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ECONOMIC NEWS

Canada: December Hiring Spree Favours One More Rate Hike

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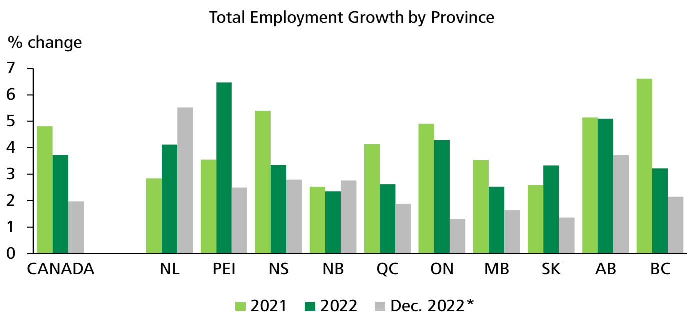
HIGHLIGHTS

- Net total Canadian employment jumped up by a massive 104k jobs in December 2022 to complete a 701k (3.7%) rise in 2022.
- Full-time positions rose by 85k in December.
- Construction, transportation and warehousing, information and culture, and professional, scientific, and technical services experienced the strongest growth in December. The health care and social assistance sector shed about 17k jobs nationally.
- The unemployment rate fell 0.1 ppts to 5.0%—just above the record low 4.9% attained in the summer. At the same time, the participation rate rose by 0.2 ppts to 65.0%, though that was still 0.4 ppts below the March 2022 post-pandemic peak.
- Total hours worked were again flat in December, staying about 1.4% below the March 2022 peak.
- Gains in hourly earnings of permanent employees—important for the Bank of Canada in its assessment of wages' inflationary impacts—eased to 5.2% y/y from 5.4% in November. However, it was the seventh consecutive monthly print above 5%.
- Six provinces witnessed net total employment gains in December. Quebec's unemployment rate rose to 4%—very close to record low 3.8% in November—on higher participation. By contrast, Ontario's unemployment rate fell from 5.5% to 5.3% in November. Still, the pace of hiring is slowing, just as in most other provinces (graph).

COMMENTS

Another month, more volatility in Canadian jobs. December's surge in employment, increase in participation and drop in the unemployment rate undid some of the weakness witnessed in prior months. But the results weren't strong across the board.

GRAPH
Job Creation Steady, but Slowing From Coast to Coast



* Year-over-year growth rate
Sources: Statistics Canada and Desjardins Economic Studies

More softness in hours worked, at least partly because of worker absences due to illness, paints a picture of an economy that requires more workers to produce the same amount of goods and services. The further deceleration in permanent employee wage gains also suggests some moderation in inflationary pressures, though these remain too high for the Bank of Canada's comfort.

IMPLICATIONS

The employment print does not change our tracking of real GDP growth, which is currently roughly 1 ½% (q/q ann.) for the fourth quarter of last year. That remains well above the Bank of Canada's forecast in its last Monetary Policy Report.

This release does, however, tilt the odds in favour of one final 25bp rate hike from the Bank of Canada later this month. Despite signs of slowing growth in other economic indicators, the apparent strength in hiring likely means the central bank's job isn't done just yet. In recent months, the governor has emphasized the need to rebalance the labour market if inflation is to normalize.

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