ECONOMIC NEWS

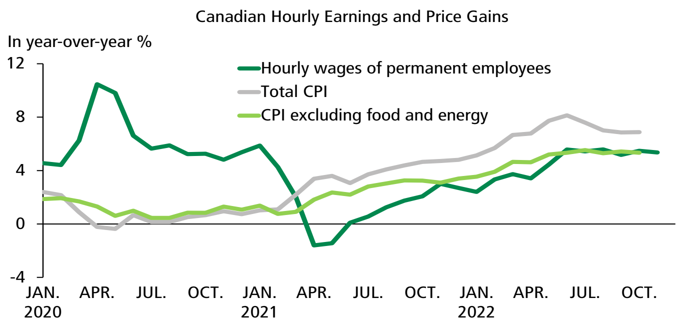
Canada: What Went Up in the Labour Market is Now Coming Down

By Marc Desormeaux, Principal Economist

HIGHLIGHTS

- Net total Canadian employment edged up by a meagre 10k jobs in November 2022.
- A gain of 51k full-time positions offset losses in part-time work.
- Gains were concentrated in financial services, manufacturing, and information, culture, and recreation; construction and wholesale and retail trade saw the biggest losses.
- The unemployment rate dipped 0.1 ppts to 5.1%—still near historical lows. But this is not the goods news story it may seem at first blush, as the participation rate fell 0.1 ppts lower to 64.8%. It is now 0.6 ppts below the March 2022 post-pandemic peak.
- Total hours worked were flat following the prior month's 0.7% jump and stayed about 1.4% below the March 2022 peak.
- Gains in hourly earnings of permanent employees—important for the Bank of Canada in its assessment of wages' inflationary impacts—eased to 5.4% y/y. That was the sixth consecutive month of gains above 5%, the first time this has happened since the data began being tracked in 1997.
- Only three provinces—Nova Scotia, Quebec, and Ontario—witnessed net total job growth. Ontario's employment was 37.5k (0.5%) below the May 2022 peak.

GRAPH
Wage Pressures Appear to Have Plateaued



CPI: Consumer price index
Sources: Statistics Canada and Desjardins, Economic Studies

COMMENTS

Canada's labour market softened after October's surprise surge. Hours and jobs were roughly flat, wage growth seems to have plateaued, and the reduction in unemployment reflects declining participation. Four consecutive monthly drops in wholesale and retail trade reinforce the notion that central bank rate hikes are slowing consumption, as seen in Canada's third quarter GDP print earlier this week. Notably, a decline in the participation rate comes one month after a jump in labour supply. It appears that the broader slowdown in economic activity is dominating any positive effects from the filling of job openings.

IMPLICATIONS

The print was in line with our expectations, and we continue to track real GDP growth above 1% (q/q ann.) in the fourth quarter of this year. That is more than double the Bank of Canada's forecast in its last Monetary Policy Report. But it is early in the quarter, and we still see downside risk in the coming months.

The data also do not alter our call for a 25bp hike from the Bank of Canada next week. With softness recorded in Canadian domestic demand in Q3, only modest hiring and no signs of accelerating wage growth make the case for only modest additional tightening.