



# Canada: Impressive December job gains end 2022 on a high note

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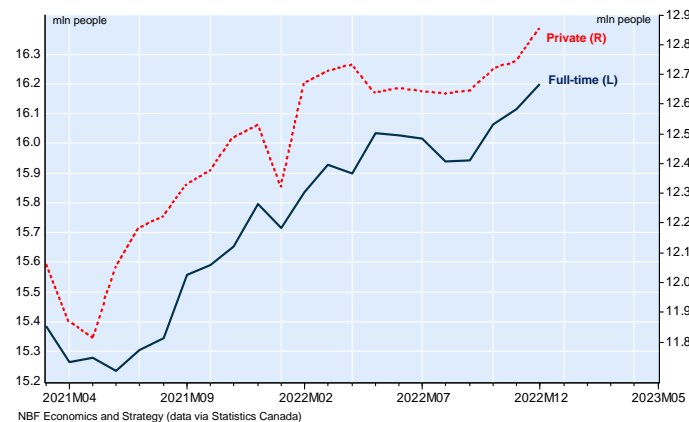
The labour market ended the year on a high note with an increase of 104K jobs in December, shattering consensus expectations. This concludes 2022 with an employment gain of 394K, while the population over age 15 grew at its fastest rate since at least 1976 (+497K) thanks to massive immigration. As a result, the unemployment rate fell by a full percentage point over the past year to 5.0%, just above the record low of 4.9% recorded in June and July. All provinces experienced a decrease in the unemployment rate over the year, with New Brunswick recording the smallest decline (-0.1 p.p.), while the energy-producing provinces of Newfoundland (-1.8 p.p.) and Alberta (-1.7 p.p.) registered the largest improvements. Back to the December data, not only is the overall figure spectacular, but so are the details. After a slump earlier in the year, full-time and private employment rose for the fourth consecutive month in December to record levels (left chart). Surprisingly, the sector that contributed most to the December employment increase was construction, despite weakness in the residential sector. While this morning's data is unquestionably very strong, we continue to believe that the job market will moderate in the coming months. While payrolls continue to grow, total hours worked have essentially stalled since Q1. Historically, consumers have been clairvoyant in perceiving reversals in the labor market. The most recent data from the Conference Board tells us that optimism about the labor market outlook is fading, with the indicator returning to its 2019 level after reaching historic highs in 2021. The CFIB survey indicates that small businesses still perceive significant labor shortages, but that hiring intentions are fading. Indeed, the number of firms planning to increase their workforce is similar to those planning to decrease it, suggesting a hiring freeze at the aggregate level (right chart). This morning's data does not change our view that the Bank of Canada should be cautious about considering further rate hikes after the very aggressive tightening orchestrated in 2022. With extremely tight monetary policy and consumers simultaneously suffering from a loss of purchasing power, an interest payment shock and an unprecedented negative wealth effect, we continue to expect the economy to be near stagnant in the first half of 2023.

### HIGHLIGHTS:

- Canadian employment registered a 104K increase in December, marking a fourth consecutive monthly gain and overshooting consensus expectations for a 5K increase. December's jobs gains combined to a two-tick increase in the participation rate resulted in a one-tick decrease in the unemployment rate to 5.0%.
- The increase in employment stemmed from full time (+85) and part-time (-20K) employment. The public sector posted a second consecutive monthly decrease (-18K), while the headcounts for private corporations increased (+112K) for the fourth consecutive month. The number of self-employed people (+11K), meanwhile, registered a third consecutive increase. December's gain came from both the services (+82K) and the goods sectors (+22K). On the services side, notable gains were registered in the transportation/warehousing (+29K), information/culture/recreation (+25K) and professional/scientific services (+23K) sectors. Meanwhile, declines were observed in health care (-17K) and education (-10K). On the goods sector side, gains stemmed exclusively from construction (+35K) while declines were observed in manufacturing (-8K), utilities (-4K) and forestry (-2K) and agriculture was essentially unchanged (+1K).
- Regionally, Ontario (+42K), Alberta (+25K) and British Columbia (+17K) registered sizable increases while employment Québec (+3K) was steadier.
- Hours worked were essentially unchanged (+0.1%) in December after a 0.1% increase in November.
- The increase in wages was slightly down on a year-over-year basis, reaching 5.2% in December (5.4% in November). On a monthly basis, our estimation of seasonally adjusted wages indicates a stagnation from November to December.

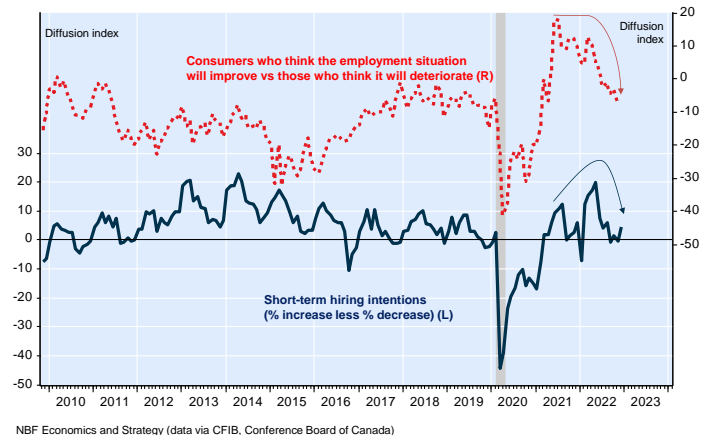
**Canada: Strong contribution from private and full-time employment**

Level of employment, full time and private sector



**Canada: Small businesses and employees anticipate a slowdown**

Full-time hiring intentions in the next 3-4 months and expected employment situation



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