

A not-so-happy new year for North American labour markets

By Taylor Schleich

In a fitting end to what was a disastrous year, North American labour markets sputtered over the finish line in the final month of 2020. For the first time since April, there was an outright decline in the number of Canadian and U.S. jobs. Clearly, surging virus case counts are making their mark in official economic data—damage that could well continue as we turn the page on 2020 with restrictions in some jurisdictions growing more prohibitive. That said, summer months were characterized by (relatively) muted case counts allowing the economy to register a strong-ish bounce back. Looking back on the year that was, where do we stand in relation to depths of the COVID-crisis and how far are we from getting our head back above water?

As we've noted throughout the recovery, Canadian labour markets have pretty clearly outperformed the U.S. no matter which metric you favour (Admittedly, while Canada takes the cake on the labour market, the GDP recovery in the U.S. has been stronger). Recovery rates in overall employment, female employment, the participation rate, the employment rate, etc. all skew in Canada's favour (see our labour market scorecard on page 2). Today, the level of employment in the Canadian economy is just 3.3% shy of pre-COVID levels while a 6.5% gap remains in the U.S. The Canadian participation rate has also made up 90% of the ground lost since February, while in the U.S., this measure remains less than 50% recovered. If there's one component that's less definitive, it's on the unemployment rate which, on paper, looks to be more of a toss-up. Here though, we'd emphasize that this is a function of the differing trends on the participation rate between countries (i.e. Americans haven't reengaged as quickly).

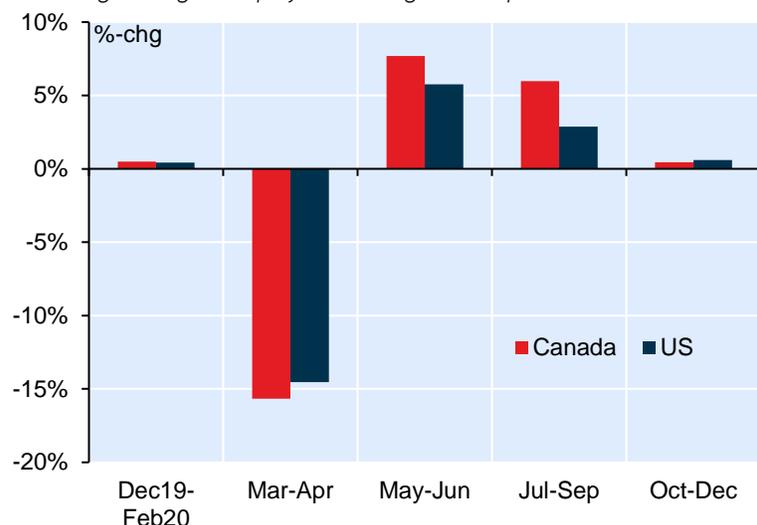
While Canada's advantage is clear, much of this was built in the early months of the recovery. Although recent releases don't inspire much confidence for either jurisdiction, the pace of growth in the Canadian jobs market was noticeably weaker in the fourth quarter versus the U.S. Moreover, the 83 thousand net jobs added in Canada from October to December, is less than the 92 thousand jobs added in the three months before the COVID crisis kicked off. To be sure, much of the recent weakness can be attributed to Canada's relatively more stringent restrictions when it comes to containing the virus—the hope here being that getting the virus under control now will allow for a more robust recovery in future months. Nonetheless, with restrictions/lockdowns/curfews being imposed across parts of the country, there's likely to be more pain to come before things turn the corner. With a more laissez-faire approach to virus containment south of the border, job growth in early 2021 may not be as constrained. However, thanks to a strong recovery in the summer, Canada just might be able to hold on to its recovery advantage.

For the Bank of Canada, the data-dependent central bank will no doubt be striking a very cautious tone in two weeks' time (though they had already signalled that they expected a 'choppy' trajectory). We'd previously argued that another paring of the Bank's QE pace is needed soon, but in this context we no longer see a chance of this materializing at the January meeting. However, we continue to see little risk of the 'mini' rate cut that many have speculated over recent weeks.

Note: For a more complete analysis of Canada's jobs report refer to our Economic News (released later this morning). And continue reading for a regional and local perspective on Canada's jobs recovery.

Chart 1: Canada/U.S. job growth slowing markedly

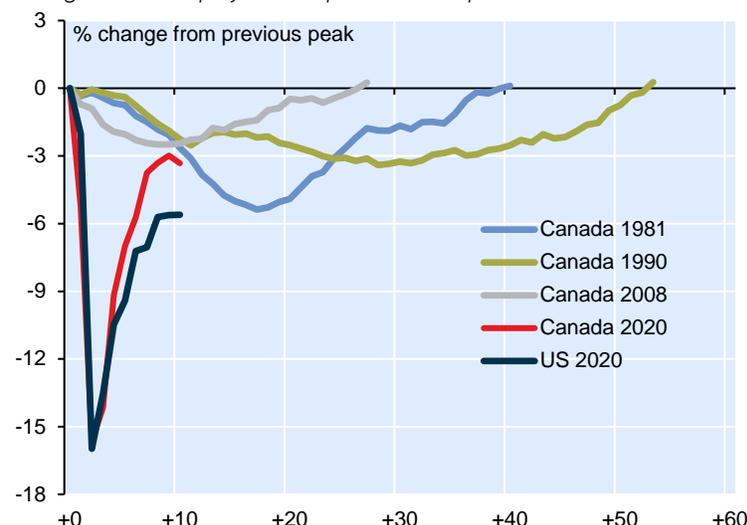
Percentage change in employment through various phases of the COVID crisis



Source: NBF, StatCan, BLS, Bloomberg

Chart 2: Canada's jobs recovery leads the U.S.

Change in total employment vs. pre-recession peak



Source: NBF, StatCan, BLS, Bloomberg | Note: US employment is based on household survey for better methodological comparability.

Table: Canada-US labour market recovery scorecard

Key indicators of labour market performance since COVID-19 crisis began

Employment (000s)			Full-time employment (000s)			Female employment (000s)			Youth employment (000s)		
Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada
February	152,463	19,189	February	131,109	15,609	February	74,888	9,109	February	5,378	851
Low	130,303	16,185	Low	114,322	13,663	Low	61,487	7,572	Low	3,479	507
Latest	142,624	18,553	Latest	124,689	15,188	Latest	70,350	8,769	Latest	4,955	775
Jobs lost	22,160	3,005	Jobs lost	16,787	1,946	Jobs lost	13,401	1,537	Jobs lost	1,899	344
Jobs recovered	12,321	2,368	Jobs recovered	10,367	1,526	Jobs recovered	8,863	1,197	Jobs recovered	1,476	268
% recovery	56%	79%	% recovery	62%	78%	% recovery	66%	78%	% recovery	78%	78%
% chg. from Feb	-6.5%	-3.3%	% chg. from Feb	-4.9%	-2.7%	% chg. from Feb	-6.1%	-3.7%	% chg. from Feb	-7.9%	-8.9%
Advantage			Advantage			Advantage			Advantage	?	

Unemployment rate (%)			Employment rate (%)			Participation rate (%)			Labour force (000s)		
Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada
February	3.5	5.6	February	61.1	61.8	February	63.4	65.5	February	164,546	20,323
Peak UE rate	14.7	13.7	Low emp rate	51.3	52.1	Low part rate	60.2	59.8	Low	156,481	18,603
Latest	6.7	8.6	Latest	57.4	59.3	Latest	61.5	64.9	Latest	160,567	20,309
UR hit	11.2	8.1	ER hit	9.8	9.7	PR hit	3.2	5.7	LF drop	8,065	1,720
UR recovery	8	5.1	ER recovery	6.1	7.2	PR recovery	1.3	5.1	LF recovered	4,086	1,706
% recovery	71%	63%	% recovery	62%	74%	% recovery	41%	89%	% recovery	51%	99%
%-pt chg. from Feb	3.2	3	%-pt chg. from Feb	-3.7	-2.5	%-pt chg. from Feb	-1.9	-0.6	% chg. from Feb	-2.4%	-0.1%
Advantage	?		Advantage			Advantage			Advantage		

Source: NBF, StatCan, BLS, Bloomberg | Notes: In some cases, there are differences in data definitions between countries making comparisons not equal in the strictest sense. Labour force statistics in Canada use ages 15+, while US uses 16+. For youth employment, Canada figure represents ages 15-19 while US figure represents ages 16-19.

Canada's job recovery: A local-regional perspective

By Warren Lovely

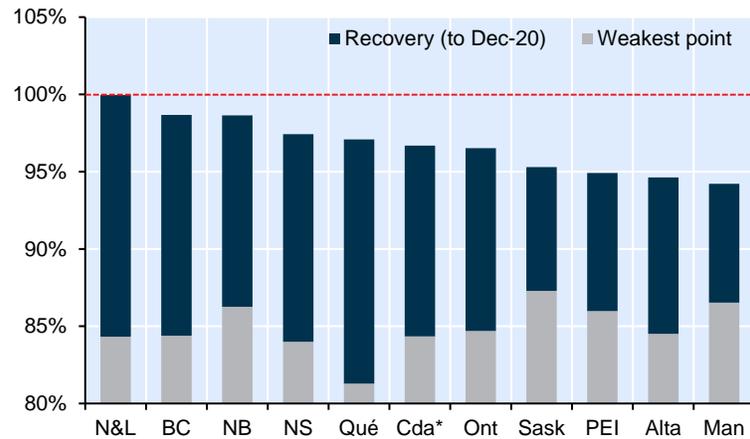
With today's Labour Force Survey release for the month of December, we can close the statistical book on a remarkable 2020. Our colleagues in Economics and Strategy have analyzed key takeaways at the national level ([link](#)), while Taylor Schleich has updated our detailed Canada-U.S. scorecard. The focus here is on current provincial and local labour market conditions relative to pre-COVID levels. Chart 1 illustrates the recovery in provincial employment. Caution: Canada's job data are choppy, particularly when you get down to regional or industrial sub-samples, so take this with a grain of salt. But as of December 2020, one province had staged a full jobs recovery (i.e., employment was back to where it was in February). Any guesses? It's Newfoundland and Labrador, which might surprise a few. Elsewhere, employment levels were 1.3% to 5.8% below the level recorded before economies were violently turned upside down by the virus. British Columbia and New Brunswick were the next closest to staging a full jobs recovery, with the LFS suggesting Manitoba and Alberta have relatively more work to do.

Chart 2 gives the provincial perspective on joblessness, illustrating how the December 2020 unemployment rate compares to the high- and low-water mark for calendar 2020. Given the national setback in the final month of the year, it's no surprise that there's still some ground to recover on unemployment rates across the country. The unemployment rate is still highest out on The Rock, but consistent with the more complete employment recovery, Newfoundland & Labrador's jobless rate ended 2020 closer to its pre-virus low than anywhere else. As of December, Québec took the prize for lowest seasonally adjusted unemployment rate (at 6.7%).

As for local labour market conditions, take a peek at Chart 3. Here we highlight the latest seasonally adjusted employment level (based on a three-month average) for Canada's major census metropolitan areas. In a few cases (eight to be precise), employment had staged a full recovery (as of December). Of our three largest cities, Montréal was closest to a full recovery (although still some 1.3% away from February, based on the three-month moving average). Trend employment levels in Toronto and Vancouver were 3-3.4% removed from early 2020 levels.

Chart 1: How much of a jobs recovery in the provinces?

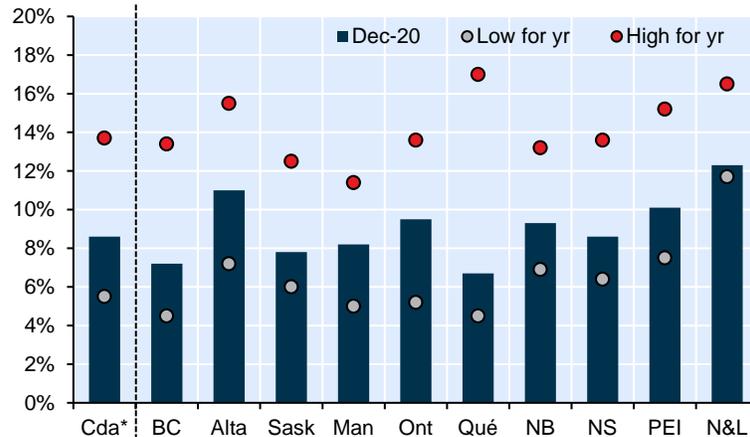
Provincial employment relative to Feb-20 (incl. weakest point for reference)



Source: NBF, StatCan | Note: SA data as of Dec-20; sorted high to low vs. Feb-20

Chart 2: Gauging provincial joblessness

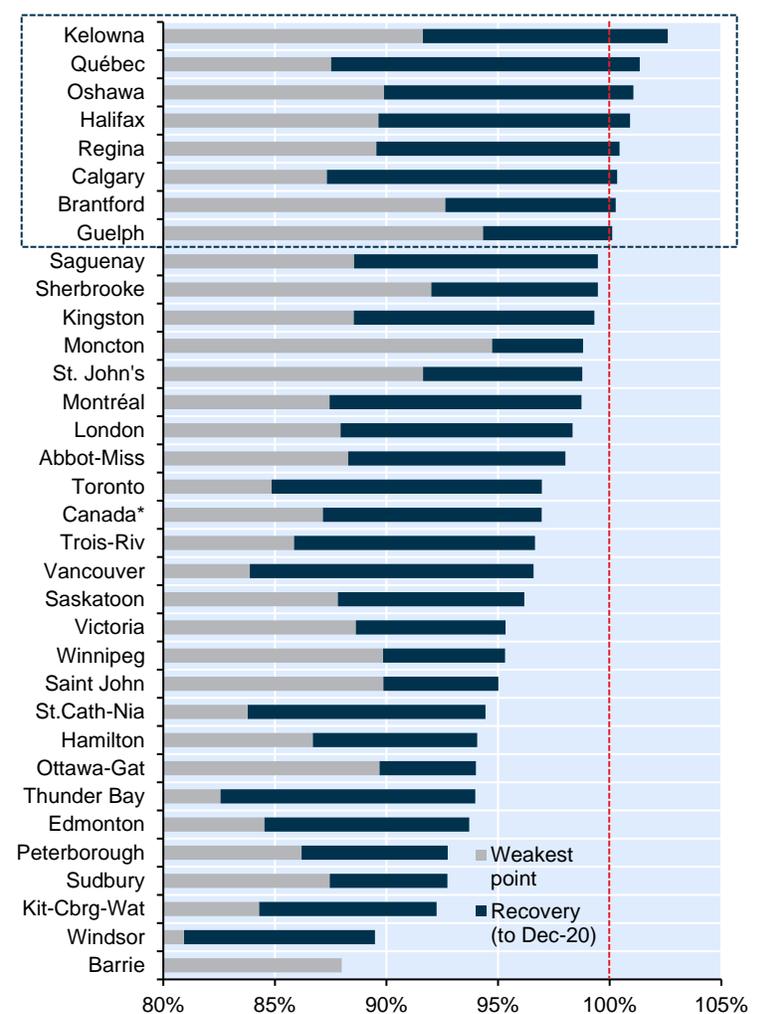
Provincial unemployment rates: Dec-20 vs. high/low for calendar year



Source: NBF, StatCan | Note: SA data; sorted west to east

Chart 3: The local/CMA employment perspective

CMA employment relative to Feb-20 (incl. weakest point for reference)



Source: NBF, StatCan | Note: SA data, 3-month avg; sorted high to low vs. Feb-20; CMA stands for census metropolitan area; blue box at top denotes full recovery vs. Feb-20



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