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TD Economics

Data Release: Canadian employment ends 2015 on a solid note

- Canadian employment rose in December, up 23k net positions. Growth in the labour force kept pace, leaving the unemployment rate unchanged at 7.1%.
- There were some less impressive details, however, as employment growth was due entirely to part-time time jobs, which were up 29k, while full-time jobs were down 6k. Employment tallies are notoriously volatile on the month-to-month basis, but looking at the six-month trend, the pace of full-time hiring has slowed over the course of 2015. The six-month trend has downshifted from an average of over 20k jobs in the middle of the year, to only 2k in the past six months.
- On the month, employment gains were concentrated in the services sector. In particular in health care and social assistance (+17k), education (+15k), and finance insurance and real estate and leasing (+10k). The goods side of the economy held steady with losses in agriculture and construction counterbalancing increases in manufacturing, resources and utilities.
- For 2015 as a whole, manufacturing employment was up an encouraging 2.1%. Not surprisingly, job losses were concentrated in natural resources, which fell 6.8% in 2015. Other notable trends included a 3.8% increase in health care, and a 5.2% increase in professional, scientific and technical jobs.
- Employment gains in 2015 had an interesting demographic dimension, with growth concentrated in workers over the age of 55. That cohort has seen a steady increase in labour force participation rates in recent years. Core working aged people (25-54), on the other hand, saw employment fall slightly in 2015.
- The story remains the same on a regional basis, with job gains concentrated in Ontario (+35K), which saw its unemployment rate dip to 6.7%. Job losses were recorded in Saskatchewan (-4.6K), Nova Scotia (-3K), Newfoundland and Labrador (-2.7K), which also saw its unemployment rate spike to 14.4% the highest rate in five years. For 2015 as a whole, B.C. was atop the employment leaderboard (+2.3%), although healthier labour force growth still saw the unemployment rate tick up to 6.7%. Ontario and Quebec both saw employment grow 1.2% in 2015, and their unemployment rates little changed.
- All eyes are on Alberta these days, where employment was little changed for the year as a whole, as gains in part-time work offset losses in full-time employment. The impact of this can be seen in a 4.3% drop in hours worked in 2015. However, the unemployment rate rose from 4.7% to 7.0% – the highest reading since April 2010.
- Wage growth remained healthy in December, up 2.9% over a year ago. Wage growth has outpaced inflation throughout 2015, despite the recession that marked the first half of the year.

Key Implications

- Today's release closes the books on Canada's 2015 employment picture. Believe it or not, in a year that saw Canada's economy slip into recession, employment growth was stronger (0.9%) than in both 2013 and 2014, led by healthy services sector hiring. However, increased labour force participation did push the unemployment rate upwards over the course of the year.
- With oil prices running below $40/barrel, we are likely to continue to see employment weakness in oil and gas-related sectors. Fortunately, gains elsewhere are expected to pick up the slack, and keep employment growth positive, albeit modest, in the year ahead (for more details, see our latest Quarterly Economic Forecast). The national unemployment rate is also expected to remain fairly steady over the next 12 months. With the backdrop, we expect the Bank of Canada to keep its policy rate at its current accommodative level of 0.5% until the end of 2017, to help facilitate Canada's adjustment to a lower oil price reality.

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