

Economics

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Canadian employment (Oct): Weakening at the core

by **Andrew Grantham** andrew.grantham@cibc.com

Labour force survey (monthly change, thousands, unless otherwise noted)	Jun	Jul	Aug	Sep	Oct
Employment	-1.4	-2.8	22.1	46.7	14.5
• Full-time	-3.4	61.6	-43.6	112.0	25.6
• Part-time	1.9	-64.4	65.7	-65.3	-11.2
• Paid workers	-9.2	-1.1	29.6	37.6	3.3
• Private	5.4	-41.9	38.2	61.2	20.5
• Public	-14.6	40.8	-8.6	-23.6	-17.2
• Self-employed	7.7	-1.6	-7.4	8.9	11.3
Participation rate (%)	65.3	65.0	65.1	64.9	64.8
Unemployment rate (%)	6.4	6.4	6.6	6.5	6.5
Avg. hourly earnings, perm. workers (y/y %)	5.6%	5.2%	4.9%	4.5%	4.9%
Actual hours worked by industry (m/m %)	-0.4%	1.0%	-0.1%	-0.4%	0.3%

Source: Statistics Canada

- Canadian job growth was lackluster in October, with the unemployment rate only holding steady because of a further decline in labour market participation. However, some of the detail was slightly better, with full-time positions and aggregate working hours rising modestly. With one more employment report before the Bank's next interest rate decision, today's release was never going to close the book on the 25 vs 50bp cut debate. The mixed nature of today's data didn't help, but we continue to lean towards another 50bp move.
- The 14.5K increase in jobs was roughly half the consensus expectation (+27K). Employment increased for young people, at least in seasonally adjusted terms following a tough summer job market. However, the ratio of 15-24 with a job remained well below year-ago levels. There was a slight drop in employment among core aged (25-54) workers, and the employment ratio continued to fall due to population growth.
- Full-time positions increases by 26K, more than offsetting a slight decline in part-time work. That mix helped hours worked rebound by 0.3%, although that still represents growth of only 1.6% on a year-over-year basis. Public sector paid employment, which had been a consistent contributor to job growth last year and into the start of this year, fell for a third consecutive month. On a year-over-year basis, growth in public sector workers has slowed to just over 2%, from a peak of nearly 5% in April.
- By sector, the largest gains in jobs were seen in business, building and support services, followed by food & accommodation and education. Declines were seen in finance, transportation and public administration.
- The overall unemployment rate held steady at 6.5% (consensus 6.6%), albeit only because participation fell further. Lower labour force participation is not too surprising given an aging population with more retirees. However, the reduction in participation over the past year (from 65.6% to 64.8%) has gone beyond what can be explained by demographics alone. The participation rate for prime aged workers fell two ticks to 88.2% in October, and was nearly 89% a year ago. Despite lower participation, the jobless rate for this group still rose further to 5.6%, from 5.5% and compared to only 4.8% a year ago.

- Average hourly earnings for permanent workers unexpectedly accelerated to 4.9%, from 4.5%, but the Bank of Canada has been mix-adjusting this series using more detailed data so this may not be a big concern for policymakers.

Implications & actions

Re: Economic forecast — Although the headline unemployment rate didn't increase as expected, that was due to a fall in overall participation and a decline in joblessness among young people following the summer spike. The detail of the data suggests that softness within the labour market remains and the rise in core working age unemployment should be a concern for policymakers. While there is one more labour market report and plenty of other data between now and the Bank's December decision, we continue to lean towards a further 50bp cut.

Re: Markets — Today's data was a mixed bag, and so too was the market reaction, as bond yields rose very slightly but the Canadian dollar remained down on the day against the greenback.

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