

# Economics

## ECONOMIC FLASH!

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### Canadian employment: A real head-scratcher

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Labour force survey (monthly change, thousands, unless otherwise noted)	Jul	Aug	Sep	Oct	Nov
Employment	-40.8	-65.5	60.4	66.6	53.6
• Full-time	-51.0	-6.0	106.1	-18.5	-9.4
• Part-time	10.3	-59.7	-45.6	85.1	63.0
• Paid workers	-35.0	-23.0	52.6	69.0	68.5
• Private	-39.0	-7.5	21.9	73.2	52.2
• Public	4.0	-15.5	30.7	-4.2	16.3
• Self-employed	-5.8	-42.6	7.9	-2.5	-14.7
Participation rate (%)	65.2	65.1	65.2	65.3	65.1
Unemployment rate (%)	6.9	7.1	7.1	6.9	6.5
Avg. hourly earnings, perm. workers (y/y %)	3.5%	3.6%	3.6%	4.0%	4.0%
Actual hours worked by industry (m/m %)	-0.2%	0.1%	-0.2%	-0.2%	0.4%

Source: Statistics Canada

- Canadian employment data is often perplexing, but today's release was a real head-scratcher. Headline employment growth remained strong, in contrast to the generally weaker trend shown in the SEPH figures, while the unemployment rate was half a percent lower than expected at 6.5%. Yet at the same time, full-time positions apparently fell for a second consecutive month, and labour force participation dropped. Overall, we suspect that the labour market is improving, but not as quickly as the headline figures suggest, although today's data clearly supports the notion that the Bank of Canada won't cut interest rates any further.
- The Canadian labour market continued an impressive streak of hiring in November, with 54K jobs added. Even looking at the six-month average (which includes employment declines over the summer), the 26K pace is very solid, particularly compared to the slowing trend in population and labour force growth.
- That said, the composition wasn't quite as strong as the headline, with all of the jobs created coming in part-time positions (+63K). By age, young people 15-24 saw the bulk of the employment gains (+50K), with prime aged (25-54) employment holding broadly steady. By sector, health care (+45K) drove most of the job gains.
- With paid employment (ex self-employment) rising by nearly 70K again within today's LFS data, the year-over-year pace of hiring has accelerated to 1.8%. That's in stark contrast to the near-stall shown by Canada's payrolls survey of employment (SEPH). While part of that divergence is linked to stronger population growth in the LFS in late 2024 and into the start of this year, that hasn't been quite as evident recently. Moreover, even if population growth was still too strong within the LFS figures, that shouldn't have a big impact on the unemployment rate.
- And it was the unemployment rate that brought the largest surprise in November's data, with the headline rate falling to a sixteen-month low of 6.5%. Yet that only partly reflected the strength in hiring, as the employment-to-population ratio merely edged up a tick to 60.9%. The surprise stemmed instead from a decline in participation, which continues to trend lower than demographics alone can explain. Prime-aged (25-54) participation fell by three-tenths in November, and meant that the overall pool of labour actually shrank on the month (-26K).

- Elsewhere in today's report, a 0.4% rebound in hours worked was broadly expected, as strike action in Alberta (impacting hours worked in the education sector in prior months) ended. Average hourly wage growth for permanent workers was 4% year-over-year, which was unchanged from the prior month and in line with consensus estimates.

## Implications & actions

**Re: Economic forecast** — While we doubt that the labour market is quite as strong as today's headline data suggests (given the somewhat concentrated nature of job gains and decline in participation that flattered the unemployment rate), today's figures do appear to confirm that the economy is recovering following the trade-induced weakness earlier in the year. As such, we continue to expect that the Bank of Canada's rate cutting cycle has ended, although we doubt that the recovery we are currently seeing will remain strong enough to bring rate hikes before the end of 2026.

**Re: Markets** — Bond yields jumped following today's release, as investors pulled forward expectations of Bank of Canada interest rate hikes.

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