



Economic Commentary

February 7 2024

January sees warmth in the labour market despite potential tariff chill

Canada's labour market maintained strong traction to start off 2025 with another round of robust employment growth and decline in the unemployment rate. While the economic backdrop has soured with the seeming omni-presence of U.S. threats of a trade war, economic patterns firmed into recent months.

Employment increased by a brisk 76k (0.4 per cent m/m), which was down from December's 91k. Year-over-year growth nudged higher to 2.0 per cent. For the most part, labour market conditions were solid. Employment growth was split amongst full-time (35.2k or 0.2 per cent m/m) and part-time (40.9k or 1.1 per cent) work, with both showing 12-month gains in line with the headline figure. Total hours worked soared 0.9 per cent during the month, pointing to longer average hours.

Among sectors, growth was led by the goods- sector, namely strong increases in manufacturing (33.1k or 1.8 per cent); construction (19.3k or 1.2 per cent); and agriculture (10.k or 4.4 per cent). Tariff risks may have contributed to increases in the former due to inventory stockpiling. Among services, gains were seen in transportation/warehousing (13.2k or 1.2 per cent), and accommodations/foodservices (14.9k or 1.3 per cent), with a drag for business services and business support. Broadly, January gains were led by private sector hiring and self-employment as public-sector employment nudged down.

While there remains excess slack in the economy and labour market, conditions were stronger in January. The unemployment rate slipped for a second consecutive month to fall to 6.6 per cent, while the employment rate (employed-to-working population ratio) rose for a third consecutive month. Nevertheless, there remains evidence that the unemployed are still finding difficulty in finding new roles in the economy. The average wage rate continued to slow, declining from 4.0 per cent to 3.5 per cent y/y, pointing to cooling wages as the seasonally- adjusted pattern slipped.

Among provinces, employment growth was led by B.C. with a 23k increase (0.8 per cent), with Ontario employment up 39k or 0.5 per cent. Employment was steady in most other provinces, with minor declines in Alberta and several Atlantic markets. Unemployment rates are lowest in Quebec and Saskatchewan at 5.4 per cent, and highest in Ontario at 7.6 per cent.

Canada's labour market performance provides a solid starting point for 2025 as the country navigates a period of uncertainty driven by the U.S. administration. While tariffs have been delayed until March (but even that timing is uncertain), there are signs that some firms are already adjusting operations by pausing investment plans or curtailing production and employment amidst uncertainty. This could weigh on employment going forward even as lower interest rates provide support to sectors of the economy like consumption and housing. January's strong labour market report does reflect rear-view mirror activity and should not weigh too much on future interest rate decisions. We still expect the Bank of Canada to cut to 2.5 per cent by mid-year, with downside risk to 1.5 per cent if tariffs are implemented.

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Jan-2025	Canada Labour Force Survey (LFS) Summary							
Indicator	Latest	prior month	m/m person ch	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	YTD ch.
	Persons, 000s			Per Cent				
Employed	20,993.4	20,917.4	76.0	0.4	0.4	2.0	1.9	2.0
Full-time	17,185.9	17,150.7	35.2	0.2	0.3	2.0	1.8	2.0
Part-time	3,807.5	3,766.6	40.9	1.1	0.9	1.9	2.4	1.9
Labour Force	22,484.0	22,422.8	61.2	0.3	0.2	3.1	2.9	3.1
Working age population	34,340.8	34,285.1	55.7	0.2	0.2	3.2	3.4	3.2
	Per Cent			Per Cent				
Unemployment Rate	6.6	6.7		-0.1	-0.2	0.9	0.9	0.9
Employment Rate	61.1	61.0		0.1	0.1	-0.7	-0.9	-0.7
Participation Rate	65.5	65.4		0.1	0.0	-0.1	-0.3	-0.1
Average wage (\$)	36.0	35.8		0.4	0.3	3.5	4.0	3.5

Canada Employment by Industry				
Industry	Employed, 000s	Monthly change	Monthly % change	12- month % change
Total	20,993.4	76.0	0.4	2.0
Goods	4,261.7	53.6	1.3	2.0
Agriculture	239.8	10.1	4.4	2.5
Primary resources	337.1	-5.6	-1.6	-2.1
Utilities	155.8	-3.3	-2.1	-1.6
Construction	1,651.2	19.3	1.2	3.6
Manufacturing	1,877.8	33.1	1.8	1.6
Services	16,731.8	22.5	0.1	2.0
Wholesale/Retail Trade	2,946.6	1.7	0.1	-1.0
Transportation/Warehousing	1,091.9	13.2	1.2	0.2
Finance/Insurance/RE	1,443.7	-5.2	-0.4	2.9
Professional/Scientific/Technical Service	2,019.0	21.7	1.1	3.4
Business Support	726.4	-7.4	-1.0	4.2
Education	1,596.9	-7.9	-0.5	1.7
Healthcare/Social Assistance	2,876.6	4.3	0.1	4.8
Information/Culture/Recreation	852.5	-2.6	-0.3	1.6
Accommodation/Foodservices	1,175.9	14.9	1.3	6.1
Other Private Service	771.0	-13.9	-1.8	-3.5
Public Administration	1,231.3	3.9	0.3	1.1
Employment by Class				
Private-Sector	13,734.7	57.2	0.4	1.6
Public-Sector	4,521.9	-8.4	-0.2	2.4
Self Employed	2,736.9	27.4	1.0	3.6

Labour Market Summary by Province					
Province	Employed, 000s	m/m % change	y/y % change	Unemployment Rate	Participation Rate
CAN	20,993.4	0.4	2.0	6.6	65.5
BC	2,944.1	0.8	1.4	6.0	65.2
AB	2,568.4	-0.2	3.0	6.7	68.8
SK	606.4	-0.3	1.7	5.4	66.9
MB	731.1	0.3	1.0	6.1	66.9
ON	8,240.4	0.5	2.2	7.6	65.4
QC	4,635.6	0.3	2.1	5.4	65.1
NB	402.9	0.7	1.8	6.4	60.0
NS	527.2	-0.1	1.5	5.9	61.6
PEI	94.3	-0.3	2.1	7.2	66.7
NL	243.1	0.0	-1.9	10.6	57.9

Canada Labour Market Conditions

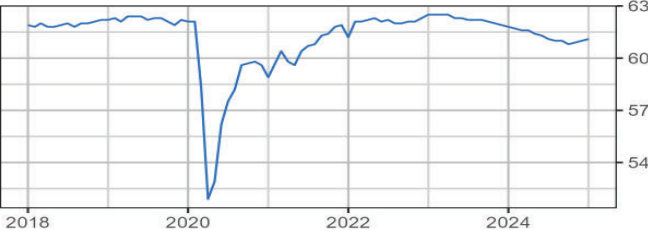
Unemployment Rate (%)

Last data point: 2025-01-01



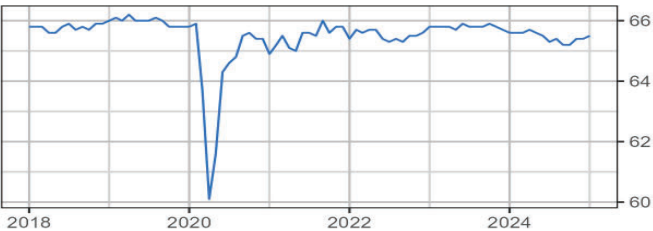
Employment Rate

Last data point: 2025-01-01



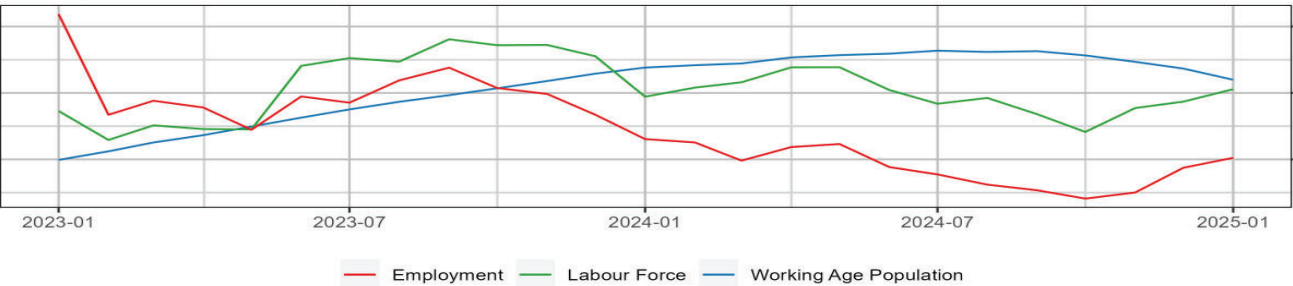
Participation Rate

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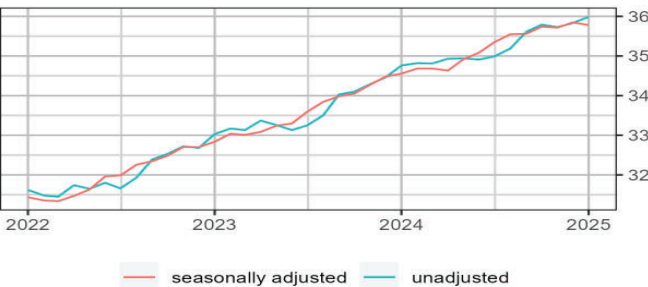
Labour Indicators, 12-month % ch

Last data point: 2025-01-01



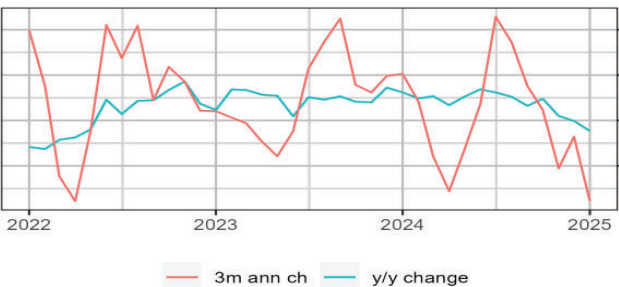
Average hourly wage

Last data point: 2025-01-01



Average hourly wage growth (%)

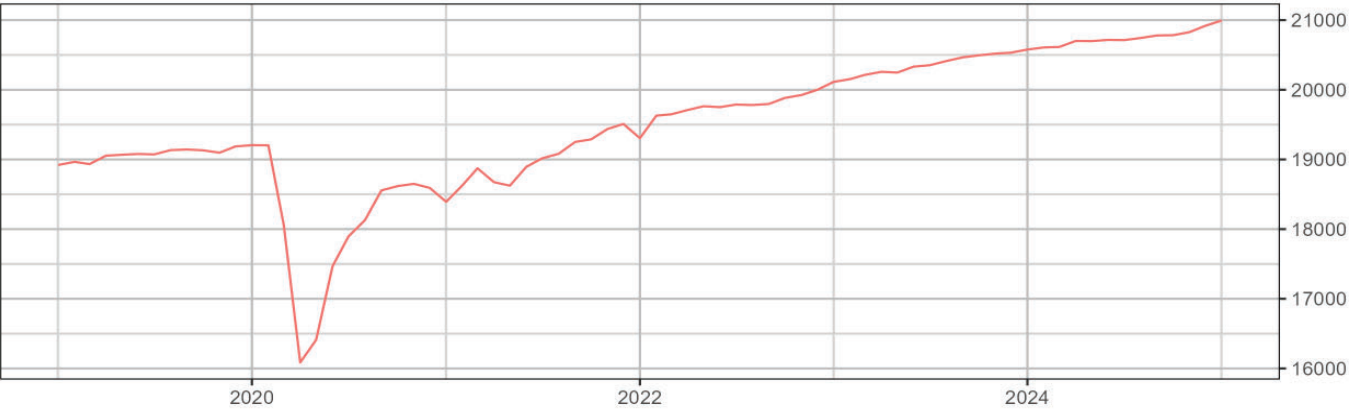
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Canada LFS Employment

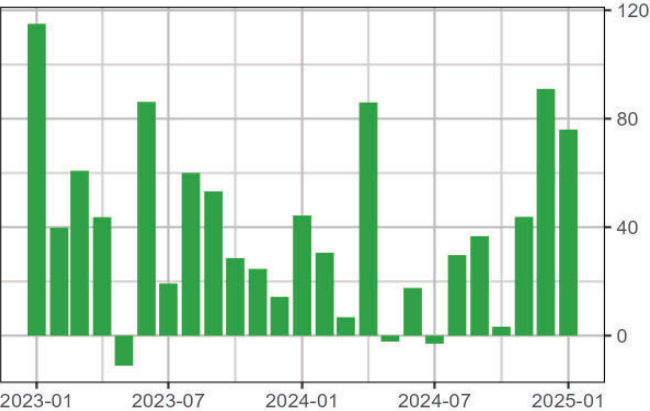
Employment, 000s

Last data point: 2025-01-01



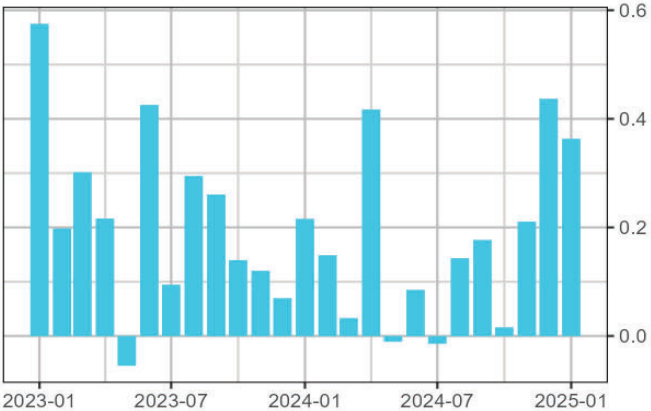
Monthly ch 000s

Last data point: 2025-01-01



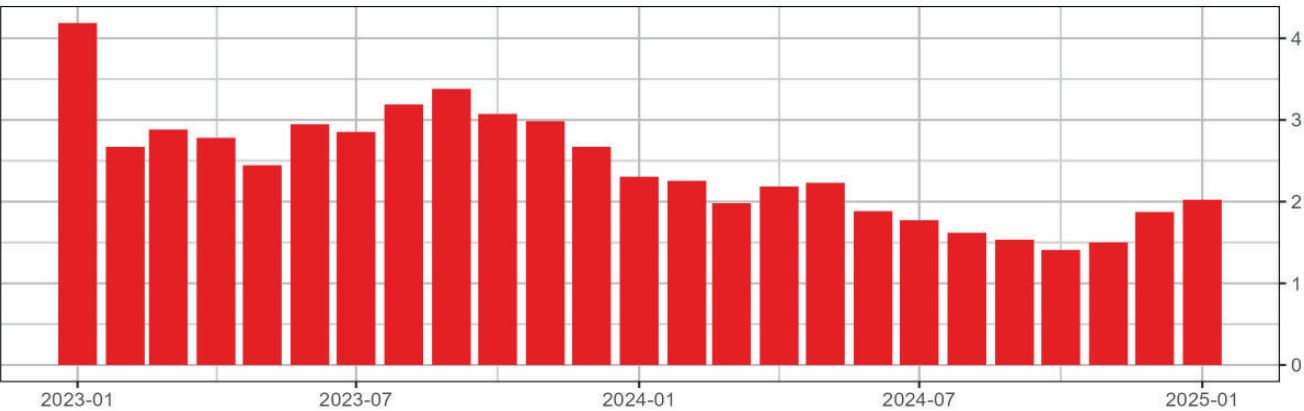
Monthly ch (%)

Last data point: 2025-01-01



12- month ch (%)

Last data point: 2025-01-01



Statistics Canada, Central 1

Provincial Labour Market Highlights

