



Mixed but steady start for Canada's labour market

It was an odd start to the year for Canada's labour market as the unemployment rate curiously tumbled to the lowest level in more than a year even as employment slipped. The unemployment rate was knocked down by 0.3 pp to 6.5 per cent which was the lowest since September 2024, while employment fell by 24.8k people or 0.1 per cent after five consecutive increases. The counterintuitive movements owed to a steep retrenchment in the labour force of 119k, which was the most since the pandemic period, and suggests some pessimism on the part of job seekers to start the year, while also being hampered by a flat population, and in some areas poor weather. The participation rate plunged 0.4 points to 65 points, which was the lowest since 2021.

Broadly, the latest labour market data was a mixed bag. On the employment front, the negligible loss masked more positive details but still signaled tempered hiring. Full-time work managed to increase by 44.9k (0.3 per cent) but was offset by lower part-time work (-69k or 1.8 per cent) pointing to at least some improvement in job quality. Hours worked rebounded after a December decline by 0.6 per cent, pointing to stronger economic activity in January.

Mixed patterns also came on the regional front. January's employment loss was centred entirely in Ontario, where total employment declined 66.5k or 0.8 per cent which could have been weather related, with all other provinces recording gains. This was specifically the case in faster growing Alberta (0.8 per cent) and Saskatchewan (1.0 per cent) which recorded stronger monthly gains and led year-over-year performance.

Among sectors, steeper employment declines were seen in the manufacturing sector where employment fell 27.5k or 1.5 per cent, but almost entirely in Ontario. Meanwhile, education fell 24.2k (1.5 per cent), and professional/scientific/technical services retraced 11.2k or 0.6 per cent, and public administration fell 10k or 0.8 per cent. While always a challenge to pinpoint drivers, trade weaknesses and tariffs continue to drag on manufacturing, while some firms have announced reductions to reverse pandemic tech hiring and as AI percolates the workforce. Government cuts are also working through the data. Upside came from agriculture (10k or 4.5 per cent), and information/culture/recreation (17k or 2.0 per cent).

The lower unemployment rate and slower but still solid wage growth of 3.3 per cent y/y suggests some firmness in the labour market but given the swing in participation rate and regional volatility, we are unconvinced that the unemployment rate will hold. That said, the jobless rate is anticipated to remain below 7 per cent and generally trend lower through 2026 as low population growth limits the size of the labour force. Provincially, January's unemployment rate decline was driven by Ontario, which fell from 7.9 to 7.3 per cent, although Saskatchewan reported a more than full percentage point decline. A mix of modest up and down movements were seen in other provinces. The lowest rate was in Quebec (5.2 per cent) and Saskatchewan (5.3 per cent). The highest was in Newfoundland and Labrador (9.2 per cent).

On the monetary policy front, we see little to shift the Bank of Canada off its holding pattern at the current time. While there are some areas of stress related to the trade environment and manufacturing in particular, the overall employment picture and lower unemployment rate points to steady conditions. Moreover, given the structural weakness in the economy due to trade issues, Bank tools are limited to boost the economy without also inducing inflation.

Bryan Yu

Chief Economist

Central 1 Credit Union

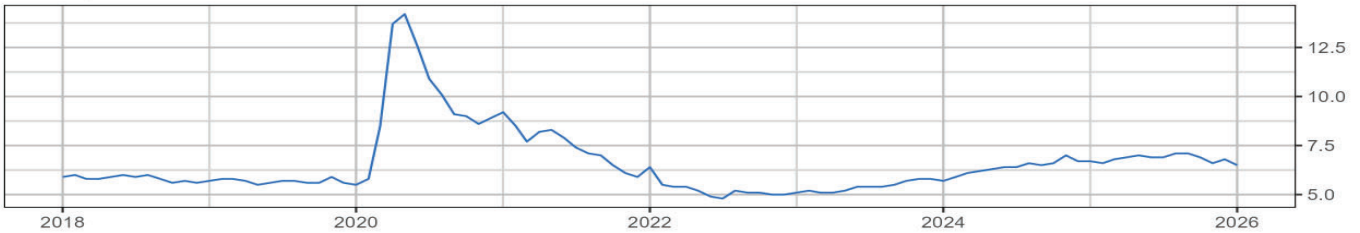
byu@central1.com

Labour Market Summary by Province					
Province	Employed, 000s	m/m % change	y/y % change	Unemployment Rate	Participation Rate
CAN	21,121.2	-0.1	0.6	6.5	65.0
BC	2,947.6	0.1	0.0	6.1	64.8
AB	2,651.0	0.8	3.4	6.4	69.0
SK	623.6	1.0	2.6	5.3	67.6
MB	744.1	0.1	1.8	6.3	67.1
ON	8,208.0	-0.8	-0.3	7.3	64.4
QC	4,669.7	0.1	0.7	5.2	64.8
NB	409.6	0.5	1.7	6.7	60.6
NS	524.7	0.1	-0.3	6.9	61.4
PEI	95.5	0.6	1.6	7.6	66.5
NL	247.3	1.6	1.7	9.2	57.6

Canada Labour Market Conditions

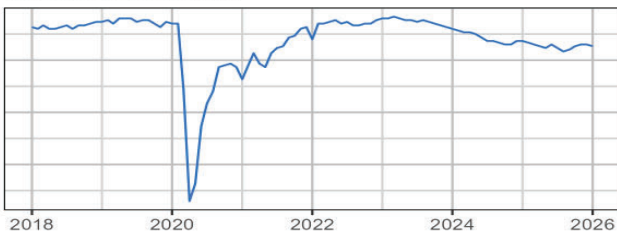
Unemployment Rate (%)

Last data point: 2026-01-01



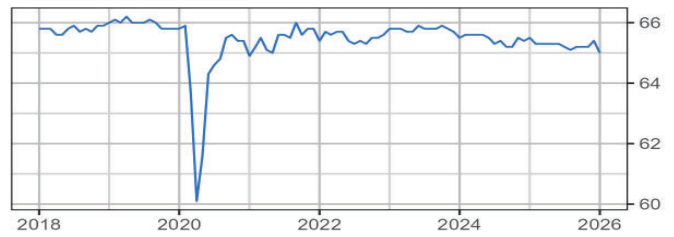
Employment Rate

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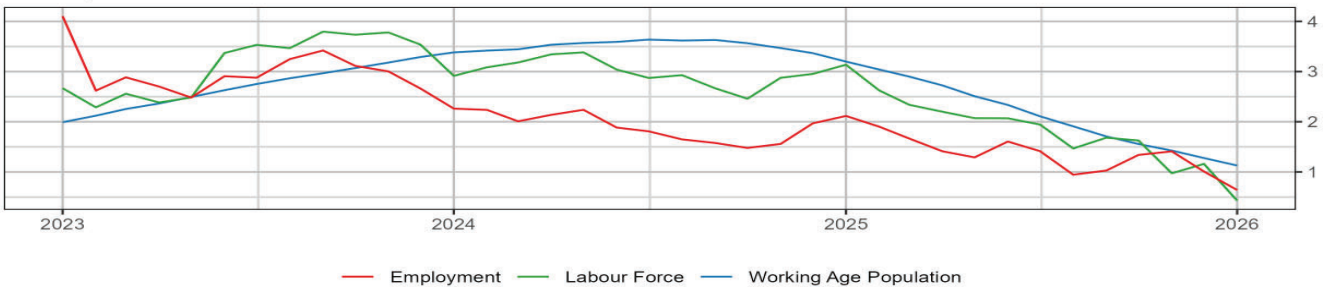
Participation Rate

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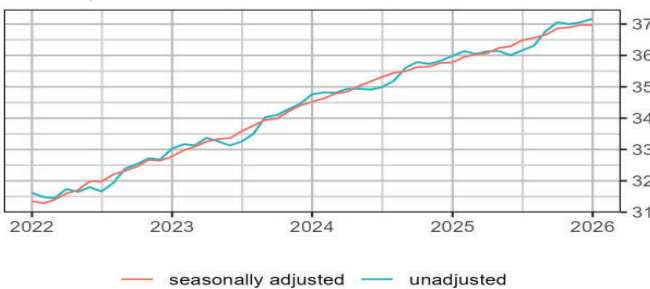
Labour Indicators, 12-month % ch

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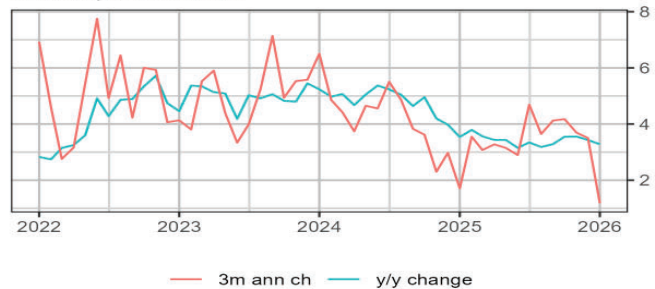
Average hourly wage

Last data point: 2026-01-01



Average hourly wage growth (%)

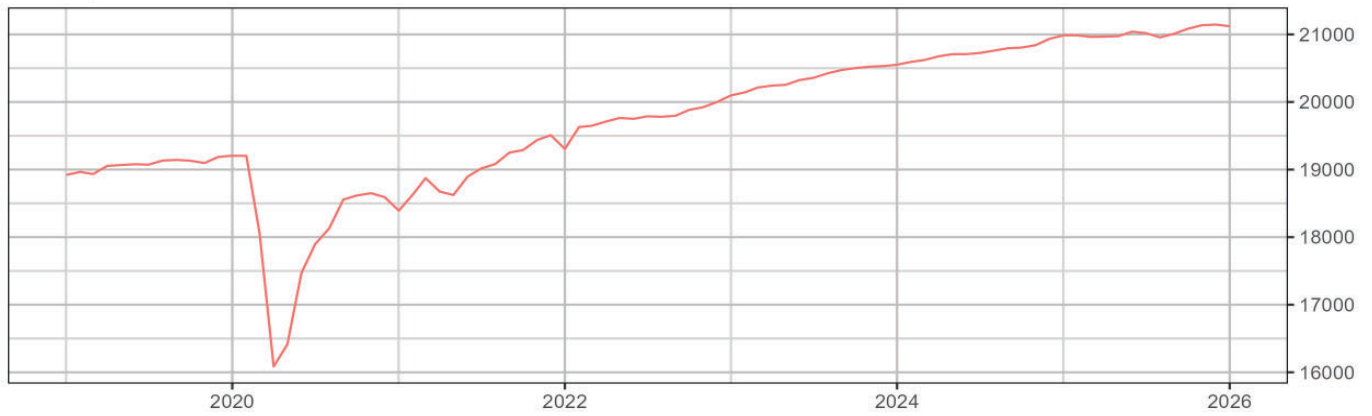
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Canada LFS Employment

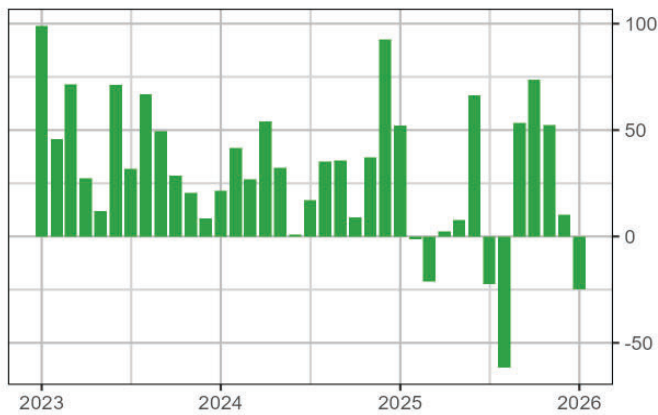
Employment, 000s

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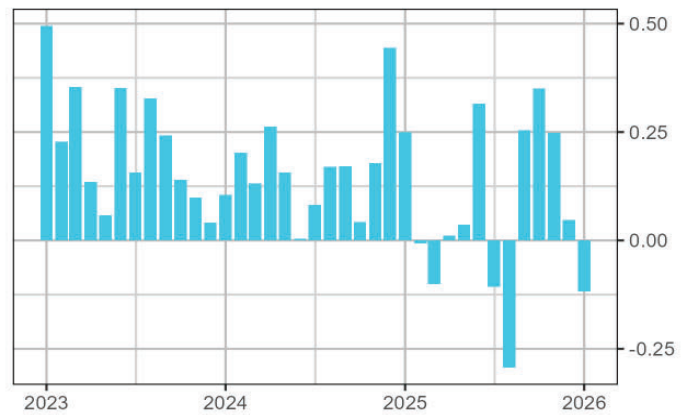
Monthly ch 000s

Last data point: 2026-01-01



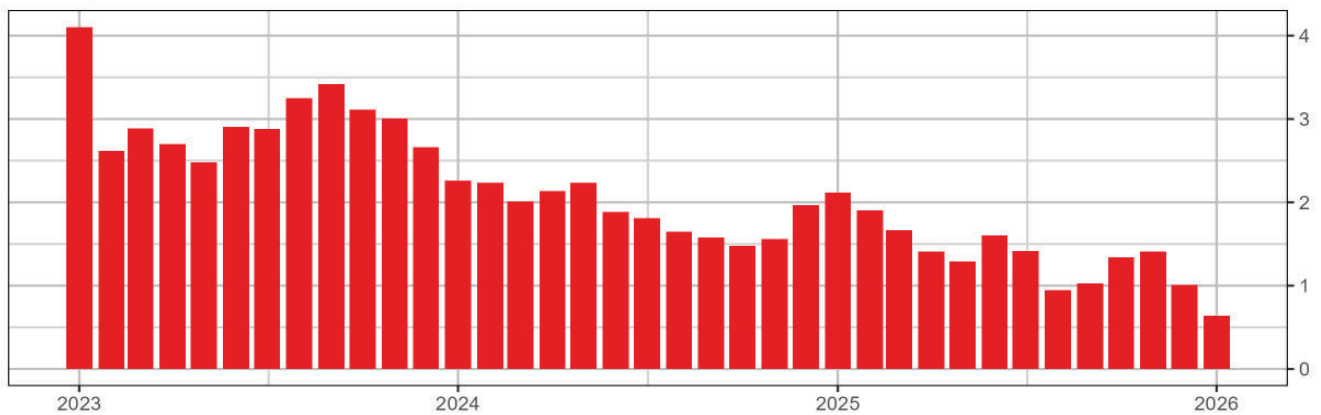
Monthly ch (%)

Last data point: 2026-01-01



12- month ch (%)

Last data point: 2026-01-01

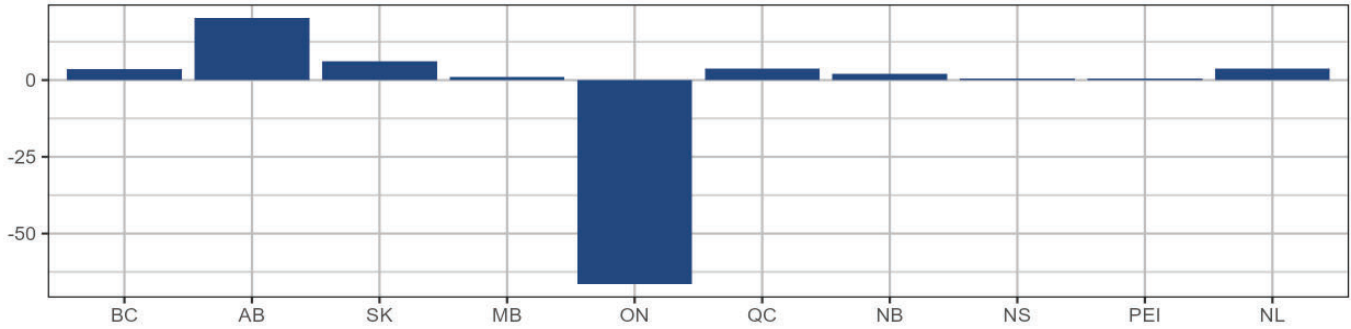


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Provincial Labour Market Highlights

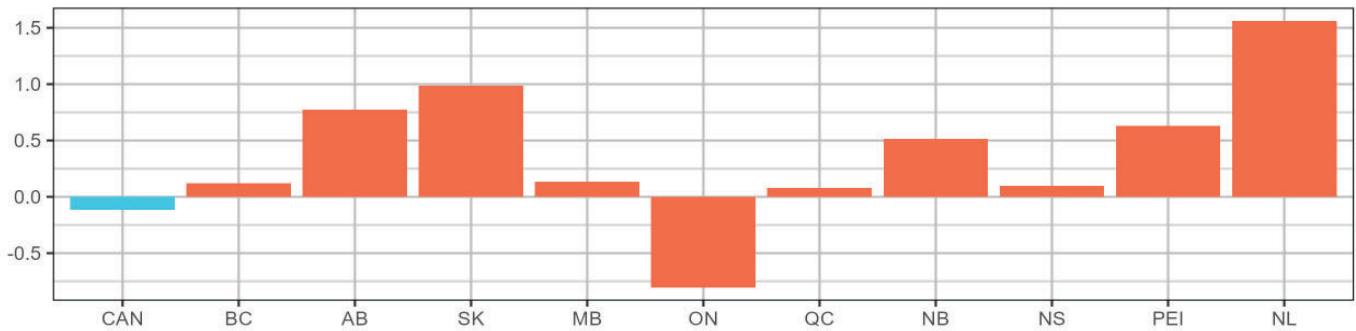
Employment by Province, m/m ch (000s)

Last data point: 2026-01-01



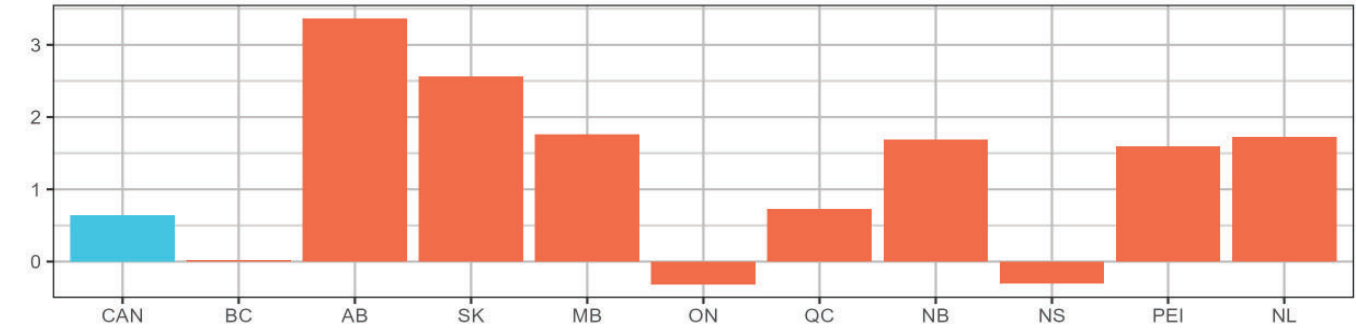
Employment by Province, m/m % ch

Last data point: 2026-01-01



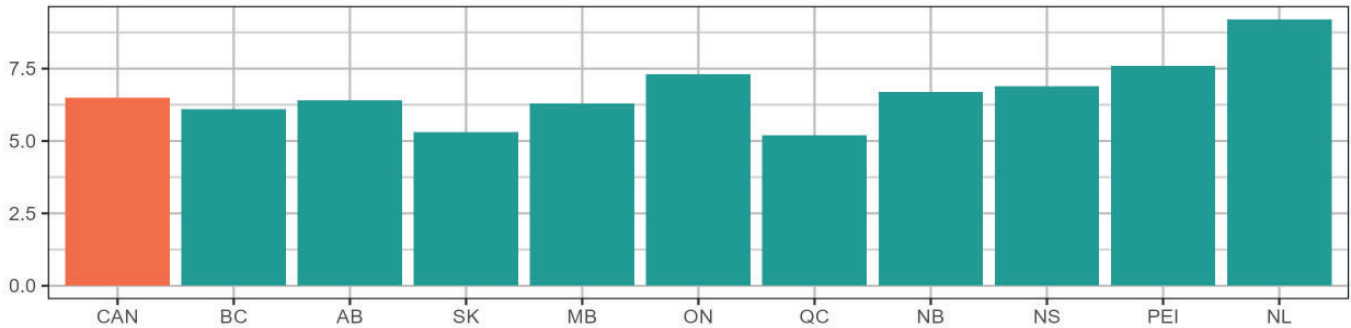
Employment by Province, y/y % ch

Last data point: 2026-01-01



Unemployment Rate by Province, %

Last data point: 2026-01-01



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