

Contributors

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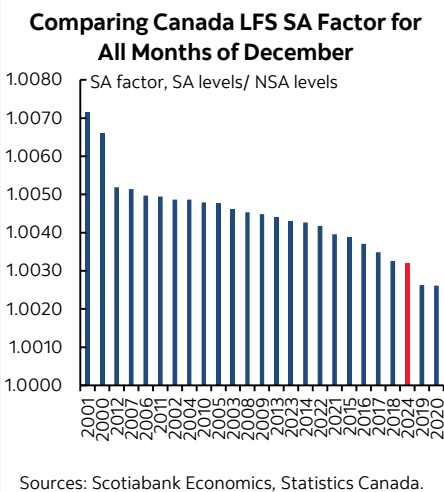
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Chart 1

Canadian Jobs Break Down	
Province	m/m
Alberta	+35.2k
Ontario	+23.4k
Quebec	+14.4k
British Columbia	+14.1k
Nova Scotia	+7.4k
Saskatchewan	+4.0k
Newfoundland & Labrador	+1.1k
Prince Edward Island	+0.3k
New Brunswick	-1.8k
Manitoba	-7.2k
Employment Type	m/m
Full Time	+57.5k
Part Time	+33.5k
Public Sector	+40.4k
Private Sector	+26.7k
Self Employed	+23.7k

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Canada's Job Market Remains On Fire!

- **Job growth far surpassed expectations...**
- **...and the trend remains hot**
- **The unemployment rate moved lower despite robust population and labour force growth**
- **Wage growth rebounded**
- **Hours worked surged in December despite strikes...**
- **...and a flat Q4 is baking in a GDP-friendly surge in hours into Q1**
- **If it were only up to jobs, the BoC would be on the sidelines...**
- **...but more important information lies ahead on tariffs and Canada's response**
- **Markets pushed yields higher, scaled back BoC expectations, while CAD is outperforming**

Canadian jobs, m/m 000s / UR %, SA, December:

Actual: 90.9 / 6.7
 Scotia: 15 / 6.7
 Consensus: 25 / 6.9
 Prior: 50.5 / 6.8

Canada's job market remains on fire as job growth blew past everyone's expectations. See chart 1 and the summary table above for some highlights. There is just no other way to put it. If the only thing that mattered to the BoC was the state of the job market, then they'd be shelving any talk of further easing. It's obviously not the only thing that matters as we are likely to find out soon enough, but for now, just can the talk about how the job market is weak. The analysts who have been driving that narrative are simply all wet.

How else can you describe a market that has driven 91k new jobs created on net in the past month, 156k new jobs over the past three months, 222k jobs over the past six months, and a whopping 413k jobs over all of 2024?

The composition is also very impressive. I'll go over the December details in a moment, but the trends are showing solid hiring in each of private sector payrolls (+53k 3mo, +111k 6mo, +191k full year) and public sector payrolls (68k 3mo, 77k 6 mo, 159k full year) and self-employed (34k 3mo and 6mo, 64k full year). Payrolls tend to be 'harder' data than self-employed in my opinion. Civil servants are now flat lining (-13k 3mo, flat 6 mo, but still up 159k on the year).

YIELDS UP!

The combined effects of robust employment gains in Canada and the US where payrolls were up by 256k threw bond markets into fits. Canada's 2-year yield is up 11ps on the day, so far matching the US sell off. The whole Canadian curve is moving higher including in 10s with the US up 5bps and Canada up 7bps. The 5-year Canada bond yield—key to the fixed rate mortgage market—is up 10bps to 3.14%. CAD is holding its own to the USD and outperforming every other major currency cross except for the yen. Stocks are not liking this in a good news is bad news sort of way as the TSX and S&P500 are both down by over 1% on the day.

Why? Because markets are paring bets on policy easing by the BoC and Federal Reserve. Markets shaved 3bps off of pricing for the January 29th meeting but still lean toward a cut with 17 out of 25bps priced in. That depends in large part on news to come, namely whether the incoming US administration applies tariffs and how Canada responds.

Markets also shaved about 12bps off of cumulative easing this year and now see under 50bps of BoC easing over 2024 versus our current forecast for only one more cut. That too will be much better informed by the course of events in the relatively near-term. US tariffs with no retaliation would mean more easing by the BoC; US tariffs with material retaliation by Canada could thwart easing and possibly even bring back policy tightening. And we'll play scenarios in between when we learn more in the context of fluid, fast moving developments.

Why Job Growth Could Have Been Even Stronger Than Reported

What's more, December's job gain would have been even stronger if not for the voodoo and seances being employed by Statistics Canada to come up with seasonal adjustment factors. Chart 2 shows that December's seasonal adjustment factor was the second lowest on record compared to like months of December.

Chart 3 shows what job growth would have been like using alternate SA factors within the range of past months of December. Across the full range of possible SA factors for a month of December, Canada would have had up to 190k jobs created with other SA factor scenarios shown in the chart. Nah, that wouldn't be believable for a household survey with a gigantic +/-57k 95% confidence band, so better to tamp it down and avoid awkward questions! Only somewhat kidding.

Wages Bounced Back

Wages bounced back with a rise of 4.1% m/m SAAR for permanent employees after the prior drop of 5.7% that was anomalous to the longstanding trend (chart 4).

Hours Worked Were Solid in December, Q4 Softness Bakes in Q1 Rebound

Hours worked were up 0.5% m/m SA which is a strong positive for December GDP since GDP is hours times labour productivity. That said, hours worked were flat for Q4 overall at +0.1% m/m SAAR (chart 5). December's hours would have been even stronger—and so would November's—if not for a surge in hours lost due to strikes (chart 6). The way Q4 ended for hours points to a running head start into Q1 with a 1% q/q SAAR gain in Q1 hours worked based solely on the way Q4 ended and the Q4 average before we get any actual Q1 data.

Impressive Breadth

The breadth of the gain in employment was impressive (chart 7). Only a handful of sectors registered small declines with several sectors registering bigger gains.

Unemployment Rate Moves Lower

The unemployment rate edged down a tick in line with my outlier estimate and a full two-tenths below consensus (chart 8). This was because the 90,900 gain in employment outpaced the 66,700 rise in the size of the labour force. There were more jobs created than the rise in the number of folks looking for them. Having said that, I'm surprised by the ongoing gains in the size of the labour force especially on the heels of the 138k rise in November. 205k more people looking for work in two months.

That's because population growth was strong again (+67k) and basically all of that gain in the 15+ population age group went into the labour force. Population increased by 1.17 million in 2024 for a 3.6% y/y gain for all of 2024. That remains huge and world-beating among similar industrialized economies.

Chart 3

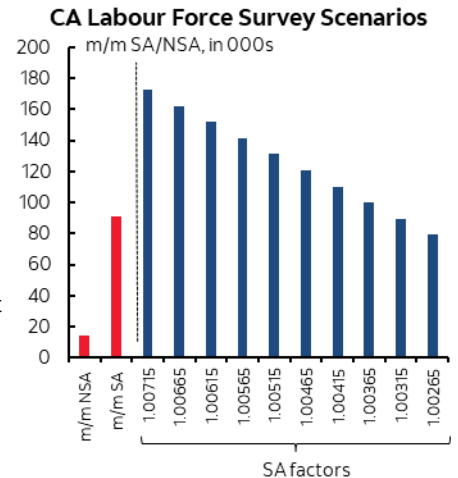


Chart 4

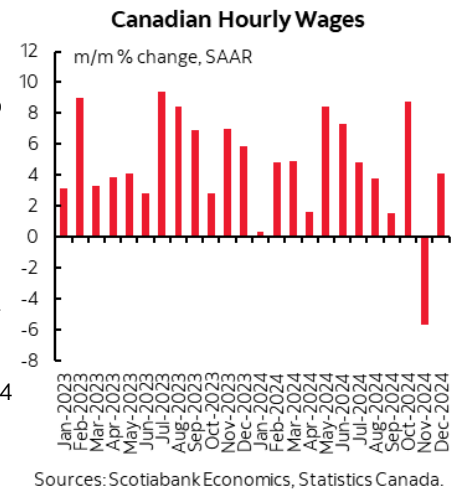


Chart 5

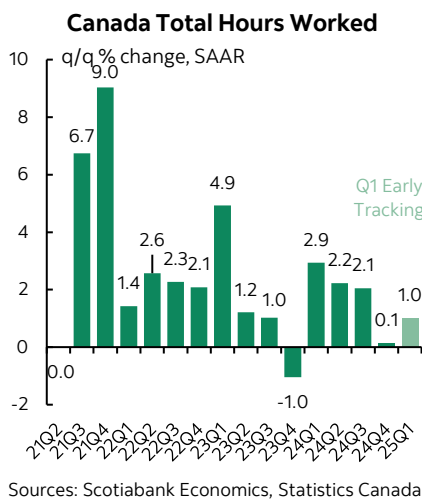


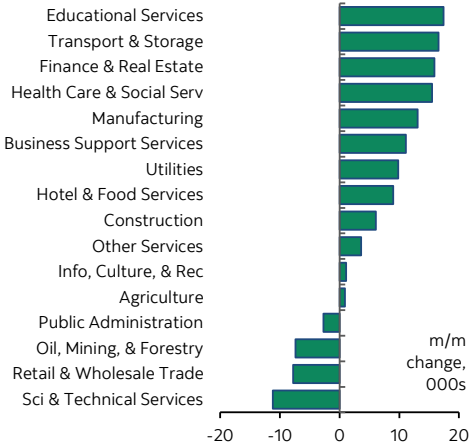
Chart 6



And recall that I'm not a believer in the argument that the BoC must cut because of the trend rise in the unemployment rate over time. Most of that rise has been because the pool of temporary (non permanent) residents has grown much faster than their jobs. This reflects overly lax immigration policy on the temp residents side of the picture that is made up of international students, temporary foreign workers and asylum seekers (chart 9). That policy is tightening and we should see the effects of this through lower temps over 2025. Further, why ease in order to put more temps to work if they produce at a lower level of productivity than others while overstimulating the rest of the population??

Chart 7

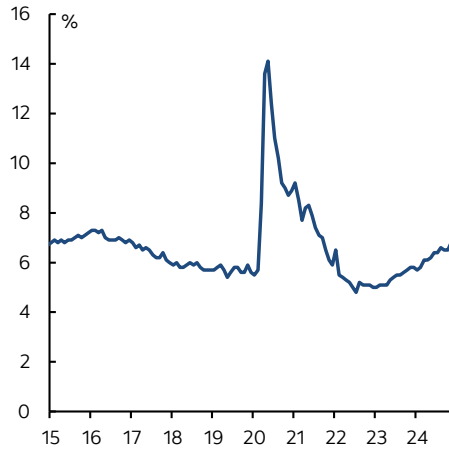
December Changes in Canadian Employment Levels by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 8

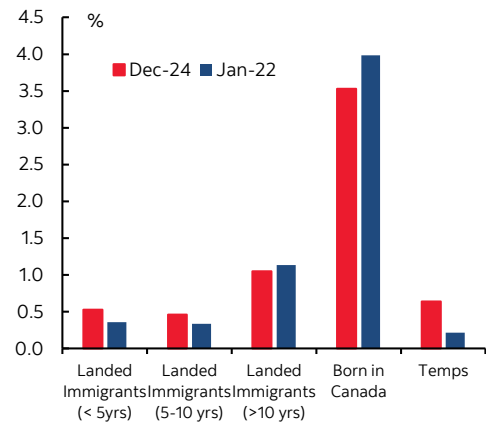
Canada's Unemployment Rate



Source: Scotiabank Economics, Statistics Canada.

Chart 9

Weighted Contributions to the Canadian Unemployment Rate



Sources: Scotiabank Economics, Statistics Canada.

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