

ECONOMIC NEWS

Canada: The Labour Market Bounced Back in February

HIGHLIGHTS

- ▶ The labour market saw 259,200 new jobs added in February, recouping nearly all the positions lost in December (-52,700) and January (-212,800).
- ▶ The most noteworthy sectors are wholesale and retail trade (+122,300 positions) and accommodations and food services (+65,000 positions). These are obviously the sectors that benefited most from the gradual re-opening observed throughout the country during the month.
- ▶ The unemployment rate dropped from 9.4% to 8.2%, the lowest it has been since March 2020.
- ▶ The total number of hours worked in the Canadian economy was up 1.4% in February.

COMMENTS

As expected, the gradual lifting of some public health measures starting in February led to a sharp improvement in the labour market. The recovery will continue in the coming months, but a return to pre-pandemic levels could take some time. It is worth noting that imbalances within the labour market remain, particularly among young people aged 15 to 24, who are still lagging far behind in terms of recouping the jobs lost.

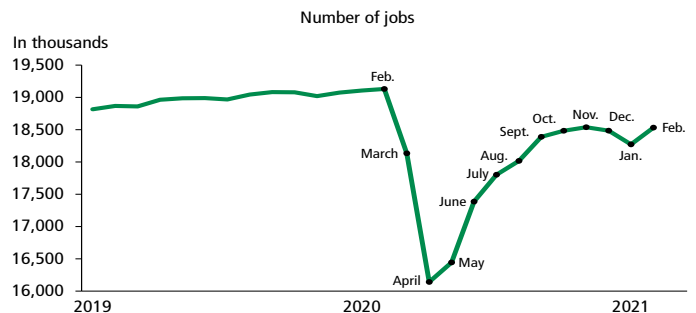
That said, the February results are very encouraging. The spike in the number of hours worked signals that real GDP will increase significantly again in February. This suggests that economic growth will be fairly robust in the first quarter, despite the ups and downs stemming from public health restrictions put in place in connection with the second wave of COVID-19.

IMPLICATIONS

The developments in the labour market confirm the Canadian economy's resilience. With the good news mounting, the Bank of Canada (BoC) might have to adjust its monetary policy in the coming months, notably its quantitative purchases

GRAPH

Employment has recouped nearly all its December and January losses



Sources: Statistics Canada and Desjardins, Economic Studies

on the financial markets. The next decision (April 21) will coincide with the *Monetary Policy Report*, which should include a considerable upward revision to the forecasts. This will be the perfect opportunity for BoC leaders to begin adjusting their policy.

From the fiscal policy standpoint, the improvement in the labour market and in the economy suggests that a more modest and targeted recovery plan would be more appropriate.

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