

Economics

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Canadian employment (Sep): Breaking out of its slump...just

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Labour force survey (monthly change, thousands, unless otherwise noted)	May	Jun	Jul	Aug	Sep
Employment	39.8	-43.2	-30.6	-39.7	21.1
• Full-time	135.4	-4.0	-13.1	-77.2	5.7
• Part-time	-95.8	-39.1	-17.5	37.5	15.4
• Paid workers	13.7	16.0	-64.8	-32.0	43.4
• Private	-94.5	16.6	-13.8	-4.4	8.8
• Public	108.2	-0.6	-51.0	-27.6	34.6
• Self-employed	26.1	-59.2	34.2	-7.7	-22.3
Participation rate (%)	65.3	64.9	64.7	64.8	64.7
Unemployment rate (%)	5.1	4.9	4.9	5.4	5.2
Avg. hourly earnings, perm. workers (y/y %)	4.5%	5.6%	5.4%	5.6%	5.2%
Actual hours worked by industry (m/m %)	-0.3%	1.3%	-0.5%	0.0%	-0.6%

Source: Statistics Canada

- The Canadian labour market was 0 for 3 in the previous three months, having posted successive monthly declines starting in July, but managed to break out of that slump with a 21K increase in September. However, with that gain only recovering roughly 20% of the jobs lost over the previous three months, and being heavily influenced by a rebound in education, today's data were definitely no home run. A bloop single may be a more accurate baseball analogy. While the Bank of Canada Governor's hawkish comments yesterday seemingly sealed the deal on a 50bp hike later this month, continued signs that the economy is slowing such as those in the detail of today's report should bring a more cautious approach from policymakers thereafter.
- As expected, job growth in September was driven by a rebound in education (+46K), which had shown a suspicious decline in the prior month due to the timing of new contracts for the coming school year. Outside of that area, there was also a gain in health care, but plenty of other sectors posted declines in a sign that higher interest rates and a cooling economy are straining the labour market. The increases in education and health meant that public sector employment rose (+35k), while self employment declined and private paid employment crept up only modestly (+9k). If we excluded the swings in education during the previous two months, today's result for September is actually weaker than August's print (-25k for September vs +10k in August).
- Of the sectors showing declines in September, manufacturing (-28k), information, culture & recreation (-22k) and transportation & warehousing (-18k) posted the largest drops. For manufacturing, companies may be responding to ongoing supply chain issues by trimming headcount, although declines in other sectors could be a reflection of slowing demand within the domestic economy. Even though there was a headline job gain in September, hours worked actually fell during the month (-0.6%), which is not a particularly encouraging first signpost for monthly GDP, and were broadly flat for Q3 as a whole vs Q2.
- Combined with a modest decline in labour force participation, the increase in employment during September took the jobless rate down to 5.2%, from 5.4% in the prior month. In a sign that the pandemic may be continuing to have a

negative impact on labour supply, the number of people out of the labour force due to illness increased to 125k in September, from 110k in the prior month. Before Covid-19 struck in 2020, this count averaged around 85k.

- Wage growth was a little weaker than expected, but still strong at 5.2% year-over-year. By province, BC saw the biggest increase in employment during the month, while Ontario and PEI posted declines.

Implications & actions

Re: Economic forecast — The low unemployment rate and still strong wage growth support the continued hawkish tone from the Bank of Canada Governor yesterday and a 50bp rate hike at the next meeting. However, signs that a growing number of sectors are slowing down should bring a more cautious approach from policymakers after that. The moderate decline in hours worked suggests that monthly GDP will fail to break out of its recent sideways trend, and that September will once again post little to no growth.

Re: Markets — Yields and the Canadian dollar had continued to rise heading into the data release, as investors continued to respond to hawkish comments from the Bank of Canada Governor yesterday. The data release itself was met with little reaction.

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