

CANADA

Astonishing plunge by employment in July Ontario especially hard hit

HIGHLIGHTS

- The Canadian job market lost 31,200 jobs in July. The forecast consensus had called for a gain of 10,000 jobs.
- The country's unemployment rate goes from 6.8% to 6.9%.
- Ontario lost 36,100 jobs, primarily in education services. Nonetheless, the province's unemployment rate remains at 6.4%.
- Quebec recorded a slight loss of 4,000 jobs in July, after dropping 11,200 positions in June. Over three months, the record is positive, with 6,400 jobs gained. The jobless rate remains 7.0%.

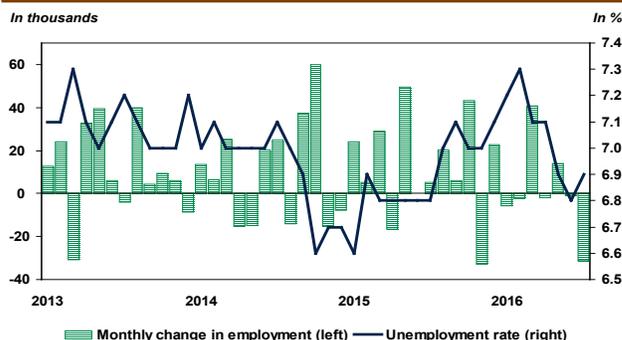
COMMENTS

Once again, the highly volatile results of the Labour Force Survey caused some surprise. Canada's job market would have posted a 6,600-job gain for the month if not for the many jobs lost in Ontario's education sector.

Once again, this proves how important it is to take out the volatility when examining the results for employment. Statistics Canada's metric for the employment trend-cycle is especially useful here. That metric edged down in July, showing a decline of 100 jobs. This is symbolic, as it is the first time this metric has lost ground since the Great Recession. Clearly, the job market is having some problems. Note that economic growth is not stable either, with everything suggesting that real GDP will contract substantially in the second quarter. The focus is now on the rebound anticipated for the third quarter, on which a lot of hope rests. If the employment trend does not recover in the coming months, it could increase the risk of disappointment, however.

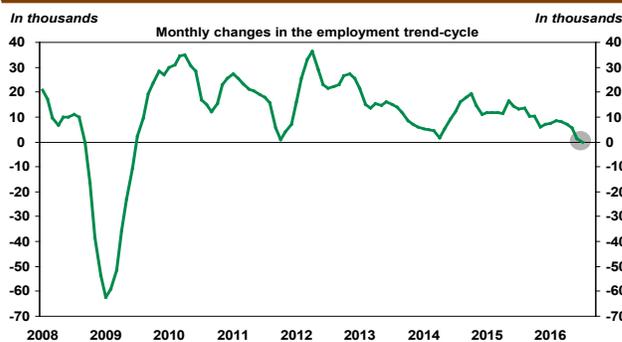
Implications: Despite the employment market's disappointing growth, the Bank of Canada should stay on course with its monetary policy. Among other things, the

Canada – The unemployment rate rises to where it was in May



Sources: Statistics Canada and Desjardins, Economic Studies

Canada – The first retreat by the employment trend-cycle since the Great Recession



Sources: Statistics Canada and Desjardins, Economic Studies

results for U.S. employment have been very good in the last two months, which seems to signal a third-quarter rebound by North American growth.

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