

Canadian Jobs Rebound And Tighten Slack

Canada, Net Change in Employment SA (m/m 000s) / UR (%), September:

Actual 63.3 / 5.9

Scotia 50.0 / 5.8

Consensus 25.0 / 5.9

Prior -51.6 / 6.0 (Unrevised)

- Job growth rebounded in September (+63,300) and the BoC won't be too fussed about the deceleration in wage growth to 2.2% y/y (2.6% prior) that is being partly driven by base effects. Wages of permanent employees in this household survey get about a trivial 5% weight in the BoC's preferred wage common metric that puts more emphasis upon the wage measure out of the payrolls survey and how that directly and indirectly affects wage common including through the other two of the four wage components. See lagging (!) SEPH wages versus updated LFS wages in the chart below. Overall, however, while we got the headline pretty much right by going to the high side of consensus, the total randomness of the number generator will continue to have the BoC look to the trend and discount any one single month in a highly volatile household survey. I simply refuse to accept that Canadian job growth is as volatile as this survey has been indicating this year. Not since 2008 have we seen highs as high as the monthly changes in employment registered in several months this year alongside lows as low as the readings we've seen in a few other months this year. The details were mixed. USDCAD and short-term Canadian government bond yields were little affected by the release.
- Full-time jobs fell only because they ripped the prior month. A drop of -16,900 followed a 40.4k rise in August. Part-time jobs ripped (+90.2k) only because they tanked the prior month (-92k). What goes up, must come down, and vice versa as volatility is a theme across the components and not just the headline.
- The unemployment rate fell a tick to 5.9% as the rise in employment surpassed a smaller 39,200 increase in the size of the labour force. **Canada is bouncing around the lowest unemployment rates since just before the GFC.** In turn, those were the lowest unemployment rates in the history of the Labour Force Survey dating back to 1976. The labour market continues to tighten and over time that should continue to support trend wage growth.
- Hours worked fell by -0.4% m/m after two monthly gains that were strong on average (+0.5% in July, +0.2% in August). That won't bode well for August GDP all else equal, which elevates the importance of tracking further incoming activity measures for that month starting the week after next.
- All of the job gains were in the private sector (+95,800) after a 30,700 drop in August. The public sector was flat (+2.3k) after a 38k drop in August and a 50k rise in July (I missed the memo of wholesale hirings and firings in the public sector...).
- The headline would have been stronger yet if not for a 35k drop in self-employed following a 17.2k rise the prior month. Self-employed positions are valuable to the Canadian economy, but often come with a self-disclosure bias in the LFS.

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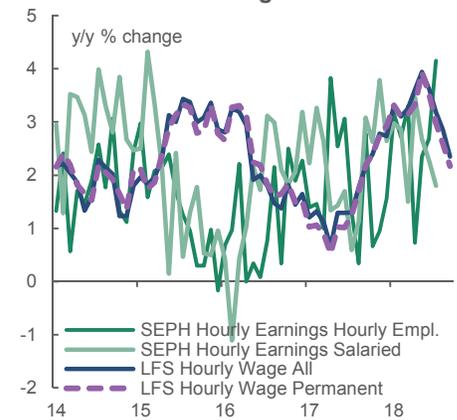
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Canadian Wage Growth



Sources: Scotiabank Economics, Statistics Canada.

- By sector, the goods producing industries added 44,900 jobs and services added 18,400. Overall, 12 of 21 industries created jobs. Within goods, every sector added jobs led by a 28k rise in construction jobs and a 9.3k increase in agriculture while jobs were little changed in the resource, utilities and manufacturing sectors. Within services, solid gains were booked in finance/insurance/RE (+13.1k), wholesale/retail (+11.5k) and public administration (+12.1k). Notable declines occurred in the info/culture/rec (-17.2k) and business, building and other support services (-10.2k).
- Two provinces drove the headline gain. Employment in Ontario powered forward after that province torpedoed the Canada-wide headline the prior month. Ontario's jobs were up 36,100 in September following a drop of 80,100 in August. I assume that the media outlets that pinned the 80k drop in August on the election will be fair and scream equally loudly about the rebound in September—assuming one believes either number! BC added 33,300 jobs and that province has created 54,400 jobs over the past three months. Jobs fell in Quebec (-8,300) and that province has dropped jobs for four consecutive months.
- For the year as a whole, Quebec has been the main province that has been depressing overall nationwide employment. That province has dropped 39,000 jobs on a seasonally adjusted year-to-date basis. By contrast, Ontario has added 37k, BC has added 25k and Alberta added 18k. Employment across other provinces has been little changed so far this year.

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