

March 11, 2022

Canadian job market surged back from Omicron disruptions

- 337k bounce-back in February employment led by hospitality sector recovery
- Unemployment rate fell to 5.5% - below pre-pandemic levels
- Hours worked jumped 3.6% after January decline and wage growth accelerated.
- (Exceptionally) tight labour markets expected to keep Bank of Canada hiking rates

The surge back in employment in February more-than-retraced the 200k drop in January. As-expected, the increase was led by a 114k bounce-back in the accommodation & food services sector with restaurant dining rooms reopening in Ontario and Quebec after closing in January due to rapid virus spread and re-imposed containment measures. But employment also rose in most other industries, including a 37k increase in construction jobs. And hours worked bounced back 3.6% after a 2.2% drop in January with fewer workers off sick or self-isolating.

Disruptions from the rapid spread of the Omicron COVID-19 variant were significant in January - but the economic impact of the pandemic is clearly getting smaller. Employment was 369k above pre-pandemic levels in February. And, despite an increase in labour force participation, the unemployment rate plunged to 5.5% - the lowest level since May 2019 (below pre-pandemic) and a full percentage point decline from January.

Labour markets remain extremely tight with the number of available workers being outpaced by job openings. A shrinking pool of available workers is making it difficult for businesses to hire across industries - including the accommodation & food services sector where employment is still well-below pre-pandemic levels. And wage growth has begun to strengthen with average hourly earnings up 3.1% from a year ago in February versus 2.4% in January.

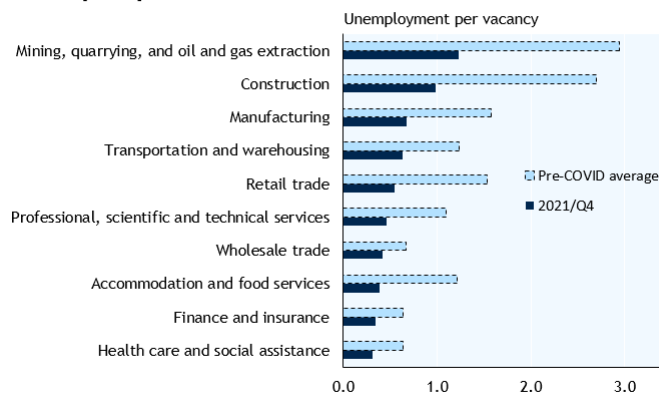
New headwinds to the economic outlook have emerged with the Russian invasion of Ukraine intensifying geopolitical risks, but inflation pressures have continued to firm and the recovery in the economy from pandemic is too strong to justify emergency low levels of interest rates with the Bank of Canada most likely to follow up on a March rate hike with another as soon as next month.

Canada employment summary

	Dec-21	Jan-22	Feb-22	Feb-22 change from pre- pandemic
	<i>m/m change (thousands)</i>			
Employment	79	-200	337	369
Full-time	143	-83	122	283
Part-time	-64	-117	215	86
Public	36	-8	8	313
Private	41	-206	347	302
Self-employed	1	13	-19	-246
	<i>%</i>			
Unemployment rate	6.0	6.5	5.5	-0.2
'R8' (SA by RBC)	9.2	8.7	7.9	-0.4
Participation rate	65.4	65.0	65.4	-0.2
ages 25-54	88.4	88.2	88.5	1.2
Avg hrly wages (y/y %)	2.7	2.4	3.1	

Source: Statistics Canada, RBC Economics

Most industries have fewer workers to fill vacancies than pre-pandemic



Source: StatCan, RBC Economics

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