



Economic Flash!

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Canadian Jobs: The Wild Ride Continues

M/M chg, 000s	May	Jun	Jul	Aug	Sep
Employment	-7.5	31.8	54.1	-51.6	63.3
Full-time	-31.0	9.1	-28.0	40.4	-16.9
Part-time	23.6	22.7	82.0	-92.0	80.2
Paid workers	8.1	9.8	54.8	-68.7	98.1
Private	-4.8	-2.0	5.2	-30.7	95.8
Public	12.9	11.8	49.6	-38.0	2.3
Self-employed	-15.6	22.0	-0.7	17.2	-35.0
Part. Rate (%)	65.3	65.5	65.4	65.3	65.4
Unemp. Rate (%)	5.8	6.0	5.8	6.0	5.9
Avg. Hourly Earnings, perm. workers (y/y %)	3.9%	3.5%	3.0%	2.6%	2.2%
Actual Hours Worked by Industry	0.0%	-0.2%	0.5%	0.2%	-0.4%

- The wild ride that is the Labour Force Survey continued in September. Following two very volatile months even for the LFS, the data was somehow able to surprise everyone once again. But the massive gain in headline employment is likely reflecting a catchup in that survey as it had been lagging other more reliable indicators of job creation so far this year. The details contained in the report also take some of the shine off of the headline reading. As a result, the eye-catching increase in Canadian employment at least somewhat overstates the positive implications for tracking forecasts of the underlying economy.
- According to the Labour Force Survey, Canada created 63K jobs in September. The gains comes after supposedly gaining 54K in July, but then losing 52K in August. That type of volatility is part and parcel of any household survey of employment. When compared to Canada's payroll numbers though, which we see as more reliable, today's numbers are only beginning to make up for what seemed like implausibly weak LFS readings so far this year.
- All of the jobs created were in paid employment, which were up 98K on the month, with most coming in the private sector. But, if the LFS is to be believed, the jobs created were exclusively part-time, with the numbers showing a decline in full-time employment. Furthermore, hours worked were down 0.4% on the month, which doesn't bode well for September GDP.

- The LFS wage reading also continued to come back down to earth. Average hourly earnings growth for permanent workers decelerated to 2.2% from the 2.6% posted in August and the almost 4% readings seen earlier in 2018. Those past year-over-year gains had looked artificially elevated, boosted by weak comparisons from 2017. The current reading, however, looks more in line with other measures of wages, and suggests that inflationary pressures aren't set to take off.
- The unemployment rate only fell a tick to 5.9% as labour force participation increased during the month. Job creation was relatively broad-based across industries, but was focused in BC and Ontario, the latter of which had seen a sharp decline in August. With September's gains, employment is now up 83K in Ontario, leading the provincial pack. But, BC and Alberta aren't far off, increasing 43K and 55K, respectively. Other provinces have seen more tame job growth so far this year.

Implications & Actions

Re: Economic Forecast— A massive headline employment increase coupled with an improved trade balance would normally raise tracking forecasts for the Canadian economy. But given the soft hours worked in the LFS, and the fact that the trade surplus came on the back of declining two-way trade, it's hard to get too excited about today's data. As a result, we'll stick with our forecast that the economy expanded between 2-2 ½% in Q3, easily enough to see one Bank of Canada rate hike before year-end, but not yet enough to see two.

Re: Markets— Markets were initially reacting to the positive headline numbers with the Canadian dollar stronger and fixed income selling off, but those moves have now largely been erased.

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