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TD Economics

Data Release: Canadian job starts 2017 on a solid note

- The Canadian job market continued to pump out new jobs, with employment up 48.3k in January, after a slightly downwardly revised, but still strong 46.1k gain to cap off 2016. The January result blew market expectations out of the water, which called for a pullback of 10k.

- Two-thirds of the new jobs were in part-time category, where employment rose by 32.4k. However, full-time jobs also increased, albeit by a more modest 15.8k after a very strong December performance. Self-employment accounted for 8.2k of the gain, breaking a cycle of three consecutive declines.

- While public sector jobs rose on the month, up 7.7k, hiring was led by the private sector, where job growth advanced by 32.4k.

- Hiring was concentrated in the service side of the economy (+42.6k), where nearly all of the new hiring was in finance & insurance (+20.5k) and business support (+16.4k). Still, the good-producing sectors also helped out the tally, adding 5.6k on strength in construction (+5.2k) and natural resources (+2.5k). Manufacturing was largely flat on the month, losing 600 jobs.

- Net employment gains were recorded in all but two provinces, with New Brunswick (-3.0k) and Saskatchewan (-0.7k) the only to shed jobs in January. Hiring was led by Ontario (+28.8k), B.C. (+11.2k), and Nova Scotia (+4.2k). Alberta added a mere 200 jobs, but employment in the province remains more than 3,000 below last year's level.

- The national jobless rate dropped by 0.1pp to 6.8%, with Alberta being the only province to show higher unemployment (up 0.3pp to 8.8%), while Ontario's stayed unchanged at 6.4%. The remainder of provinces saw lower jobless rates, with Newfoundland's dropping by 1.3pp to 13.8%.

- Hourly earnings decelerated from 1.5% to just 1.0% year-on-year in January, while hours worked declined 0.8% y/y despite the decent gains in full time employment.

Key Implications

- From the January report, it would appear that the Canadian labour market is on a strong upward trend, with strength across a number of key indicators. The robust performance can be attributed to the solid headline, healthy private-sector hiring, broad geographical dispersion, and a declining jobless rate – which fell despite an uptick in the labour force.

- However, the report was not without disappointment. Many high-skilled service categories remained weak, with professional services and information shedding jobs on the month. Moreover, part-time jobs accounted for two thirds of all hiring, which put a damper on hours worked and wage growth during the month.
- Ultimately, while the headline number will be a welcome one by the Bank of Canada, the weakness elsewhere in the report and wage growth in particular, is unlikely to change the Bank's thinking as far as spare capacity is concerned. Coupled with the existing risks south of the border and beyond, we expect the Bank to remain on the sidelines for some time to come.

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