

Economics

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Canadian employment (Sep): No participation awards

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Labour force survey (monthly change, thousands, unless otherwise noted)	May	Jun	Jul	Aug	Sep
Employment	26.7	-1.4	-2.8	22.1	46.7
• Full-time	-35.6	-3.4	61.6	-43.6	112.0
• Part-time	62.4	1.9	-64.4	65.7	-65.3
• Paid workers	10.1	-9.2	-1.1	29.6	37.6
• Private	17.6	5.4	-41.9	38.2	61.2
• Public	-7.5	-14.6	40.8	-8.6	-23.6
• Self-employed	16.6	7.7	-1.6	-7.4	8.9
Participation rate (%)	65.4	65.3	65.0	65.1	64.9
Unemployment rate (%)	6.2	6.4	6.4	6.6	6.5
Avg. hourly earnings, perm. workers (y/y %)	5.2%	5.6%	5.2%	4.9%	4.5%
Actual hours worked by industry (m/m %)	0.0%	-0.4%	1.0%	-0.1%	-0.4%

Source: Statistics Canada

- Employment strengthened somewhat in September following a weak period over the summer months, with the 47K jobs added well above the consensus expectation of 27K. That caused the unemployment rate to tick down to 6.5% (vs. expectations for an increase to 6.7%), but that also partly reflected a further drop in the participation rate. The job count increase was entirely full-time positions, which rose by 112K, while part-time employment fell by 65K. Despite the surge in full-time work, total hours dropped off by 0.4% on declines in goods-producing sectors, which isn't a good sign for GDP in the month, especially given expectations for a rebound tied to the end of railway disputes. Overall, this report alone won't be enough to sway the BoC away from a 25bp cut and towards a 50bp reduction in October, but the latter could still be the outcome if the BoC's Business Outlook Survey and CPI data look soft enough.
- The labour force increased by a modest 16K in September, well below the 110K increase in the population, leaving the employment rate on a declining path, with it now standing at 60.7 vs. a pre-pandemic norm of 62. The drop in participation rate included a 0.4%-point decline in the youth age range, but drops in participation over the year have been broad-based across the core working-age population and retirees as well.
- By sector, employment gains were mixed, with some less cyclical industries surprisingly seeing job losses (education and health), although that followed stronger hiring in the prior month, and headcounts in these sectors are 2-7% above year-ago levels. A modest decline was seen in the demand-sensitive accommodation/food services industry, where headcounts are roughly flat to year-ago levels.
- The decrease in the unemployment rate was most pronounced for immigrants in the country for five years or less and non-landed immigrants. However, the unemployment rate in those groups is still up by the most over the past year, at 3ppts and 2ppts versus 0.6ppts for those born in Canada. The core working-age unemployment rate rose by a tick to 5.5%, the highest level seen since Covid.
- Hourly wages for permanent employees decelerated to 4.5% year-over-year, from 4.9%. Although that is still an elevated pace, other measures of wages have shown clear signs of deceleration.

Implications & actions

Re: Economic forecast — Although the September employment report showed an improvement in hiring, that followed a lull in the summer months, and the drop in participation is an indication that workers are becoming increasingly discouraged about job prospects. While we maintained our call for a 25bp cut in October following the data, we await the BoC's BOS survey this morning and the CPI data next week, which could be soft enough to sway the BoC to a 50bp cut still.

Re: Markets — Bond yields rose and CAD strengthened following the release, but the moves were mostly reversed as markets digested the data.

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