



### **Canadian labour market ends 2021 on a solid note, Omicron restrictions weigh into January**

In a surprisingly firm jobs report, Canada's economy churned out another strong month of job gains in December despite an expected drag from the B.C. floods in late November and uncertainty from the global spread of the Omicron variant. That said, this will likely be fleeting as the latest public health measures around the country are sure to drive a backslide in January given hefty restrictions.

Nevertheless, December's numbers based on a reference week of December 5- 11 were solid and mark a strong handoff into late- month weakness. Total employment rose by nearly 55k persons (0.3 per cent), which was slower than November's 0.8 per cent increase, but bested market expectations for a gain of 27.5k persons. Under the headlines, the data was constructive with full-time employment leading the increase with an increased of 122.5k, which was partially offset by a 67.7k decline in part- time work. On net, hours worked in the economy rose 0.3 per cent. Relative to February 2020, total employment is up 1.3 per cent and hours worked up 0.4 per cent.

The key driver of the increase was the goods- sector which pushed out 44.3k (1.1 per cent) net hires with a big jump in construction workers (27.1k or 1.9 per cent), while manufacturing gained 10.5k workers. Services- sector employment growth underwhelmed with an insignificant increase of 10.6k persons (0.1 per cent). With the exception of education which gained 17.3k (1.2 per cent), most other changes were insignificant, albeit with a drag from finance/insurance/real estate (-10.8k or 0.8 per cent). Restriction sensitive sectors were largely unaffected. Among provinces, Ontario contributed the bulk of the national increase with a net increase of 46.9k employed persons (0.6 per cent). Relatively stronger gains were observed in Saskatchewan (1.1 per cent), and Alberta and PEI (both at 0.5 per cent).

With the latest employment bump, Canada's unemployment rate fell to 5.9 per cent, marking a pandemic-era low and compared to 5.7 per cent in February 2020. The lowest rate is currently in Quebec at 4.6 per cent, while Ontario sits at 6.0 per cent. B.C., Saskatchewan and Manitoba are clustered near 5.3 per cent. Long- term unemployment continues to ease but remains above pre-pandemic trends.

January employment will slide back given the extent of Omicron-related public health orders of varying severity among provinces. Broadly, closures or capacity restrictions in restaurants, gyms, and events means a rollback in restriction sensitive sectors. It will not be a surprise to see an employment decline of 150 – 200k positions in the current wave contingent on length of restrictions. That said, the economy has shown an ability to rebound quickly in previous waves, reflecting underlying momentum, and tight labour markets.

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