

January 1, 2023

Canada added over 100K new jobs in December as labour market momentum holds up

- Canada added another 104k jobs in December as labour market momentum holds firm
- The unemployment rate ticked down to 5.0%
- Labour markets remain exceptionally tight, with unemployment rates hovering just above June's record low
- The Bank of Canada is still likely close to the end of the hiking cycle, but strong labour markets adding pressure for additional rate increases

The 104K increase in employment in December contributed to a total 244K increase in employment since August.

Canada has added over 620K jobs over the course of the pandemic, and December's data release shows hiring momentum is still firm. Nearly two-thirds of job gains were concentrated among youth aged 15 to 24, who had previously reported cumulative pandemic job losses. The remainder of new jobs were filled by Canadians 55 and older. New jobs were largely created in the private sector in December (+112K). The majority of the boost to employment can be accounted for by the services-producing sector (+82K), driven by transportation and warehousing (+29K), information, culture, and recreation (+25K), and professional, scientific and technical services (+23K), offsetting a pullback in health care and social assistance and education. To date, staffing in the hospitality sector remains 10% below pre-pandemic levels. The construction sector, which is typically more volatile on a monthly basis, posted the largest increase of all industries (+35K).

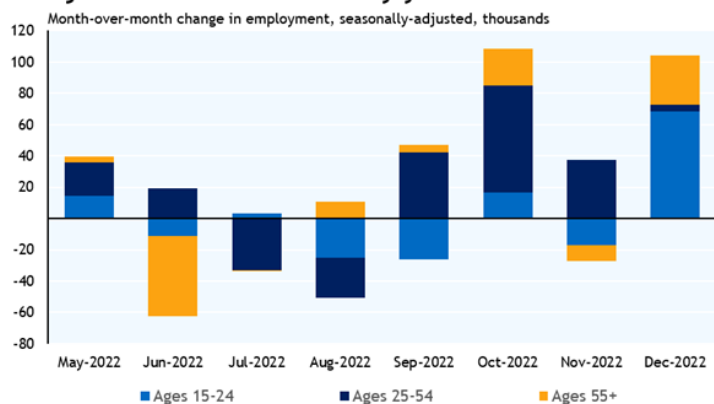
Despite record tight labour markets, annual wage growth pulled back in December. Average hourly wage rates were up 5.2% year-over-year in December, down from 5.6% in November. That is still a larger-than-usual increase but remains below headline inflation (at 7% in November). Hours worked remained little changed in December despite the large employment gain.

Labour markets are still exceptionally tight. Close to 6% of Canadian jobs are vacant, but the number of available unemployed workers available is very low. The lagged impact of 400 bps of Bank of Canada interest rate hikes in 2022 will slow hiring demand in 2023 and begin to push unemployment higher – although the current excess of job openings and the shortage of workers will limit near-term layoffs. The Bank of Canada is likely still close to the end of the current rate hiking cycle, although very strong labour market momentum to end 2022 increases the odds that the Bank of Canada will press ahead with another rate hike later this month.

Carrie Freestone | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-6930
For more economic research, visit our website at <https://thoughtleadership.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.

New jobs in December filled by youth and mature workers



Source: Statistics Canada, RBC Economics

Canada employment summary

	Oct-22	Nov-22	Dec-22	Dec-22
	<i>m/m change (thousands)</i>			<i>change from pre-pandemic</i>
Employment	108	10	104	627
Full-time	119	51	85	646
Part-time	-11	-41	20	-19
Public	18	-25	-18	349
Private	74	25	112	485
Self-employed	17	10	11	-207
	%			
Unemployment rate	5.2	5.1	5.0	-0.7
'R8' (SA by RBC)	7.7	7.9	7.7	-0.6
Participation rate	64.9	64.8	65.0	-0.6
ages 25-54	88.2	88.4	88.2	0.9
Avg hrly wages (y/y %)	5.6	5.6	5.1	

Source: Statistics Canada, RBC Economics

Carrie Freestone | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-6930
For more economic research, visit our website at <https://thoughtleadership.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.