Canada: Weak Employment

HIGHLIGHTS
- The labour market lost 51,600 jobs in August. Most forecasters were expecting a slight increase instead.
- The decline was recorded mainly in the 55-plus cohort. Only 5,700 jobs were lost in the 25-to-54 population, while 3,600 young people (15-to-24) were hired for new jobs.
- The unemployment rate ticked up from 5.8% to 6.0%.
- The annual change in the average hourly wage contracted for the third straight month, from 3.2% to 2.9%. With an annual increase of 4.5%, the median hourly wage growth remains nonetheless very high. Keep in mind that this last measure has fewer distortions tied to the fluctuations between very high or very low wages.

COMMENTS
Considering the high volatility in the Labour Force Survey results, the loss of 51,600 jobs in August is not too worrisome, especially given the 54,100-job gain posted in July. That said, the next few months will be decisive for shifts in the employment trend. The August data shows that the 6-month moving average started to decline again, to only 9,700. In theory, this advance is too weak given the growth outlook of about 2% on average for Canada’s economy for the rest of 2018, based on our estimates. We therefore expect employment to rebound in the months ahead.

IMPLICATIONS
For the moment, the changes in the labour market should not concern the monetary authorities too much, or stand in the way of further key rate increases. Moreover, hourly wage growth remains relatively high, historically speaking. The sharper increase in average weekly earnings gleaned from the business survey confirms this.