hours worked (% change)	-0.5	0.3	0.6	1.1
	%			<i>Ppt change</i>
Unemployment rate	5.8	5.8	5.7	0.7
'R8' (SA by RBC)	8.3	8.2	7.7	1.0
Participation rate	65.6	65.5	65.3	-0.4
ages 25-54	88.8	88.7	88.6	-0.3
Avg hrly wages (y/y %)	4.8	5.4	5.3	

Source: Statistics Canada, RBC Economics