

## CANADA

### Employment continues to rise... which is not preventing productivity gains

#### HIGHLIGHTS

- The labour market created 21,600 jobs in November.
- The goods sectors added 5,900 jobs. A rise in manufacturing (+24,900) was largely offset by a drop in construction (-17,500).
- Service sector employment rose by 15,700 jobs. Results by sector show a mix of growth and contraction, although business services stand out with 31,200 jobs added.
- The unemployment rate is steady at 6.9%.

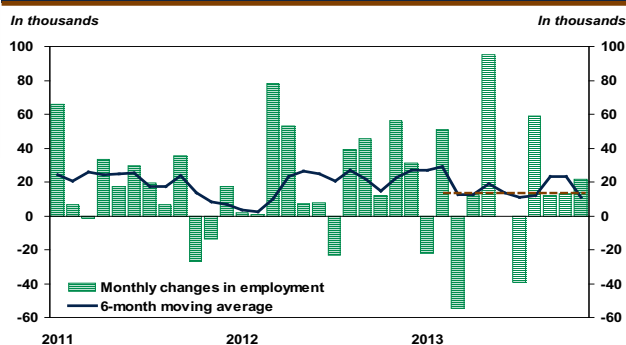
#### COMMENTS

November's job creation is in line with our expectations (our forecast was +25,000). The 6-month moving average, which paints a clearer picture of labour market trends and glosses over volatile figures, shows an increase of 11,000 jobs per month. This is slightly below what it could have been, given how much the economy has grown over the last few quarters.

The gap suggests that Canadian businesses are making productivity gains, not a bad thing. This morning, Statistics Canada also published the third quarter's data on labour productivity, which show a 0.2% rise. This is the fourth quarterly increase in a row. However, these gains are not enough to offset higher payroll costs, so unit labour costs continue to tick up. In contrast, unit labour costs edged down 0.2% in the United States in the third quarter. Clearly, Canadian businesses still have a ways to go in terms of competitiveness. Luckily, the loonie has depreciated in recent months.

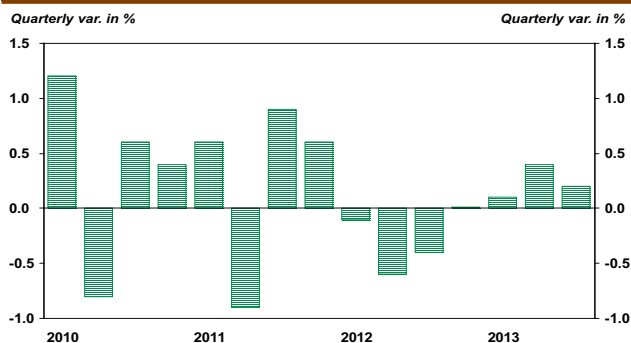
**Implications:** The issue with business competitiveness is becoming much more serious in a context in which the Canadian economy will have to rely heavily on exports to support growth in the quarters to come. This argues in favour of labour market growth that is slower than production growth in future quarters.

#### The labour market's trend remains fairly weak



Sources: Statistics Canada and Desjardins, Economic Studies

#### Labour productivity improved slightly again



Sources: Statistics Canada and Desjardins, Economic Studies

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