Canada: Employment Back in Positive Territory

HIGHLIGHTS
- The labour market benefited from the creation of 15,400 jobs in February, thus regaining some of the 88,000 jobs lost in January.
- However, the goods sectors saw the loss of 10,400 jobs in February due to the disappearance of 16,500 manufacturing jobs.
- The services sectors posted an increase of 25,900 jobs in February. Significant gains in healthcare and social assistance (+24,500), transportation and warehousing (+12,600), and education (+12,200) helped to offset the losses in other sectors, including trade (-22,000).
- The unemployment rate dropped from 5.9% to 5.8%.

COMMENTS
As expected, employment returned to positive territory in February after some setbacks in January. The 6-month moving average, which provides a good overview of the employment trend, remained, nevertheless, around 20,000 for the second month in a row. This is a clear slowdown from the trend of nearly 40,000 recorded a few months ago. However, this deceleration is a good thing because the employment trend now more closely matches the rate at which the Canadian economy is growing, thereby helping to calm the concerns associated with an overheated labour market.

The recent change in wages is also reassuring. After a significant increase at the end of 2017, the 3-month change in the average hourly wage is now converging toward 3%, which corresponds to its annual growth rate. This seems to suggest a capping around this level.

IMPLICATIONS
The easing of some of the upward pressure on the labour market will provide the Bank of Canada with some leeway in managing its monetary policy. This should help it slow the pace of its rate increases and patient wait a few more months... provided any changes in inflation and other risks allow it to.

Benoit P. Durocher, Senior Economist