CANADA

Employment posts another modest advance

HIGHLIGHTS

• The labour market was boosted by 13,200 new jobs in October, a result that is in line with expectations.
• The goods sector lost 12,200 jobs, mainly due to declines in construction (-9,300) and manufacturing (-6,400).
• The service sector saw its ranks increase by 25,400 jobs. Accommodation and food services (+29,900), healthcare and social assistance (+19,900) and public administrations (+19,300) offset steep declines in business services (-32,600) and trade (-19,700).
• The unemployment rate in Canada stayed put at 6.9%.

COMMENTS

While they are usually quite volatile, the results of the Labour Force Survey have been fairly steady since September, with job creation staying close to the trend seen in recent months. Job creation should in fact remain fairly weak in the coming months, given the moderate economic growth seen in Canada for some time now.

The biggest surprise in the results released today is the unemployment rate. In September, the rate fell from 7.1% to 6.9% due to a drop in the labour market’s participation rate. Contrary to what had been expected, the participation rate did not immediately recover all the ground lost—it stayed at 66.4% in October—meaning that the unemployment rate also stayed put at 6.9%. But this situation should not last very long in our opinion—an adjustment should materialize in November or December, pushing the unemployment rate above the 7.0% mark.

Implications: The more modest advances recorded in the labour market in recent months is obviously not good news for Canadian workers. However, this could indicate that adjustments are currently taking place in Canada’s economy—all told, this is not a bad thing over the longer term. Since the start of 2013, employment has recorded an average monthly increase of only 0.07% while production has posted an average monthly advance of 0.21%. This gap suggests that productivity gains are being made, meaning that Canadian companies could eventually become more competitive.

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