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TD Economics

Data Release: Canadian jobs kept on coming in February

- The Canadian economy continued to produce jobs in February, adding 15.3k positions on net. Labour market participation fell slightly, resulting in a 0.2 percentage point drop in the unemployment rate to 6.6.
- The high level details of the report were strong, with 105.1k net new full-time positions added – the strongest gain since May of 2006. Offsetting this was a 89.1k drop in part-time jobs. The advance was driven by employees (+10k), with a smaller net gain in self-employment (+5k)
- By broad sector, it was the private sector (+16.7k) that drove the increase, as the public sector shed jobs on net in February (-6.8k).
- Gains were led by the service side of the economy (+30.1k), as employment among goods-producers pulled back (-14.8k). On the positive side of the ledger were trade (+19.1k), public administration (+11.9k), and transportation (+8.8k). The largest net job declines were seen in construction (-8.5k), manufacturing (-5.2k), and professional services (-4.5k).
- The overall gain in net employment masked a divergent regional performance: British Columbia (+19.4k) and Saskatchewan (+8.0k) saw healthy net gains, while Quebec (-11.1k) and Nova Scotia (-6.8k) were among those reporting declines.
- In spite of the strong gains in full-time work, hour worked fell by 0.3% year-on-year in February – their third consecutive decline. Similarly, hourly earnings grew just 1.1% year-on-year, continuing the trend of weakness that has emerged since the summer of last year.

Key Implications

- Wow. Another month of jobs data, and another strong print that confounded market expectations. While this data series can be quite noisy, a robust trend in hiring has begun to emerge, reinforced by gains in full-time work, and suggesting the narrative that the Canadian economy has started to shake off many of the setbacks it faced in the past few years.
- If there is a fly in the ointment, it has to be the ongoing declines in hours worked. This suggests that even with strong gains in full-time work, the jobs being created may be at the lower end of the hours scale – perhaps pointing to a change in the quality of work on offer (Statistics Canada defines full-time as working 30 or more hours per week). Further evidence regarding quality comes from the hourly earnings figures, which have been quite weak as of late. On this point, however, we note that other, less timely employment surveys point to still healthy wage growth.
- For the Bank of Canada, February's figures will undoubtedly be welcome. That said, the Bank of Canada doesn't target employment, and from an inflation perspective there is little here to move the needle in the near term in light of weakness in reported wage growth. That said, today's report does to the mounting evidence that the Canadian economy is seeing a return to sustained healthy growth, which should absorb remaining slack and lead to eventual inflationary pressures. This process will take time, however, and the Bank of Canada will want to continue supporting it and will likely be reluctant to raise rates until well into next year.

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