



Canadian labour market ends 2022 with a bang

Canada's labour market showed no signs of slowing in December as hiring growth shredded consensus forecast while the unemployment rate retreated. Total Labour Force Survey (LFS) employment jumped by 104k persons (0.5 per cent) during the month, compared to the median forecast for an 8k gain, and marked a sizeable increase from November's 10.1k increase. It is clear that higher interest rates and recession risks have yet to derail economic momentum. Fourth quarter employment bounced back by 0.8 per cent after a third quarter contraction.

December's LFS report showed strength across the board. Hiring was entirely driven by private-sector hiring (+111.5k) as the public-sector slipped. Both full-time and part-time employment growth was consistent with headline gains, although total hours worked were little changed. Interestingly, more than half of December's net hiring increase was in the younger age cohort (15 to 24), suggesting firms ramped up hiring for the holiday season at a stronger than normal pace. Employment for women in core age (25 to 54) reached a record high. Among industries, both goods-producing and services-producing sectors added more jobs. The former was led by construction where employment rose by 35k to reverse November's slide. Among services, professional/scientific/technical services employment jumped 23.1k, transportation and warehousing (+29k), and information/culture/recreation (+25k) led the gains. Tourism and travel looks to have driven this, while firms are broadly staffing up. In contrast, trade surprisingly shed jobs, while healthcare and social assistance (-17.4k) and education (-9.9k) curbed public-sector hiring.

The spike in job growth outpaced expansion in the labour force and nudged the unemployment rate down to 5.0 per cent. This is the lowest rate since May and highlights the ongoing challenges of firms to fill positions. Indeed, growth in the labour force via higher participation rate and population growth is contributing to expansion in employment through more capacity. Wage growth remained strong at 5.1 per cent year-over-year but was still below headline inflation and growth slowed on a month-to-month basis.

Employment rose in six provinces. Highlights included Ontario (+42.1k or 0.5 per cent), Manitoba (+7k or 1.0 per cent), Alberta (24.5k or 1.0 per cent), B.C. (+16.6k or 0.6 per cent), and Newfoundland and Labrador (+6.7k or 2.9 per cent). Unemployment rates generally held steady or eased in most provinces with the lowest currently observed in Quebec (4.0 per cent), Saskatchewan (4.1 per cent), and B.C. (4.2 per cent).

Today's LFS numbers highlight ongoing strength in the labour market even as risks of an economic slowdown mount and given labour shortages, aside from housing, firms continue to hire. While we have pegged a peak in the Bank of Canada rate cycle, the strength in this report could tee up another 25-basis point hike later this month for good measure before the Bank pauses.

Bryan Yu

Chief Economist
Central 1 Credit Union
byu@central1.com

Canada Labour Force Survey Summary

	2022M08	2022M09	2022M10	2022M11	2022M12
Employed, m/m	-39.7	21.1	108.3	10.1	104.0
Employed, m/m %	-0.2	0.1	0.6	0.1	0.5
Employed, y/y %	3.1	2.2	2.7	1.9	2.0
Unemployment Rate, %	5.4	5.2	5.2	5.1	5.0
Participation Rate, %	64.8	64.7	64.9	64.8	65.0
Employment Rate, %	61.3	61.3	61.6	61.5	61.8
Hourly Wage, y/y %	5.4	5.2	5.6	5.6	5.1
Employed, 3m % ch	-0.6	-0.3	0.5	0.7	1.1

LFS Employed, m/m ch. by select NAICS industry, persons

Goods	-13.9	-24.8	45.1	-9.4	22.2
Resources	5.7	5.9	-6.8	4.2	-2.1
Construction	-28.2	-3.3	24.6	-24.7	35.0
Manufacturing	-6.6	-27.5	23.8	18.5	-7.8
Services	-25.8	45.9	63.2	19.6	81.7
Trade	2.4	-2.7	-20.2	-23.2	-8.6
FIREL	7.9	-2.6	-3.2	21.4	3.3
PST	14.4	9.3	17.9	-15.0	23.1
Accom. and Foodservices	-1.6	12.2	18.3	8.3	13.4
Public Admin	-0.7	-11.8	14.5	6.1	10.8