



## Unemployment rate falls below pre-pandemic levels

Canada's labour market ripped higher in February, bouncing back from January's Omicron- restriction induced pullback as provinces relaxed restrictions amidst the receding wave and underlying economic momentum remained positive. Total employment increased by 337k persons (1.8 per cent) during the month which more than reversed January's 200k loss. Convoy protests look to have had limited impact on national employment.

February's rebound was spread out across sectors with 12 of 16 recording gains from January. Unsurprisingly, the largest gains were concentrated in sectors curtailed by restrictions. Hospitality (+113.8k or 12.6 per cent), and information/culture/recreation (+72.7k or 9.9 per cent) drove the bulk of the reversal as restaurants re-opened, as did gyms, theatres and other venues allowing more leisure. Other notable drivers included construction (+37k or 2.5 per cent) and professional/scientific/technical services (+47.3k or 2.8 per cent). Given the composition of gains, part- time hiring led the increase with nearly 2/3 of the increase and a month-to-month gain of 6.2 per cent. Full- time hiring increased 0.8 per cent or 121.5k persons. Nevertheless, total hours worked came in at an even stronger 3.6 per cent and have fully recovered.

Among provinces, Ontario drove the bulk of the absolute increase with employment up 194.3k persons or 2.6 per cent to reverse January's 1.9 per cent decline. Quebec gained 81.5k persons or 1.9 per cent after contracting 1.4 per cent the previous month. Newfoundland and Labrador and PEI outpaced with growth of more than four per cent but added little to the growth print.

The latest rebound has propelled the labour market back to a strengthening trajectory. Employment is now two per cent above pre- pandemic February 2020. This is led by B.C. at 3.2 per cent and Ontario at 2.6 per cent. The unemployment rate fell one per cent to 5.5 per cent, declining below pre-pandemic levels for the first time. With employment and participation rates fully recovered, economic conditions and feed through of inflation is underpinning further wage strength. Average hourly earnings edged down 0.3 per cent from January but 12- month growth accelerated to 3.1 per cent. This is likely understated as the ramp up in part- time work constrained growth in the headline number.

Further gains are expected in coming months reflecting further lifting of pandemic restriction. That said, uncertainty persists due to current Russia – Ukraine conflict and rising energy prices could hurt consumer spending, further amplified by higher interest rates.

The latest job numbers further support a series of policy rate hikes by the Bank of Canada, particularly as inflation likely accelerates with higher energy prices. That said, they will be looking at the potential feedback effects out of Europe on the global and domestic economy.

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