

# ECONOMIC RESEARCH AND STRATEGY



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## **Canadian LFS Labour Market Report – January: A Solid Start in 2023**

The Canadian economy added 150K jobs in January relative to the previous month. The quality is equally stunning. Employment in the core group of workers aged 25-54 years old soared (+100K), full-time occupations jumped (+121K).

The 150K monthly net gain is the seasonally adjusted figure. The raw, non seasonally adjusted figure shows a 125K decline in LFS employment, a smaller than usual decline after the Holiday shopping season. The same story happened in the U.S. when the BLS released nonfarm payrolls figures a week ago: 2.5M U.S. jobs were lost in January relative to December but the sizeable seasonal factor of +3M led to an above market consensus print of about 500K. Several factors explain the solid LFS figures: one noisy and temporary while others are more fundamental and persistent. First, the savvy market participant will take into consideration the positive impact of January's mild weather, supportive for stronger-than-usual employment gains observed in the construction industry and a variety of services sectors. Accordingly, total employment jumped in Ontario (+63K), Quebec (+47K) and Alberta (+21K) during the month. Second, labour shortages led employers to let go fewer employees than in previous years after the Holiday shopping season. Third, most companies reported strong balance sheets and healthy corporate profits lately, limiting the layoff rate that reached 2%-3% in previous recessions. Fourth, the reallocation of job losers, for instance younger employees in the IT sector, to a new occupation has been very smooth, thanks to approximately 900K job vacancies across the country.

Despite January's mild weather, no one can dismiss the very robust 3-month and 6-month moving averages in total employment standing at +82K and +50K. Unemployment stayed unchanged at 5.0% nationwide for a second consecutive month. The jobless rate fell 0.3pp since last Fall even if the labour force surged at a pace unmatched among industrialized countries (2.2% y-o-y, 152K month-to-month in January). Quebec's unemployment rate fell back to its all-time low figure of 3.9%. Ontario's jobless rate declined by 0.1pp in January after the unusually large 0.4pp drop of December to reach 5.2%, just shy of the record low print of 5.1% briefly reached last summer.



The only small comfort BoC officials will find in this solid LFS report relates to the fact that wage inflation has turned the corner: the y-o-y pace of hourly earnings of permanent employees has been decelerating from 5.8% in November, to 4.8% in December, and to 4.5% in January. A worker that loses his or her job and find another one quickly usually experiences a 5% cut in average weekly earnings according to Statistics Canada, a labour dynamic that could play out further in 2023. A series of red hot high-frequency reports like this one in upcoming weeks could shake foundations of the BoC “conditional pause” rhetoric or delay the market idea of a pivot until 2024.

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