

## Economics

# ECONOMIC FLASH!

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## Canadian employment (Oct): Back with a bang

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Labour force survey (monthly change, thousands, unless otherwise noted)	Jun	Jul	Aug	Sep	Oct
Employment	-43.2	-30.6	-39.7	21.1	108.3
• Full-time	-4.0	-13.1	-77.2	5.7	119.3
• Part-time	-39.1	-17.5	37.5	15.4	-11.0
• Paid workers	16.0	-64.8	-32.0	43.4	91.8
• Private	16.6	-13.8	-4.4	8.8	73.8
• Public	-0.6	-51.0	-27.6	34.6	18.0
• Self-employed	-59.2	34.2	-7.7	-22.3	16.5
Participation rate (%)	64.9	64.7	64.8	64.7	64.9
Unemployment rate (%)	4.9	4.9	5.4	5.2	5.2
Avg. hourly earnings, perm. workers (y/y %)	5.6%	5.4%	5.6%	5.2%	5.5%
Actual hours worked by industry (m/m %)	1.3%	-0.5%	0.0%	-0.6%	0.7%

Source: Statistics Canada

- The Canadian labour market bounced back with a bang in October, with a 108K gain in jobs coming in well above consensus expectations (+10K) and bringing an acceleration in wage growth with it. However, through the volatility that is inherent in this series, the 6-month average employment gain is a less spectacular 9K a month, and as such today's surge could simply be a sign that some of the declines seen over the summer were simply statistical noise. Although there is one more employment report to come before the Bank of Canada's next meeting, today's data support out call for a further 50bp interest rate hike at that time.
- The breakdown of employment showed that all of the jobs created were full time positions, with part time actually down slightly relative to the prior month. Most of the jobs created were among private sector employees, although public sector employment and self-employment also rose.
- By industry sector, the rise in employment was pretty broad-based, as would be expected given such a strong headline number. Construction (+25K) and manufacturing (+24K) both saw decent gain although the levels of employment in both areas were below prior peaks. Wholesale & retail trade, transportation and finance & real estate saw declines during the month.
- While the surge in overall hiring was well ahead of consensus expectations, the level of employment is only just (16K) above the previous peak in May. Moreover, the apparent employment surge was accompanied by a similar surge in the labour force, as the participation rate recovered to 64.9% (a level last seen in June) from 64.7% in the prior month. That meant that the unemployment rate held steady at 5.2%, rather than declining. While low by historic standards the current unemployment rate is still higher than the record 4.9% achieved earlier in the year. The six-month average of employment growth (+9K) is still slightly below the average pace of labour force growth that we have seen over the past year (+16K a month).
- Hours worked increased by 0.7% in October. While that only recovered the ground lost in the prior month (-0.6%), it should suggest continued modest growth in GDP to start the fourth quarter.

- The most concerning aspect of today's data for the Bank of Canada may be the unexpected re-acceleration in wage growth to 5.5% (versus 5.2% in the prior month and against consensus expectations for a slight deceleration) although this series is notoriously volatile on a month-to-month basis.

## Implications & actions

**Re: Economic forecast** — The big rebound in employment during October, accompanied by a rebound in the size of the labour force, is likely a sign that the declines seen over the summer were largely statistical noise, rather than a sign that the labour market truly surged ahead this month. Still, today's data support our call for a 50bp hike at the December meeting, rather than a more standard 25bp move, although there are plenty of economic data releases still between now and then, including one more labour force survey.

**Re: Markets** — Bond yields surged on the above-consensus headline print initially, but had retraced roughly half of that move by 9:30am. Even though US payrolls, which were released at the same time, also beat expectations, the Canadian dollar strengthened against the greenback following the two releases.

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