ECONOMIC NEWS

Canada: Job gains mask weakness under the hood

By Marc Desormeaux, Principal Economist

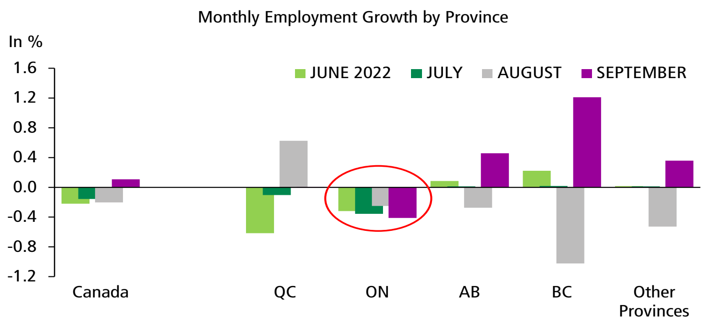
HIGHLIGHTS

- Net total Canadian employment rose by 21k in September 2022, ending a string of three consecutive monthly declines.
- Gains were concentrated in part-time positions, which climbed by 15.4k in the month.
- By sector, educational services (+46k) witnessed the biggest gain. Manufacturing (-27.5k), information and culture (-21.5k) saw the biggest losses, while construction and finance and insurance also shed jobs.
- The unemployment rate edged down to 5.2%—still very low relative to history—as the participation rate inched 0.1 ppts lower to 64.7%—0.7 ppts below the March 2022 post-pandemic peak.
- Total hours worked fell 0.6%—the fourth decline in six months—to sit about 2% 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—slowed to 5.2% y/y.
- Seven provinces saw net total employment gains, led by BC (+32.9k) and Alberta (+10.8k). Ontario (-31.5k) has now seen four consecutive months of job losses. Employment came in unchanged in Quebec.

COMMENTS

September's report was mixed. The end of a three-month spate of job losses plus a lower unemployment rate are indicative of more tightness in the labour market. However, the softness in wage growth and ongoing decline in hours worked suggests the opposite. Weakness in construction and financial services employment may mean that the housing market downturn has begun to spill over into other industries. And educational services rebounded strongly in an apparent normalization following the seasonality-induced plunge noted in the prior month—a short-lived boost that likely won't be repeated in October.

GRAPH
Four consecutive job losses in Ontario



Sources: Statistics Canada and Desjardins, Economic Studies

IMPLICATIONS

The numbers are unlikely to change the Canadian economic picture one way or another. Our tracking continues to point to national-level growth of less than 1% (q/q saar) in Q3-2022. Absent more change, we still think the Bank of Canada will raise its policy rate by 50 bp this month and a further 25 bp hike in December is now on the table. A streak of four consecutive monthly employment losses in Ontario (graph)—not experienced in the province since before the Global Financial Crisis—reinforces our view that that province will be among the hardest-hit in the coming housing-led Canadian recession.