

## Economics

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## Canadian employment (Sep): Jolting back to life

by **Andrew Grantham** [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Labour force survey (monthly change, thousands, unless otherwise noted)	May	Jun	Jul	Aug	Sep
Employment	8.8	83.1	-40.8	-65.5	60.4
• Full-time	57.7	13.5	-51.0	-6.0	106.1
• Part-time	-48.8	69.5	10.3	-59.7	-45.6
• Paid workers	39.3	70.0	-35.0	-23.0	52.6
• Private	60.6	46.6	-39.0	-7.5	21.9
• Public	-21.3	23.4	4.0	-15.5	30.7
• Self-employed	-30.4	13.1	-5.8	-42.6	7.9
Participation rate (%)	65.3	65.4	65.2	65.1	65.2
Unemployment rate (%)	7.0	6.9	6.9	7.1	7.1
Avg. hourly earnings, perm. workers (y/y %)	3.5%	3.2%	3.5%	3.6%	3.6%
Actual hours worked by industry (m/m %)	0.0%	0.5%	-0.2%	0.1%	-0.2%

Source: Statistics Canada

- The Canadian labour market jolted back to life in September, with job growth easily surpassing consensus expectations. However, a rebound in labour force participation kept the unemployment rate above 7%, indicating a large degree of slack still within the economy which should exert downward pressure on inflation over time. We continue to forecast a 25bp cut from the BoC later this month, although the upcoming CPI print has become even more important to that call following today's upside surprise.
- The 60K gain in jobs was well above the consensus forecast (5K) and even our own more optimistic view. The composition was also strong, with employment driven by full time positions (+106K) and prime aged (25-54) workers (+109K). Paid private sector employment also rebounded slightly following two monthly declines. However, even with the surge in employment, total hours worked actually edged down by 0.2%. Wage growth for permanent workers held steady at 3.6%, in line with expectations.
- The headline gain needs to be viewed in the context of what preceded it, though, and weakness in July/August means that even after today's data the 3 and 6-month averages remained soft at -15K and +9K respectively.
- Strangely, given ongoing uncertainty amid US tariffs, the manufacturing sector saw the largest increase in jobs during September (+28K), although that only partly offset the decline seen since the start of the year. In contrast, another trade sensitive sector, transportation & warehousing (-7K) posted a second consecutive decline and the fourth drop in the past five months. Wholesale and retail trade (-21K) also posted a decline to slightly temper the overall increase.
- The unemployment rate held steady at 7.1%, with a tick up in participation preventing it from coming down. Prime aged unemployment ticked down to 6.0%, but that only partly offset the jump seen in the prior month. Youth (15-24) unemployment continued to rise, reaching 14.7%. The overall employment-to-population ratio ticked up to 60.6%, but that only partly offset declines in the previous two months.

## Implications & actions

**Re: Economic forecast** — The stronger-than-expected headline print and underlying details suggests that the Canadian labour market is stabilising following the weakening earlier in the year and over the early summer. However, the still-sluggish 3 and 6-month averages, combined with the elevated unemployment rate, suggests that the economy still isn't strong enough to reduce the amount of labour market slack already present. Because of that we continue to forecast a further interest rate cut from the Bank of Canada later this month, although upcoming CPI data remain important to that view.

**Re: Markets** — Today's data saw investors reduce bets on further interest rate cuts from the Bank of Canada, resulting in a rise in bond yields and a slight appreciation of the Canadian dollar.

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