

Reflections on 2 years of pandemic labour market data

By Taylor Schleich/Alpa Atha

Despite what has been a remarkable surge in COVID cases counts of late, December labour market data held up well in North America. That's less a function of the disruptive Omicron variant and more a function of the reference week for the Canadian and U.S. surveys falling in the first half of the month. Indeed, January's labour market data may not be so pretty, particularly in Canada where governments restrictions have been ratcheted up across much of the country. But before we get to the 2022 labour market outlook, we thought we'd look back at relative labour market performance to date in a pandemic era that is quickly approaching its second birthday.

Throughout much of the COVID-era, the overall Canadian labour market recovery has fared relatively better than in the U.S., particularly on the most closely watched, high-level job metrics. Indeed, headline employment sits 1.3% above February 2020 levels in Canada, whereas non-farm employment in the U.S. remains in a 2.3% deficit (see our scorecard on page 2). Even with what we assume to be a significantly weaker print in Canada in January, the buffer that's been built up means Canada's advantage should remain intact. Participation and employment rates north of the border have also outperformed, bouncing back to near pre-pandemic levels. This can likely be attributed to government programs that created relatively stronger ties to employers (i.e. the Canada Emergency Wage Subsidy) and lower overall rates of COVID. Other measures of labour market recovery, like full-time employment, female employment, and youth employment favour Canada as well.

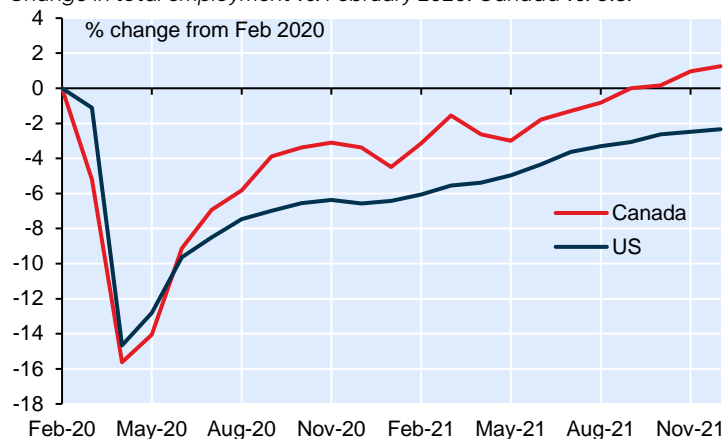
This isn't to suggest the labour market isn't tight in the U.S. In fact, it's probably just as tight or tighter stateside (see record job openings, quit rates, ultra-low claims, etc). As Powell and the Fed have finally started to concede, it appears that low levels of labour force participation are unlikely to quickly recover and the hit that we saw in early 2020 may be more structural and longer-lasting in nature. Thus, the recovery in the unemployment rate (which ignores Americans not seeking work) has improved at a similarly impressive pace and remains at a much lower level than in Canada (though there are methodological differences between the two nations). Moreover, this tightness has translated to stronger wage growth south of the border and significantly stronger headline price pressures. It's why we might argue the need for stimulus withdrawal/monetary tightening is even more pressing in the U.S.—a realization that appears to have finally materialized at the Federal Reserve. Indeed, as we look ahead into the new year, we think there's good reason to believe that the surge in infections and resulting downturn in economic activity will be relatively short-lived. As a result, and given where inflation currently resides (and Omicron probably represents upside risk to price pressures, all else equal), we expect the BoC and Fed to look through the hit to employment/growth that we may experience in the first quarter. We'll have an updated Fixed Income Monitor published next week but we continue to see the BoC achieving lift-off in March, while the Fed should follow suit not long after in the second quarter once its taper is wrapped up.

As for a more regional perspective on the red-hot Canadian labour market, the employment situation is favourable across most of the country, as one might expect from the national figures. British Columbia, who's largely led the labour market recovery over the past two years, remains near the front of the pack, though Ontario technically pulled ahead by the slightest of margins with another impressive print (47K of the 55K national total in December came from Ontario). All told, seven of ten provinces sit above February 2020 employment levels with only New Brunswick, Manitoba and Saskatchewan still down (though the largest shortfall is a modest 0.7%). Likewise, unemployment rates across the board are within a spitting distance (or already through) pre-COVID levels. As for local labour market conditions, take a peek at Chart 5. Here we highlight the latest seasonally adjusted employment levels (based on a three-month average) for Canada's major census metropolitan areas. Full recoveries have been staged in over half of the CMAs in our sample, with very impressive job gains registered in some smaller Ontario jurisdictions. Of our three largest metropolitan areas (Montréal, Toronto and Vancouver), all have surpassed pre-COVID employment levels, though Toronto holds the lead at present. Again, January could be very ugly but we believe it will be short-lived and the labour market strength to date gives us confidence in the economic outlook this year and our aggressive outlook (relative to other forecasters) for monetary tightening.

Note: For a more complete analysis of Canada's jobs report refer to our Economic News (released later this morning).

Chart 1: Canadian jobs recovery has been stronger...

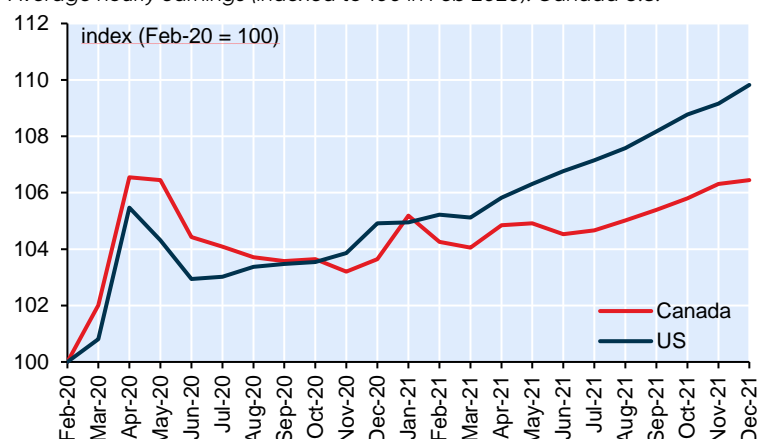
Change in total employment vs. February 2020: Canada vs. U.S.



Source: NBF, StatCan, BLS, Bloomberg

Chart 2: ... but the U.S. labour market is still very tight

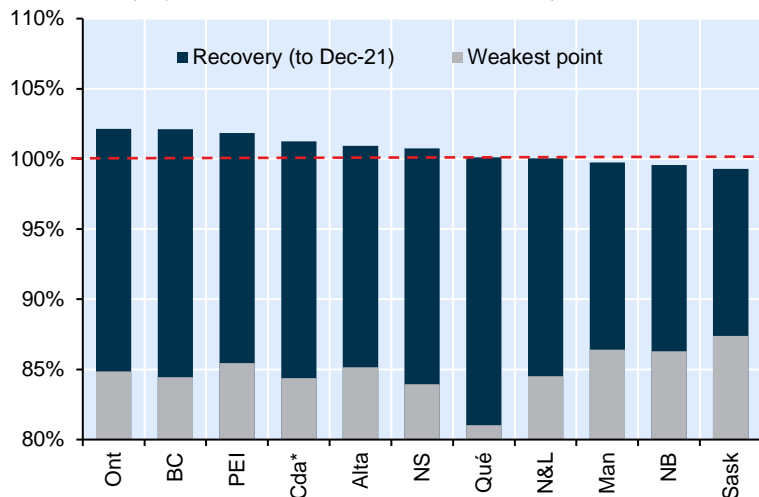
Average hourly earnings (indexed to 100 in Feb 2020): Canada U.S.



Source: NBF, StatCan, BLS, Bloomberg

Chart 3: A full COVID-era job loss recovery in 70% of provinces

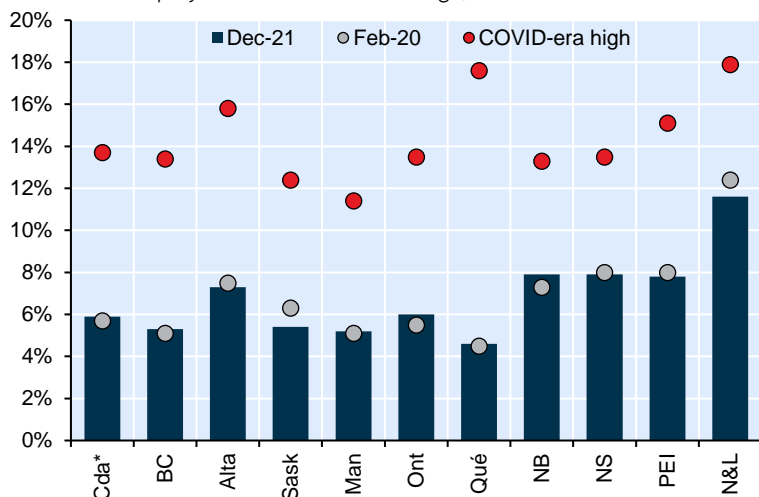
Provincial employment relative to Feb-20 (incl. weakest point for reference)



Source: NBF, StatCan | Note: SA data as of Dec-21; sorted high to low vs. Feb-20

Chart 4: Gauging provincial joblessness

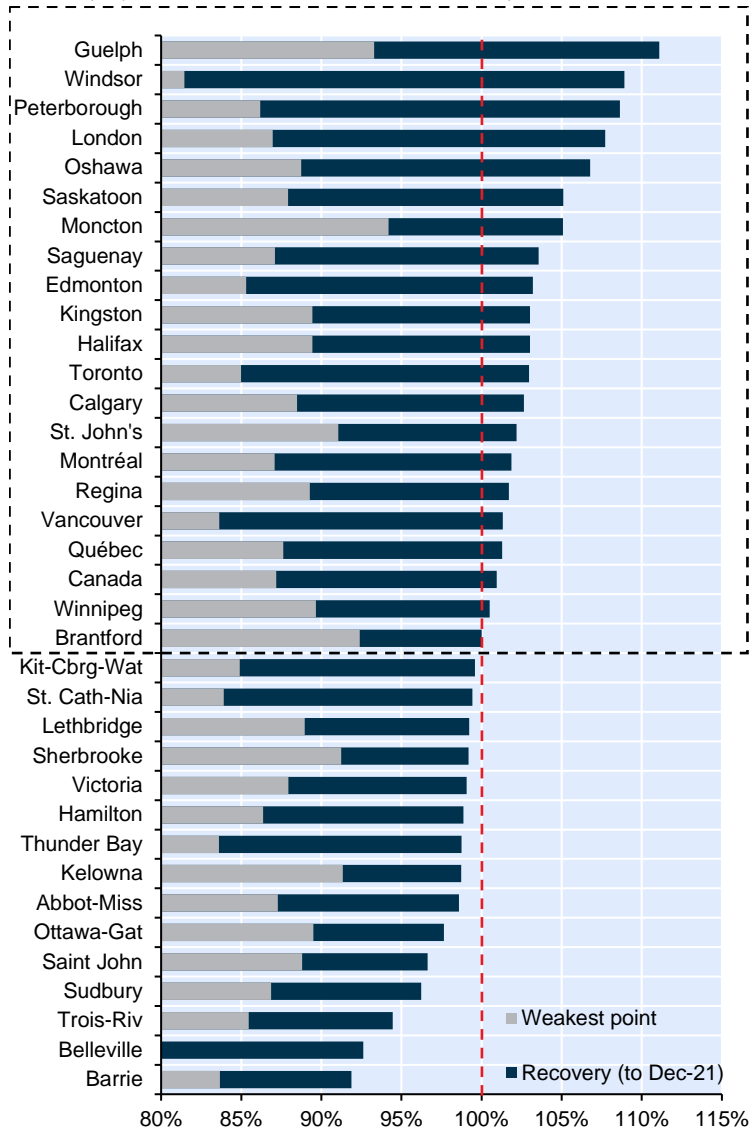
Provincial unemployment rates: Dec-21 vs. high/low since Feb-20



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

Chart 5: 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

Table: Canada-US labour market recovery scorecard (continued on page 3)

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
Feb-2020	152,523	19,130	Feb-2020	130,839	15,556	Feb-2020	74,951	9,083	Feb-2020	19,701	2,601
Low	130,161	16,142	Low	114,272	13,607	Low	61,439	7,558	Low	13,386	1,710
Latest	148,951	19,371	Latest	130,191	15,803	Latest	73,467	9,184	Latest	19,157	2,599
Jobs lost	22,362	2,989	Jobs lost	16,567	1,949	Jobs lost	13,512	1,524	Jobs lost	6,315	892
Jobs recovered	18,790	3,229	Jobs recovered	15,919	2,197	Jobs recovered	12,028	1,626	Jobs recovered	5,771	890
% recovery	84%	108%	% recovery	96%	113%	% recovery	89%	107%	% recovery	91%	100%
% chg. from Feb	-2.3%	1.3%	% chg. from Feb	-0.5%	1.6%	% chg. from Feb	-2.0%	1.1%	% chg. from Feb	-2.8%	-0.1%
Advantage	🇨🇦		Advantage	🇨🇦		Advantage	🇨🇦		Advantage	🇨🇦	



Unemployment rate (%)			Employment rate (%)			Participation rate (%)		
Indicator	US	Canada	Indicator	US	Canada	Indicator	US	Canada
Feb-2020	3.5	5.7	Feb-2020	61.2	61.8	Feb-2020	63.4	65.5
Peak UE rate	14.7	13.7	Low emp rate	51.3	52.1	Low part rate	60.2	60.0
Latest	3.9	5.9	Latest	59.5	61.5	Latest	61.9	65.3
UR hit	11.2	8.0	ER hit	9.9	9.7	PR hit	3.2	5.5
UR recovery	10.8	7.8	ER recovery	8.2	9.4	PR recovery	1.7	5.3
% recovery	96%	98%	% recovery	83%	97%	% recovery	53%	96%
%-pt chg. from Feb	0.4	0.2	%-pt chg. from Feb	-1.7	-0.3	%-pt chg. from Feb	-1.5	-0.2
Advantage	Toss-up		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 15-24 while US figure represents ages 16-24.

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