



### Canada labour market stunner: Employment jumps 150k

Canada's labour market posted a stunning start to the year with yet another outsized hiring gain. Befuddling forecasters, Labour Force Survey (LFS) employment surged by 150k persons (0.8 per cent) from December and smashed the consensus for a 15K increase. This followed December's already robust 69k (downward revised) increase and highlighted the surprising economic resilience and stronger data flow heading into 2023. Rather than sticking their heads into the sand amidst recession fears, employers have ramped up hiring and are readily absorbing increases in labour supply to fill the excess number of vacant roles to meet current demand. The unemployment rate held steady at 5.0 per cent.

January job gains were broad-based. Both private- and public- sectors hired at pace consistent the headline increase, with the former representing a 100k gain. In contrast, the change in self-employment was negligible. Employment in both full-time (+0.7 per cent) and part-time (+0.8 per cent) work contributed to the increase. Total hours worked rose 0.8 per cent.

Services-producing sectors led January's hiring binge with 124.7k (+0.8 per cent) net additions. Retail and wholesale trade bounced back after six months of contraction with a 58.7k or 2 per cent increase. Meanwhile, substantial gains were observed in accommodations and foodservices (+12.4k or 1.1 per cent), health care and social assistance (+40k or 1.5 per cent), and education (+18.4k or 1.3 per cent). Construction also gained traction with 15.8k additions or 1.0 per cent. The only notable sector of weakness was transportation and warehousing (-16.6k).

Statistics Canada rightfully highlighted the adjustment in labour supply supporting the employment growth. The labour force participation rate rose 0.3 point to 65.7 per cent which was the highest in over a year, while the working age population increased 0.2 per cent. Soaring international migration to Canada including an influx of non-permanent resident in recent quarters has boosted labour supply and employment. Employment among this group was up 13 per cent from a year ago, outpacing the broader 2.8 per cent figure. High levels of female labour force participation have added to the workforce.

Provincially, employment growth was led by Ontario (62.8k or 0.8 per cent), Quebec (47.4k or 1.1 per cent), and Alberta (20.8k or 0.9 per cent). Prince Edward Island recorded the strongest relative growth at 1.9 per cent representing a 9k person increase. Unemployment rates were mixed with declines in Ontario and Quebec offset in part by increases in B.C. and Alberta. The lowest rate was in Quebec at 3.9 per cent, while the highest was in Newfoundland and Labrador at 11.8 per cent.

The seeming imperviousness of the labour market to monetary tightening is likely to rattle the Bank of Canada resolve and its conditional commitment to hold its policy rate at current level. That said, they will likely find some modest comfort that this gain looks to reflect absorption of swelling labour supply. The unemployment rate did not move any lower, albeit remaining tight at 5.0 per cent. Moreover, the wage momentum continued to decelerate with a 4.5 per cent year-over-year increase compared to 4.8 per cent in December which could put less pressure on inflation. At this point, we still expect the Bank to hold at 4.5 per cent through to the end of 2023.

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## Canada Labour Force Survey Summary

	2022M09	2022M10	2022M11	2022M12	2023M01
Employed, m/m	11.8	68.3	26.7	69.2	150.0
Employed, m/m %	0.1	0.3	0.1	0.3	0.8
Employed, y/y %	2.6	2.8	2.2	2.1	3.9
Unemployment Rate, %	5.2	5.2	5.1	5.0	5.0
Participation Rate, %	65.2	65.4	65.3	65.4	65.7
Employment Rate, %	61.9	62.0	62.0	62.1	62.5
Hourly Wage, y/y %	4.9	5.3	5.8	4.8	4.5
Employed, 3m % ch	0.1	0.3	0.5	0.8	1.2

### LFS Employed, m/m ch. by select NAICS industry, persons

Goods	-30.0	39.5	-15.2	23.2	25.4
Resources	-1.8	-3.4	-1.0	-1.3	1.3
Construction	-14.8	31.1	-8.4	26.6	15.8
Manufacturing	-14.0	9.3	0.1	-1.9	7.3
Services	41.8	28.8	41.9	46.0	124.7
Trade	-20.2	-40.0	-9.0	-17.8	58.7
FIREL	3.3	1.8	10.1	5.6	-3.0
PST	8.3	24.1	-5.8	19.4	-0.5
Accom. and Foodservices	1.2	21.9	4.9	6.3	12.4
Public Admin	-9.7	18.2	4.1	9.5	-3.8