



CANADA

Astonishing job creation in October

HIGHLIGHTS

- The labour market expanded by 43,100 new jobs in October, after a gain of 74,100 jobs in September.
- The goods sectors recorded a gain of 19,400 jobs, including 33,200 new jobs in manufacturing.
- The service sectors reaped a gain of 23,700 jobs.
- The unemployment rate fell, from 6.8% to 6.5%.

COMMENTS

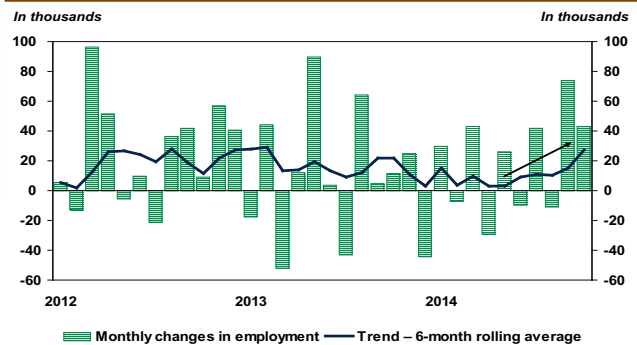
Most forecasters were expecting a loss of jobs in October, after the exceptional gain observed in September. Instead, the labour market kept on expanding, pushing the trend (that is, average monthly job growth over a 6-month period) to over 27,000.

Based on the usual relationship between employment trends and economic growth, labour market growth of this calibre usually goes hand in hand with annual real GDP growth of around 3%. However, our most recent projections call for annual real GDP growth of a mere 2.3%, on average, in the third and fourth quarters of 2014. There are two possible ways to interpret this divergence.

On one hand, we can look at the employment trend as an indicator of improving economic conditions in the country, which would mean that we are currently underestimating economic growth for the months ahead. On the other hand, given the highly volatile nature of the employment data obtained by the household survey, one might expect the strong job creation of the past two months to be followed by a pullback in the labour market in the months to come. That would bring the employment trend back to a level that would be more compatible with growth of around 2.3%. At this point, we favour the second assumption.

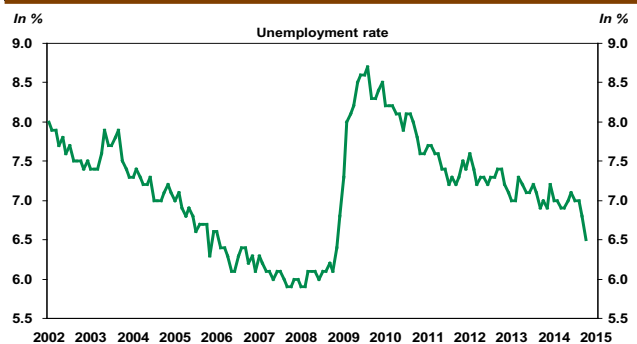
Implications: The expression “too good to be true” would seem to fit the analysis of the household survey data. Therefore, it would be surprising if the Bank of Canada

The employment trend still rising



Sources: Statistics Canada and Desjardins, Economic Studies

The unemployment rate dropped significantly in October



Sources: Statistics Canada and Desjardins, Economic Studies

(BoC) were to allow itself to be influenced by those numbers. Ongoing uncertainties, and in particular the slump in commodity prices, will instead lead the BoC to leave its key interest rate at 1.00% until the fall of 2015.

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