

#### Contributors

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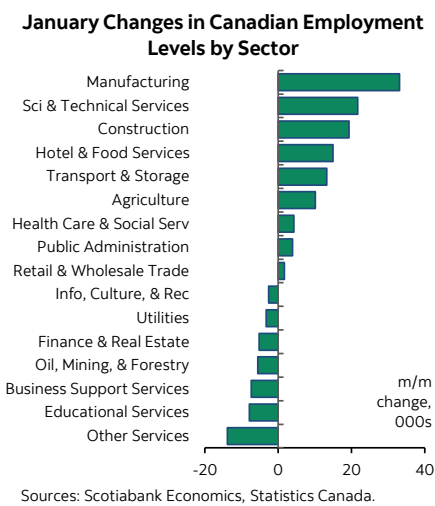
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#### Chart 1

Canadian Jobs Break Down	
Province	m/m
Ontario	+39.0k
British Columbia	+23.5k
Quebec	+15.7k
New Brunswick	+2.9k
Manitoba	+2.0k
Newfoundland & Labrador	-0.1k
Prince Edward Island	-0.3k
Nova Scotia	-0.5k
Saskatchewan	-1.8k
Alberta	-4.3k
Employment Type	m/m
Full Time	+35.2k
Part Time	+40.9k
Public Sector	-8.4k
Private Sector	+57.2k
Self Employed	+27.4k

Sources: Scotiabank Economics, Statistics Canada.

#### Chart 2



## Canada's Job Market is Strong!

- Strong job growth continues...
- ...and fudged seasonal adjustments held back an even stronger reading
- Politically-driven trash-talking of Canada's job market has no place in the debate
- Hours worked signal strong GDP in December, January and Q1
- Lower UR, but wage growth is weakening
- Markets scaled back BoC rate cut pricing

#### Canadian jobs, m/m 000s / UR %, SA, January:

Actual: 76 / 6.6

Scotia: 35 / 6.7

Consensus: 25 / 6.8

Prior: 91 / 6.7 unchanged

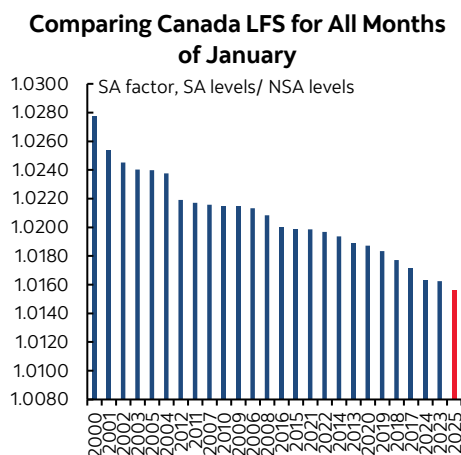
Canadian jobs blew the barn doors off expectations once again. See chart 1 for some highlights. As argued, what goes up, does not go down, as hiring momentum remains very strong. Another 76k jobs were created in January following 91k created in December. Furthermore, because of a statistical quirk, the job creation figure was actually held back from what it might have otherwise been.

Canadian employers are either not listening to DJT's threats and tantrums, or perhaps they are listening to him and choosing to add bodies to meet production needs rather than having the confidence to invest. Maybe they are tilting the capital-to-labour ratio toward labour that is easier to ditch than to bail out of cap-ex should developments turn south. Whatever the reasoning, Canada's job market ripped again in January and the massive gain in jobs had strong underlying details.

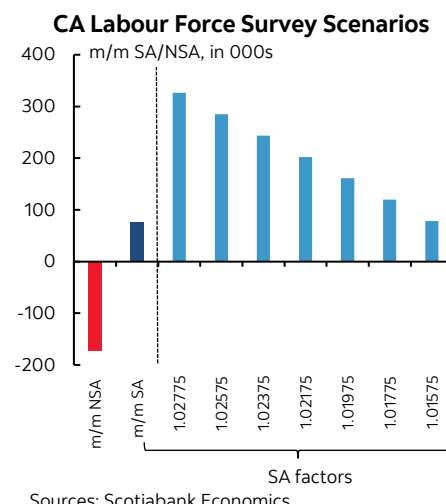
#### Markets Back Off BoC Cuts

Markets reacted by bailing out of Bank of Canada rate cut pricing. The Canada two-year yield jumped 8bps and the 10s yield moved up 10bps. BoC March meeting pricing was cut back by 5bps to closer to a coin flip. The C\$ appreciated by about a third of a penny.

#### Chart 3



#### Chart 4



**The Job Market is Strong. Can the Politics.**

First, step back and consider the big picture here. The data does not support all the negative nellys out there who keep searching for ways to trash the health of the job market and prospects for the household sector frankly often through a distorted political lens.

Canada created 385k jobs in 2024. 211k in the past three months. 280k in the past six months. Private sector payrolls were up 164k in 2024 and 96k in January, and gained 177k in the last three months and 215k in the past six months. Besides, with the surge of immigration, Canada is going to need more of some types of public sector workers in people-intensive service areas like, oh, to address unanswered 9-1-1 calls, teachers, nurses, doctors, social workers, etc. And the main reason why the unemployment rate has moved up over time is because of too many temps—including temporary foreign workers and international students—that the Federal government is targeting for reductions going forward. That should tighten the UR over time. And yet with many observers and discussions I curiously keep hearing how the job market is weak, it's all public sector hiring, it's bad for households. Rubbish. Complete rubbish.

**Sector Breadth Was Solid**

Chart 2 shows the break down by sector. Manufacturing was the darling of the month among Canadian workers as that sector added 33k jobs maybe on tariff front-loading, or maybe out of fears preventing investment. There was considerable breadth across other sectors.

**Three of the 'Big Four' Provinces Drove the Gain**

By province, almost all of the job creation was in Ontario, BC and Quebec. The rest of the provinces were rounding errors. Good enough, I'll take it, they're three of the four largest provinces with only Alberta left out.

**Full-Time and Part-Time — You Choose!**

There was a nearly even split between full-time (+35.2k) and part-time (+40.9k) employment.

**Private Payrolls Led the Way**

The private sector led the way in January with 57.2k jobs created versus 8.4k fewer in the public sector and +27.4k self-employed jobs.

**Why Job Growth Could've Been Much Stronger**

Chart 3 shows that Statistics Canada went with the lowest seasonal adjustment factor on record comparing like months of January over time. All of the weakest SA factors have been in the past three years, reflecting a recency bias in how these factors are calculated.

Chart 4 seeks to control for this by taking the same seasonally unadjusted level of employment and applying different SA factors across the whole range of past experiences for like months of January. Job growth would have been stronger yet at any other historical SA factor for like months of January on record. How strong? In the hundreds of thousands which clearly made Statcan uncomfortable so they squashed the SA factor to rein it all in.

**Strong Implications for GDP**

Hours worked are tracking a massive gain (Chart 5). They were up another 0.9% m/m SA in January after an upwardly revised gain of 0.7% in December (initially 0.5%). That leaves us tracking hours worked that were little changed in Q4 (-0.7% q/q SAAR) but a massive 5.2% q/q SAAR surge in Q1. Since GDP is an identity defined as hours worked times labour productivity, the hours data lends itself toward strong GDP reports for December, January and Q1.

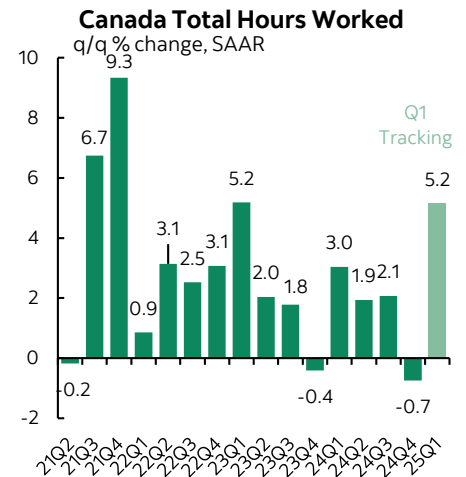
**The Unemployment Rate Moved Lower**

The unemployment rate fell a tick to 6.6%. That was because the labour force increased by 61k and hence less than the 76 gain in jobs. Nevertheless, the labour force continues to grow very strongly with a net increase of 225k in the past three months.

**Wage Growth Is Tumbling**

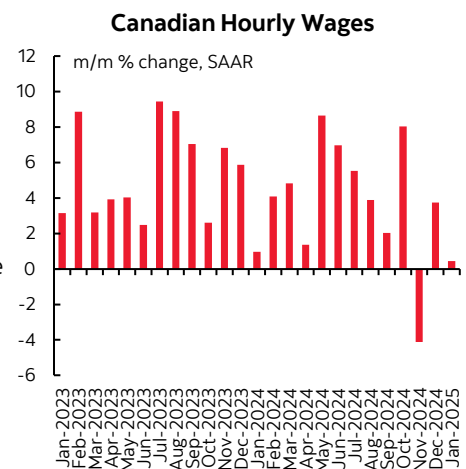
Wage growth tumbled to 0.5% m/m SAAR from 3.7% in December (chart 6). The three-month moving average is 0% m/m SAAR which is the weakest since May 2021.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Chart 6



Sources: Scotiabank Economics, Statistics Canada.

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