Canada: The Unemployment Rate Ticks Down Again

HIGHLIGHTS
- The labour market increased by 22,200 new jobs in August. Since the start of 2017, 219,100 workers have joined the Canadian economy.
- The services sector created 35,900 new positions while the goods sector shed 13,700 jobs.
- The unemployment rate declined from 6.3% to 6.2%, a low point not seen since October 2008.

COMMENTS
Labour market conditions remain clearly very favourable. Some may be concerned that 88,200 full-time jobs were lost in August compared to the 110,400 new part-time jobs created. Considering the volatility of these results, we will have to wait a few months before being able to obtain a clear picture. Worth noting, a cumulative gain of 228,500 full-time jobs were created in the first seven months of 2017.

The new decline in unemployment is what is capturing our attention. At only 6.2% in August, the unemployment rate continued to fall below the equilibrium level estimated at 6.47% for 2017 by the Organisation for Economic Co-operation and Development (OECD), confirming that the labour market is in excellent health. What’s more, this type of situation could potentially give rise to some upside pressure on inflation, in theory. This also corroborates other indicators that point to the disappearing excess capacity in Canada’s economy.

IMPLICATIONS
Even if inflation remains relatively weak right now, upside pressures could become increasingly apparent due to the absorption of excess production capacity. This paves the way for more key rate increases in the months ahead.

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