

Canada sees biggest jobs drop since 2009; interest rates seen holding

By Leah Schnurr

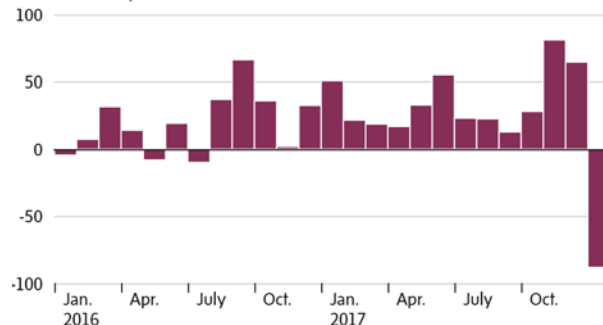
February 9, 2018 – *The Globe and Mail* / Reuters

The Canadian economy lost the most jobs in nine years in January, pulling back after a robust 2017 and solidifying expectations the Bank of Canada will hold interest rates steady next month.

The 88,000 job decrease fell well short of economists' forecasts for a gain of 10,000 and was the biggest decline since January 2009 when the economy was dealing with the global financial crisis, Statistics Canada said on Friday.

Net change in employment

In thousands of persons



THE GLOBE AND MAIL, SOURCE: BLOOMBERG

The drop was driven by a 137,000 decline in part-time work, the biggest on record, which eclipsed a 49,000 increase in full-time positions. The unemployment rate rose to 5.9 per cent from December's revised 5.8 per cent.

Average hourly wages jumped 3.3 per cent from last January, the strongest since March 2016. Ontario, Canada's most populous province, raised the minimum wage to C\$14 (\$11.11) an hour at the start of 2018, making it the highest in the country.

The job market is coming off its strongest pace of growth since 2002 after creating more than 400,000 jobs in 2017.

Economists said January's hefty drop was to be expected after such a strong year and was unlikely to change the Bank of Canada's trajectory of more interest rate hikes to come in 2018. The jobs report can also be volatile month-to-month.

"It doesn't change the broader narrative around the Bank of Canada. They are still going to be in a gradual tightening path," said Andrew Kelvin, senior rates strategist at TD Securities.

The Canadian dollar weakened against the greenback following the report before reversing to trade modestly firmer.

Market bets that the bank will hold in March edged up to 92.1 per cent after the data, though odds of a hike by May were at nearly 80 per cent. The central bank has raised rates three times since last July.

Job losses were heaviest in the services sector, which shed 71,900 positions in industries including educational services, finance, insurance and real estate. Among goods-producing firms, the construction sector saw the biggest decline, losing 14,900 jobs.

Ontario had the biggest jobs decline among the provinces, shedding 50,900 positions on a drop in part-time work.

The job losses were spread across industries and included higher paid work, according to the statistics agency. Employment in the food and accommodation sector, where many workers make minimum wage, was little changed.

Some have warned the hike in the minimum wage will cause employers to decrease hiring.