

March 6, 2020

Virus concerns overshadow strong Canadian labour market data

- Employment increased 30k in February
- The unemployment rate ticked up to a still-low 5.6%
- Wage growth remained strong
- Data pre-dates intensification of coronavirus concerns in Canada

Canadian labour market numbers remained broadly solid in February, but that will likely matter little for markets or policymakers given increasingly intense concerns about the spread of the new coronavirus outside of China's borders. For what it's worth, employment increased 30k in February. The unemployment rate ticked up to 5.6%, but that is still down from a year ago and still right around multi-decade lows. Wage growth held above 4% on a year-over-year basis.

That labour markets held up in February is not really a surprise. Earlier reports on consumer and business confidence were still surprisingly resilient in the month despite disruptions from rail blockades and coronavirus concerns abroad. In February, most of the disruptions from the coronavirus were concentrated in China. Imports from that region to Canada were reportedly down in January in numbers released separately this morning, but reportedly largely due to fewer finished goods (cell phones) rather than a significant drop in supply of industrial inputs. But the impact on China's domestic economy from the outbreak has been significantly more pronounced, and the fear is that spreading of the virus abroad will prompt similar, if still ultimately transitory, impacts on a broader set of economies. That would intensify supply chain risks and hit the much larger domestic service sector assuming the outbreak continues to spread in Canada as well. It also means that positive, but ultimately backward looking, economic data will continue to take a backseat to go-forward concerns.

Canada employment summary				
	Dec-19	Jan-20	Feb-20	Feb-20
	m/m change (thousands)			12 mth avg
Employment	27	35	30	20
Full-time	34	36	38	21
Part-time	-7	-1	-7	-1
Public	-19	21	-1	8
Private	47	5	34	9
Self-employed	-1	8	-3	3
				y/y ppts change
		%		
Unemployment rate	5.6	5.5	5.6	-0.2
'R8' (SA by RBC)	7.9	7.9	7.9	-0.2
Participation rate	65.5	65.4	65.5	-0.3
ages 25-54	87.2	87.4	87.2	-0.4
Avg hrly wages (y/y %)	3.6	4.2	4.1	

Source: Statistics Canada, RBC Economics

Nathan Janzen | Senior Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-0569

For more economic research, visit our website at www.rbc.com/economics

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.