

# RESEARCH BRIEF

## CANADA EMPLOYMENT

FEBRUARY 2024

### Job Growth Beats Expectations but Underlying Trends Support Rate Cuts by Mid-Year

**Strong job gains mark the beginning of 2024.** Canada's total employment surprised to the upside, rising by 37,000 in January. The unexpectedly robust increase was driven by a jump in the public sector, which was partially offset by declines in private-sector employment and the self-employed population. Historical data was revised upward, now showing that 12,600 more jobs were added in the final quarter of 2023 than previously reported. Helped by a decrease in labour force participation, the unemployment rate dropped to 5.7 per cent, marking the first decline since December 2022. Annual wage growth softened slightly but remained elevated at 5.3 per cent.

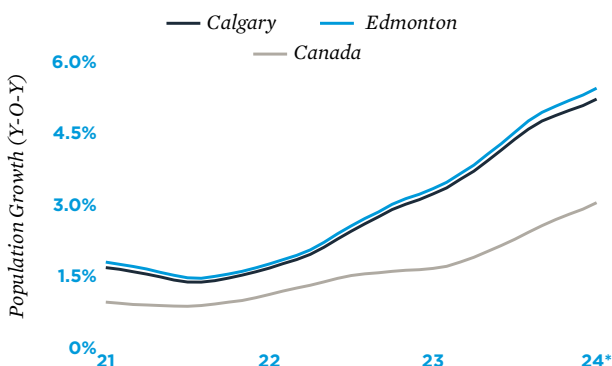
**Bank of Canada to lower rates by mid-year.** The surprising resilience in January's job report adds upside risks to Canada's near-term economic growth, providing another piece of evidence to keep the BoC on the sidelines. This report pushed back market expectations of a June rate cut, with July now being the most likely time. However, underlying details paint a weaker picture, which continues to support rate cuts later this year. Despite the robust headline number, all the job gains were driven by an increase in part-term employment, typically not a positive sign for the labour market. Declining labour participation rates in recent months also demonstrate that the labour force is not keeping pace with the rapidly growing population. Falling job vacancies and elevated population gains are alleviating labour shortages as well, which should translate to milder wage growth in the near term. Consequently, Canada's economy is predicted to remain on a softening path, prompting the BoC to lower the overnight rate in mid-2024.

### Commercial Real Estate Outlook

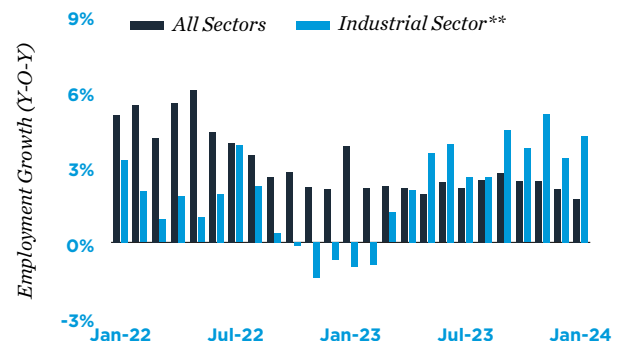
**Demographic tailwinds to continue in Alberta.** In 2023, Canada's multifamily vacancy rate fell to a record low of 1.5 per cent, with most of this decline driven by significant decreases in Alberta. The province experienced elevated resident inflows from both domestic in-migration and immigration last year, leading to a 130-basis-point drop in Calgary's multifamily vacancy rate as well as a 190-basis-point drop in Edmonton's. In January's labour force survey, Alberta's population continued to register the fastest pace of year-over-year growth in Canada, a trend expected to persist throughout 2024. Consequently, demand for apartments is anticipated to be stronger in Alberta compared to other regions in Canada. In the absence of major rent control policies, Calgary and Edmonton are forecast to be the only two major metros to experience double-digit-percentage rent increases in 2024.

**Growing industrial sector employment signifies healthy demand.** Since May 2023, annual job growth in the manufacturing, transportation and warehousing sectors has consistently outperformed the all-industry average. This indicates that tailwinds from supply chain nearshoring continue to prevail in the industrial sector, boosting demand for workers. For 2024 as a whole, while industrial space needs are set to moderate from the record levels seen in recent years, strong labour demand suggests that fundamentals in the industrial sector will likely remain healthy. With elevated levels of new supply expected this year, combined with softening but still healthy demand, vacancy is forecast to edge up to a more balanced territory, alleviating some upward pressure on rents.

### Alberta Population Outgrowing National Level



### Industrial Sector Seeing Above-Average Job Gains



\* Through January; \*\* Manufacturing, transportation and warehousing sectors  
Sources: IPA Research Services; Altus Data Solutions; Canada Mortgage and Housing Corporation; Statistics Canada

