

January 7, 2022

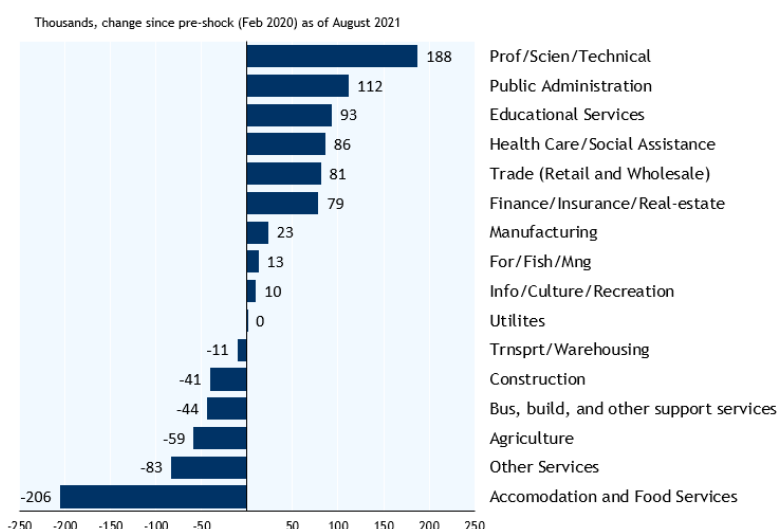
Canadian labour markets firm ahead of Omicron

- Employment rose 55k in December, unemployment rate down to 5.9%
- Gains concentrated in full-time work, although hours worked were little changed
- Omicron to temporarily pause recovery in January, but labour shortages to persist

The 55k increase in employment in December brought the recovery above pre-pandemic levels to 241k, and full-year job growth for 2021 to 886k. Gains from November were heavily concentrated in full-time jobs (+123k). Construction employment jumped 27k and manufacturing jobs rose another 11k after a 35k increase in November when supply chain disruptions at least temporarily eased. The unemployment rate fell to 5.9%, just slightly above pre-pandemic and around levels that would be typically be consistent with a healthy labour market. Widely reported labour shortages are expected to push wages higher, but year-over-year average hourly earnings growth held at 2.7%.

The rapid spread of the Omicron variant and re-imposed containment measures - including the closure of high-contact service sectors in Ontario and Quebec - mean employment will very likely fall substantially in January. And a high share of the workforce self-isolating will only add to ongoing labour shortages, including in sectors not directly impacted by government mandated restrictions like manufacturing. The rapid spread of the variant also means that the economic impact from the latest wave will be relatively short-lived, and government supports will once again help keep a floor under household incomes. With labour markets expected to bounce back relatively quickly, and inflation pressures continuing to intensify, the latest pandemic disruptions aren't expected to prevent the Bank of Canada from kicking off a rate hiking cycle, with our own call for the first increase to come in April.

Hospitality sector still accounts for largest jobs shortfall



Source: Haver, RBC Economics Research

Canada employment summary

	Oct-21	Nov-21	Dec-21	Dec-21 change from pre-pandemic
	<i>m/m change (thousands)</i>			
Employment	31	154	55	241
Full-time	36	80	123	248
Part-time	-5	74	-68	-7
Public	0	18	32	307
Private	70	107	17	178
Self-employed	-38	29	6	-245
	<i>%</i>			
Unemployment rate	6.7	6.0	5.9	0.2
'R8' (SA by RBC)	9.6	9.2	9.3	1.0
Participation rate	65.3	65.3	65.3	-0.2
ages 25-54	88.2	88.2	88.3	1.0
Avg hrly wages (y/y %)	2.0	2.7	2.7	

Source: Statistics Canada, RBC Economics

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