

## Economics

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## Canadian employment (Nov): Moving sideways

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Labour force survey (monthly change, thousands, unless otherwise noted)	Jul	Aug	Sep	Oct	Nov
Employment	-30.6	-39.7	21.1	108.3	10.1
• Full-time	-13.1	-77.2	5.7	119.3	50.7
• Part-time	-17.5	37.5	15.4	-11.0	-40.6
• Paid workers	-64.8	-32.0	43.4	91.8	-0.2
• Private	-13.8	-4.4	8.8	73.8	24.7
• Public	-51.0	-27.6	34.6	18.0	-24.9
• Self-employed	34.2	-7.7	-22.3	16.5	10.4
Participation rate (%)	64.7	64.8	64.7	64.9	64.8
Unemployment rate (%)	4.9	5.4	5.2	5.2	5.1
Avg. hourly earnings, perm. workers (y/y %)	5.4%	5.6%	5.2%	5.5%	5.4%
Actual hours worked by industry (m/m %)	-0.5%	0.0%	-0.6%	0.7%	0.1%

Source: Statistics Canada

- After a roller coaster few months, the Canadian labour market moved sideways in November. The 10.1K job gain was in line with consensus expectations, as gains in full-time jobs were almost fully offset by losses in part-time employment. Looking through the volatility inherent to this series, the Canadian labour market has largely stood still over the past 6 months, with average gains of just over 4K a month. However, given still strong wage growth, the composition of job gains in November (mainly private sector and full-time), and the low unemployment rate, this report supports our view that the Bank of Canada will increase rates by 50 bps next week, before pausing in 2023.
- The breakdown of employment showed that there were 50.7K jobs created in full time positions, which were almost fully offset by losses in part time jobs. The private sector expanded its number of employees in the month, while the public sector shrank.
- After virtually no net gains since the beginning of the year, both the finance & real estate and information, culture and recreation sectors posted some advances (+21K and +16K respectively). Employment also grew in manufacturing (+19K). Those gains were offset by job losses in construction (-25K), which fully reversed October's gains, and wholesale & retail trade (-23K). For the latter, this represents weaker than usual seasonal hiring ahead of the holiday season.
- A drop in labour force participation meant that despite the small job gains, the unemployment rate ticked down to 5.1% in November. That's quite low by historic standards, being only a bit above the record 4.9% achieved earlier in the year. The six-month average of employment growth (+4K) is still slightly below the average pace of labour force growth that we have seen over the past year (+13K a month), and if the participation rate levels off, would typically be slow enough to induce an upward creep in the jobless rate.
- Hours worked also moved sideways in November. The spread of respiratory viruses continued to impact the labour market, with 6.8% of employees absent due to illness or disability in the month. That is a full percentage point higher

than the pre-pandemic average, though below the all-time highs observed at the peak of the COVID season last winter.

- In what is certainly a concern for the Bank of Canada, wage growth remained well north of 5% in November. The 5.4% growth for permanent employees was as-expected and, while this series is notoriously volatile on a month-to-month basis, its equal to its 6-month average.

## Implications & actions

**Re: Economic forecast** — There were no big surprises in this report. Therefore, and given the low unemployment rate, composition of employment changes and strong and stable wage growth, we continue to expect the Bank of Canada to deliver another 50 bps hike next week, before pausing in 2023. There's not a huge difference, however, between a one-off 50 basis point move and the most likely alternative, two 25 bps hikes in succession, in terms of what it would mean for the economy.

**Re: Markets** — Bond yields, which had been falling in recent days, increased after the release, as some of the elements in the report increased the chances of a bigger rate hike next week. The Canadian dollar initially depreciated, but that move had largely been retraced by 9:30am as markets balanced the implications of both the US and Canadian labour market data.

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