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Economics

# ECONOMIC FLASH!

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## Canadian employment (Nov): Not enough

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

| Labour force survey (monthly change, thousands, unless otherwise noted) | Jul | Aug | Sep | Oct | Nov |
|---|---|---|---|---|---|
| Employment | -2.8 | 22.1 | 46.7 | 14.5 | 50.5 |
| • Full-time | 61.6 | -43.6 | 112.0 | 25.6 | 54.2 |
| • Part-time | -64.4 | 65.7 | -65.3 | -11.2 | -3.6 |
| • Paid workers | -1.1 | 29.6 | 37.6 | 3.3 | 51.3 |
| • Private | -41.9 | 38.2 | 61.2 | 20.5 | 6.3 |
| • Public | 40.8 | -8.6 | -23.6 | -17.2 | 45.0 |
| • Self-employed | -1.6 | -7.4 | 8.9 | 11.3 | -0.7 |
| Participation rate (%) | 65.0 | 65.1 | 64.9 | 64.8 | 65.1 |
| Unemployment rate (%) | 6.4 | 6.6 | 6.5 | 6.5 | 6.8 |
| Avg. hourly earnings, perm. workers (y/y %) | 5.2% | 4.9% | 4.5% | 4.9% | 3.9% |
| Actual hours worked by industry (m/m %) | 1.0% | -0.1% | -0.4% | 0.3% | -0.2% |

Source: Statistics Canada

- While employment growth was stronger than expected in November, it was not enough to keep up with the pace of labour force growth during the month. As a result, the unemployment rate increased by more than anticipated, which we expect will bring a further 50bp cut from the Bank of Canada at next week's meeting.
- The 50K increase in employment was double the consensus forecast (25K) , and was led by gains in wholesale & retail, construction and education. However, the detail of today's data was generally much less positive. Even though full-time positions drove the headline increase, most of the gains were in public sector paid positions, with private sector hiring up by only a modest 6K. Private sector paid employment has increased by 1.3% over the past year, less than half the 2.8% pace of labour force growth.
- Labour force participation rose by 0.3%-pts, although that move simply offset the declines seen in the prior two months. The rebound in participation meant that employment growth fell well short of labour force growth (138K), and as a result the unemployment rate jumped to 6.8% (from 6.5% and relative to a consensus forecast of 6.6%). That included a further increase in joblessness for prime aged (25-54) workers, which at 5.8% is the highest since December 2016 (excluding the spike seen during the pandemic).
- Today's labour force data provided further evidence that population growth is easing, but remains strong. The 80K increase in the base population during November was the smallest since December 2023, but well above the 30-50K range seen in 2022 before population growth surged.
- Hours worked fell slightly on the month (-0.2%) although were up by 1.8% year-over-year.  Meanwhile, hourly earnings for permanent employees eased more than expected to 3.9% year-over-year (from 4.9%) which is the slowest pace since June 2023.

## Implications & actions

**Re: Economic forecast** — The above-consensus headline gain in employment was pretty much the only positive news in today's data. The greater-than-expected increase in unemployment, weakness in hours worked and deceleration in wage growth all support our call for a 50bp cut by the Bank of Canada next week. The weakening labour market, combined with still-sluggish trend in GDP, also supports our assumption that interest rates will need to drop below a neutral level next year in order to accelerate growth and reduce the growing slack in the economy.

**Re: Markets** — Bond yields and the Canadian dollar fell as markets priced in a higher probability of a 50bp cut by the Bank of Canada at next week's meeting.