Economic News
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CANADA

The job market keeps advancing

HIGHLIGHTS

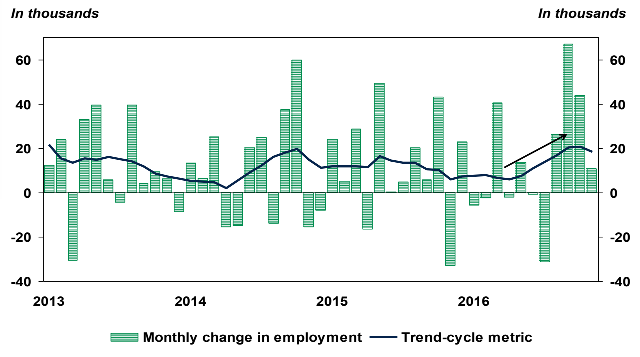
- The labour market created 10,700 jobs in November, an astounding performance given that most forecasters were expecting a decline for the month.
- The service sectors added 31,200 jobs, while the goods sectors dropped 20,600 jobs, primarily in construction (-14,400) and manufacturing (-11,900).
- The unemployment rate went from 7.0% to 6.8%.
- This morning, Statistics Canada also revealed the latest results for labour productivity, recording a 1.2% increase in the third quarter.

COMMENTS

Clearly, the labour market has been making astonishing advances in the last few months, posting four consecutive gains. A total of 148,000 jobs have been created since August. Even though employment data is known for its volatility, we must note that the persistent gains are having more and more of an effect on the labour market trend. The employment trend-cycle metric compiled by Statistics Canada shows average growth of 20,000 jobs a month per month since September, which is much better than last spring's trend of 6,000 jobs a month. This is, of course, good news for Canada's economy.

Despite the improvement, some components of the labour market remain worrisome. Since the start of the year, the growth in employment has come from part-time jobs (+181,300), with full-time jobs retreating (-20,900). This points to more precarious conditions in the labour market. The increase in the average hourly wage is not very big, with growth of just 1.4% over a year, which does not leave much after we subtract inflation. However, there is some improvement in the total number of hours worked. They jumped 1.0% in November. If they keep climbing, the number of full-time jobs could start to increase again.

The employment trend has been higher for several months



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: The faster labour market growth seen in the last few months is consistent with economic growth, which is also more robust. Note that real GDP jumped 3.5% in the third quarter, and the carryover for the fourth quarter is fairly high. Given how volatile the employment data is, the ongoing disappointment with the results for wages and the weight of part-time work, the Bank of Canada will remain cautious about the improvement to the labour market. The most probable option is an ongoing status quo on key interest rates until 2018.

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