

ECONOMIC NEWS

Canada: Omicron Prompts January Job Losses

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HIGHLIGHTS

- ▶ The labour market lost 200,100 jobs in January, far more than expected.
- ▶ The service sector saw the most job losses (-223,100), with accommodation and food services (-112,900) and information, culture and recreation (-48,400) especially hard hit.
- ▶ 138,800 young people ages 15 to 24 lost their job in January, a 5.3% monthly decline.
- ▶ Unemployment rose half a point to 6.5%.

COMMENTS

Today's employment report was worse than expected, but January's job losses came as no surprise. We knew public health measures taken in response to the Omicron variant would be hard on the labour market. The provinces and sectors that lost the most jobs had the toughest restrictions.

Beyond the sectoral and regional closures, the high contagiousness of the Omicron variant and the explosion in the number of cases have exacerbated the difficulties in the labor market. In January, 10% of the workforce was absent from the job due to illness or disability—the most since the start of the pandemic. The previous record was 8.1% at the very beginning of the pandemic in March 2020.

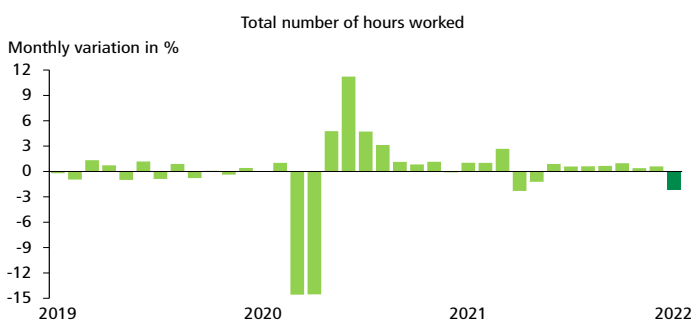
Total hours worked fell 2.2% in January. As expected, sectors affected by public health measures saw big declines, but most others saw a decrease due to absenteeism as well.

IMPLICATIONS

The steep decline in hours worked suggests we may see a bigger drop in January output than initially expected. That said, these are just temporary setbacks. The epidemiological situation has improved greatly in recent weeks, and public health restrictions

GRAPH

The number of hours worked was down again in January



Sources: Statistics Canada and Desjardins, Economic Studies

are gradually being lifted nationwide. We therefore expect jobs and hours worked to rebound in February. We've seen pandemic-driven ups and downs for nearly two years now, so they shouldn't be much cause for concern for the Bank of Canada. That leaves the door wide open for the bank to begin raising interest rates at its next meeting in March.