Economics

ECONOMIC FLASH!

economics.cibccm.com

December 1, 2023

Canadian employment (Nov): More of the same

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

Labour force survey (monthly change, thousands, unless otherwise noted)	Jul	Aug	Sep	Oct	Nov
Employment	-6.4	39.9	63.8	17.5	24.9
• Full-time	1.7	32.2	15.8	-3.3	59.6
• Part-time	-8.1	7.8	47.9	20.8	-34.7
• Paid workers	-0.4	-9.5	37.7	19.1	49.4
• Private	-17.5	-22.7	1.1	0.2	37.7
• Public	17.1	13.2	36.6	18.9	11.7
• Self-employed	-5.9	49.5	26.1	-1.7	-24.5
Participation rate (%)	65.6	65.5	65.6	65.6	65.6
Unemployment rate (%)	5.5	5.5	5.5	5.7	5.8
Avg. hourly earnings, perm. workers (y/y %)	5.0%	5.2%	5.3%	5.0%	5.0%
Actual hours worked by industry (m/m %)	0.1%	0.5%	-0.2%	0.0%	-0.7%

Source: Statistics Canada

- November's employment data pointed to a continuation of the recent trend, namely better than expected headline job growth which still wasn't strong enough to keep up with the rapid rise in the size of the labour force. As such, the data were soft enough to support another hold in interest rates from the Bank of Canada next week, but not bad enough to bring forward the timeline for rate cuts which we still see starting in Q2 next year.
- Headline employment increased by 25K, which was modestly higher than the +14K expected by the consensus. The mix of jobs was better than in the prior month, with full time positions rising by 60K but part time employment falling. Private sector paid employment also posted a solid increase of 38K, which was the first significant gain since June following a number of sluggish months.
- By sector, goods producers such as manufacturing (+28K) and construction (+16) led the increase. In contrast, the services sector saw a net loss of jobs, led by retail & wholesale (-27K) and finance & real estate (-18K).
- The overall rise in jobs was once again not enough to keep up with the growth in the labour force (+36K), and because of that the unemployment rate edged up to 5.8% with participation once again remaining steady. Statistics Canada noted that unemployment rates have risen across age ranges in recent months, but the increase has been sharpest among young people. In November, 69% of unemployed people who had previously worked said that they had been laid off from their previous job (rather than having left voluntarily), with that percentage up from 63% a year ago.
- Despite the positive mix of jobs, aggregate working hours were down by a sharp 0.7%, which was the sharpest decline since April 2022. Working hours lost due to strike activity and illness were up relative to the prior month. Wage inflation for permanent workers was unchanged at 5.0%.

Implications & actions

Re: Economic forecast — We suspect that the current trend of rising employment, albeit with gains weaker than the pace of labour force growth, will continue into the first half of 2024 and see the unemployment rate peak between 6-6.5%. At that time, the labour market should be loose enough and inflation low enough to allow the Bank of Canada to start cutting interest rates in the second quarter of next year, which should help stabilise the labour market in the second half of the year.

Re: Markets — Financial markets had pulled forward expectations of interest rate cuts in recent weeks, but were forced to reassess that view following today's data. As a result, bond yields rose modestly following today's data, although the Canadian dollar was little changed relative to the greenback.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC