

## ECONOMIC NEWS

# Canada: Unemployment Plunges to Near-Record Low

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### HIGHLIGHTS

- ▶ The labour market added 336,600 jobs in February following a decrease of 200,100 in January.
- ▶ The goods-producing sector posted a 44,000 gain while the services-producing sector saw an increase of 292,700 jobs. Accommodation and food services added 113,800 positions as public health measures eased.
- ▶ The unemployment rate fell from 6.5% to 5.5%, below its 5.7% pre-pandemic reading and near the 5.4% historic low recorded in May 2019.
- ▶ Total hours worked rose 3.6% in February, suggesting that output continued to grow throughout the month.

### COMMENTS

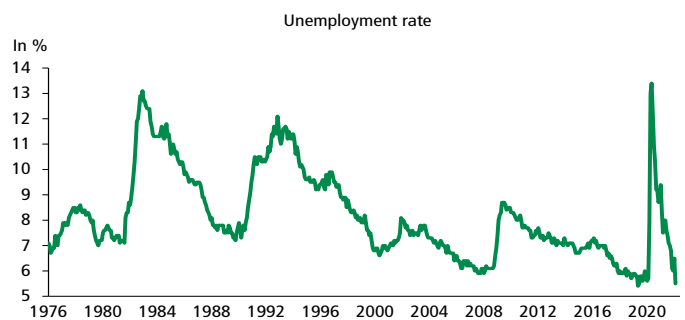
Analysts expected the labour market to rebound nicely in February as the Omicron variant receded, but today's jobs report blew past expectations.

Excluding culture and recreation and accommodation and food services—which benefitted most from easing public health measures—the economy added 150,100 jobs. That means employment gains were widespread across industries. These results are in line with employer hiring intentions. In short, businesses went on a hiring spree in February despite the ongoing labour shortage.

But even though it's a tight labour market, average hourly wages remain under control with an annual change of 3.1% in February. That should allay some concerns about wages spiralling out of control in response to higher prices and reduce the risk of an inflationary spiral.

### GRAPH

#### Unemployment is down sharply



Sources: Statistics Canada and Desjardins, Economic Studies

### IMPLICATIONS

The labour market is in excellent shape, so the Bank of Canada should continue to normalize monetary policy over the coming months. We expect it to raise the target for the overnight rate a second time on April 13 and follow that up with additional rate hikes this spring and summer. This rise in key rates should help to intensify the fight against the acceleration of inflation.