

## ECONOMIC NEWS

# Canada: Surprise Job Surge Suggests Bank of Canada's Job Ain't Done Yet

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### HIGHLIGHTS

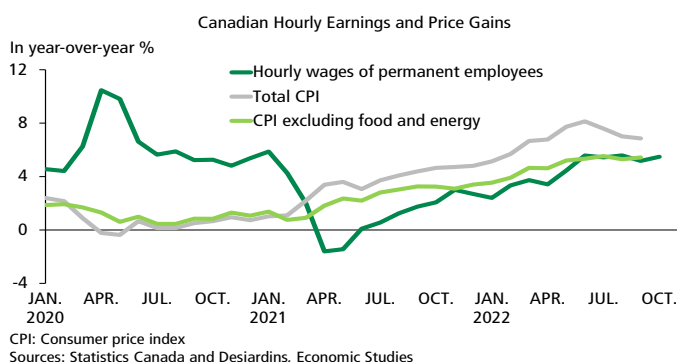
- ▶ Net total Canadian employment jumped by 108k jobs in October 2022 to recoup the losses witnessed from June to August.
- ▶ A gain of 119k full-time positions dominated 11k in lost part-time jobs.
- ▶ Gains were concentrated in construction (+24.6k), manufacturing (+23.8k), and accommodation and food services (+18.3k). Wholesale and retail trade (-20.2k) and non-agricultural primary industries (-6.8k) saw the biggest losses.
- ▶ The unemployment rate held steady at 5.2%—still near historical lows—as population growth surged and the participation rate rose 0.2 ppts to 64.9%.
- ▶ Total hours worked increased by 0.7%. They remained about 1.4% below the March 2022 peak.
- ▶ Growth in hourly earnings of permanent employees—tracked by the Bank of Canada in its assessment of wages' inflationary impacts—rose to 5.5% y/y.
- ▶ All 10 provinces experienced net total employment gains. Job creation was led by Ontario (+43k) and Quebec (+27.8k), though Ontario employment was still 60k (0.8%) lower than it was in May 2022.

### COMMENTS

One month does not make a trend, but it's hard to find signs of weakness in Canada's labour market in the October data. Job creation was broad-based across regions and industries and concentrated in full-time work. Solid gains in hours worked, a near-record low unemployment rate, and still-strong wage growth—even amid easing inflation—further point to tightness.

### GRAPH

#### Wage Pickup Means More Pressure to Hike Rates



### IMPLICATIONS

Well-above consensus job creation numbers clearly impact the economic growth calculus for Q4-2022, even though this is only the first major data print for the final three months of the year. We still expect broadly slowing growth in the coming months and a recession early next year. But we are now tracking a real GDP advance of over 1% (q/q saar) in Q4, revised up from around 0.5% just yesterday. Similar tracking from the Bank of Canada in its October *Monetary Policy Report* suggests that it may be revisiting its outlook as well. Contributions from increased labour supply—which look to have filled some of the job openings reported across the Canadian economy—are bullish for hiring to the extent that immigration continues to rise.

For the Bank of Canada, strong employment and wage gains mean more pressure to continue its rate hiking cycle, perhaps for longer than previously anticipated.