

Canada's job market blows past forecasts in January, unemployment rate falls

By Matt Lundy

February 7, 2020 – *The Globe and Mail*

Canada's labour market recaptured some momentum in January as hiring greatly surpassed expectations, flashing a positive signal for an economy that's been struggling of late.

The country added 34,500 positions in the month, Statistics Canada said Friday in its Labour Force Survey (LFS), nearly double the consensus estimate of 17,500 new jobs. The unemployment rate ticked down to 5.5 per cent, just shy of tying a record low.

With January's gain, the labour market has recouped its losses from a sluggish second half of 2019, when hiring slowed considerably from a scorching pace to start the year. More than 60,000 jobs have been created over the past two months, suggesting recent economic weakness hasn't spooked employers from adding to their headcounts.

Moreover, average hourly wages for permanent employees rose by a lofty 4.4 per cent from a year ago.

The domestic economy continues to grapple with several worrying trends, however, such as stagnant exports and subpar business investment, along with the unknown fallout from the novel coronavirus outbreak, which has forced some Canadian companies to curtail operations.

As such, the recent jobs rebound "doesn't yet erase the potential for a rate cut," Royce Mendes, senior economist at Canadian Imperial Bank of Commerce, said in a client note. "With the economy looking likely to have barely advanced in the final quarter of 2019 and facing a number of headwinds early in 2020, there's still the possibility that the Bank of Canada will be forced into action to support the economy."

January's LFS showed strength on multiple fronts. All the new jobs were in full-time positions, and nearly 50,000 positions were created in goods-producing industries, with particular strength in manufacturing (20,500) and construction (15,800).

"However, we would note that despite the best monthly gain in more than two years, factory employment is still down from a year ago," Douglas Porter, chief economist at Bank of Montreal, said in a research note.

Quebec ranked as the top province, with about 19,000 jobs added. Meanwhile, Ontario continued its run of strength by creating 15,900 jobs in January and bringing its 12-month tally to nearly 210,000 new positions. Over the past year, Ontario accounts for 78 per cent of nationwide hiring.

The situation is bleaker in Alberta, which lost nearly 19,000 jobs in January, with much of the decline in part-time positions. Alberta, Saskatchewan and Newfoundland and Labrador all saw their unemployment rates climb higher.

"Each of those provinces continues to face challenges in their labour markets, and the recent fall in commodity prices makes bringing them back to full health even more difficult," Mr. Mendes said.

Another challenge in January was severe weather conditions, which led to 390,000 people across the country working fewer hours. Most of those affected were in British Columbia, while Alberta and Newfoundland and Labrador also experienced sizable disruptions.

Mr. Mendes said it's necessary to take Friday's report "with a grain of salt," given the survey's

inherent volatility. The LFS is a survey of households, and month-to-month changes are subject to a considerable margin of error. Other, less timely measures often paint a different picture of labour market trends.

“Still, [January’s] gains do build on the prior month’s advance, suggesting that maybe the

labour market rebounded from prior weakness around the turn of the year,” Mr. Mendes said.

“That said, other indicators of the economy, in particular consumption, have looked soft. So the picture remains decidedly mixed.”