

CANADA

The employment trend remains weak despite the rebound in August

HIGHLIGHTS

- The labour market created 26,200 new jobs in August, recovering some of the 31,200 jobs lost in July.
- The public sector boosted its ranks by 57,000 jobs, while the private sector created only 8,300 new jobs. The number of self-employed workers declined by 39,100 for the month.
- Quebec (+21,900 jobs) and Ontario (+10,500 jobs) are responsible for most of the jobs created in August. British Columbia (-6,600 jobs) and the Maritime provinces (-1,100 jobs) both lost ground for the month.
- Canada's unemployment rate ticked upward from 6.9% to 7.0%.

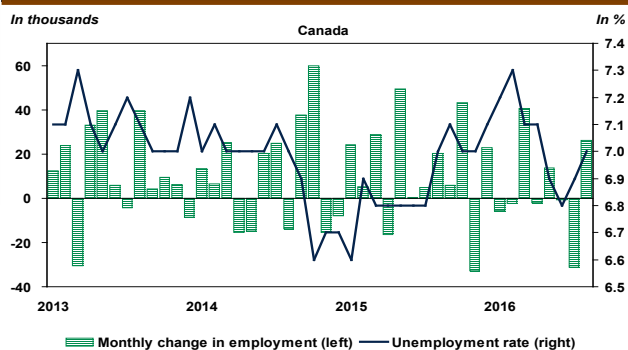
COMMENTS

As we had forecast, Canada's labour market rebounded in August after sustaining a sharp drop in July. These results perfectly illustrate the volatile nature of job data. To obtain a clearer picture, the labour market analysis should focus on trends. Yet the recent developments on this front are not very good. Advances in the trend-cycle metric compiled by Statistics Canada have slowed significantly in recent months and its monthly growth has been almost flat since June. The number of hours worked has also declined 0.6% in the past three months.

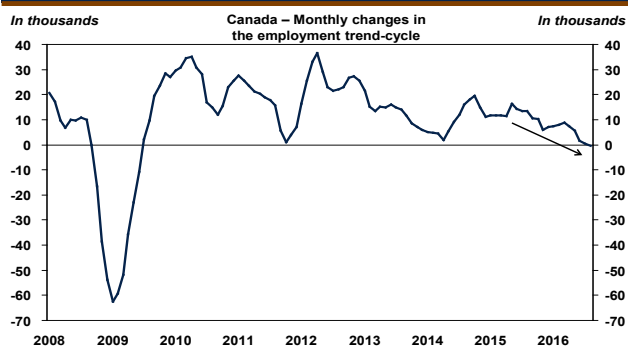
This disappointing labour market performance is not really surprising in an environment where production has had to struggle with substantial difficulties lately. Note that the real GDP contracted by 1.6% (annualized pace) in the second quarter. That said, the data suggest that economic growth is poised to rebound in the third quarter, with everything back to normal after the forest fires in Alberta and exports recovering in line with changes in foreign demand. It should only be a question of time before the labour market benefits from these improvements.

Implications: The August results of the Labour Force Survey do not really change the snapshot of the labour market. The weak employment trend is a good reflection of

The unemployment rate ticks up for a second straight month



The employment trend is losing momentum



the many difficulties that weighed on Canada's economy and the need for the monetary policy to maintain its status quo position for an extended period.

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