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Economic Flash!

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Canadian Employment: Smoother Sailing Into the New Year

M/M chg, 000s	Aug	Sep	Oct	Nov	**Dec**
Employment	-51.6	63.3	11.2	94.1	**9.3**
Full-time	40.4	-16.9	33.9	89.9	**-18.9**
Part-time	-92.0	80.2	-22.6	4.1	**28.3**
Paid workers	-68.7	98.1	-10.5	86.9	**-37.1**
Private	-30.7	95.8	20.3	78.6	**-20.0**
Public	-38.0	2.3	-30.8	8.3	**-17.1**
Self-employed	17.2	-35.0	21.8	7.2	**46.4**
Part. Rate (%)	65.3	65.4	65.2	65.4	**65.4**
Unemp. Rate (%)	6.0	5.9	5.8	5.6	**5.6**
Avg. Hourly Earnings, perm. workers (y/y %)	2.6%	2.2%	1.9%	1.5%	**1.5%**
Actual Hours Worked by Industry	0.2%	-0.4%	0.1%	0.9%	**0.0%**

- After a noticeably volatile year for the Labour Force Survey, the latest reading showed signs of smoother sailing to close out 2018. That the release didn’t reverse any of the explosive job creation from the prior month is a win for the Canadian economy, given that significant gains and losses have at times been followed by offsetting subsequent moves. Still, the headline increase in employment won’t do much to brighten the mood in Canadian markets today, with some of the details in the report far less encouraging.

- The creation of 9K jobs in December was almost bang-on the consensus expectation, something that doesn’t often happen with the volatile LFS. According to the survey, the economy has created almost 180K jobs over the past four months, leaving employment growth running at an annualized pace of 1.4% over the second half of the year, a clear acceleration from the 0.9% in H1 ’18. As a result, the LFS is now better aligned with the more reliable, but less timely, Canadian payroll survey which had been showing more robust job creation numbers for 2018. The headline print left the unemployment rate sitting at an historically low 5.6%.

- However, some of the details weren’t as rosy. While 2018 as a whole saw job creation come exclusively from increases in full-time work, December’s print was driven by the part-time sector, with full-time employment declining by 19K jobs. The latest reading also showed that job creation during the month was driven by self-employment, with 37K paid-jobs apparently shed.

- In addition, while the annual pace of average hourly earnings for permanent workers remained steady, a rate of 1.5% doesn't suggest that the labour market is yet producing the types of healthy wage gains that would be expected with the current levels of the unemployment rate and employment-to-population ratio. It's true that the LFS wage reading is cooler than those of other indicators. But, even taken together, Canadian wages don't seem to be running much faster than 2%.

Implications & Actions

Re: Economic Forecast— Households are contending with the pinch from higher interest rates. However, recent readings on job creation suggest that incomes are holding up well. If that momentum can continue and wages heat up a bit, consumers should still do their fair share to support GDP growth in 2019.

Re: Markets— Canadian fixed income markets weren't much moved by the release, but the Canadian dollar is weaker versus the greenback given the upside surprise in US non-farm payrolls this morning.