

ECONOMIC NEWS

Canada: The Labour Market Took a Breather in October

HIGHLIGHTS

- ▶ As expected, employment posted lacklustre numbers in October with the loss of 1,800 jobs.
- ▶ The difficulties were largely in construction (-21,300 jobs) and manufacturing (-23,100 jobs). Ontario alone lost 17,500 manufacturing-sector jobs in October. This is no doubt due to the negative effects that the strike by U.S. employees at General Motors (GM) has had on certain companies in Ontario.
- ▶ Canada's unemployment rate remains at 5.5%.

COMMENTS

Following a cumulative gain of 134,800 jobs in August and September, it is not surprising that the labour market took a breather in October. Despite the slight drop, the employment trend remains relatively good, while the 6-month moving average was 22,000. That being said, the trend has lost some of its strength in recent months. This slowdown is nothing to worry about for now, as the 6-month moving average is still fairly high, historically speaking.

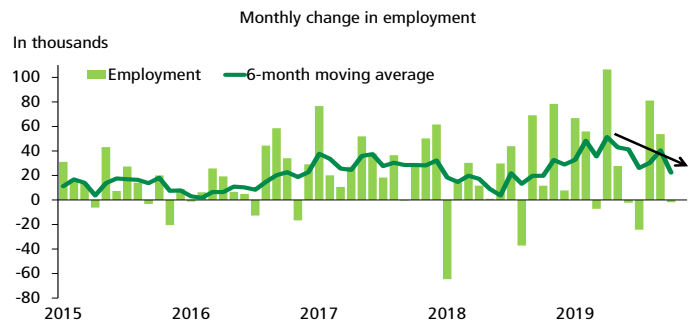
Note that economic growth has been more moderate since mid-2019, which could have a greater impact on the labour market. Moreover, wage growth remains extremely high. This increases labour costs and could eventually affect businesses' demand for workers.

IMPLICATIONS

Given the volatility of the results of the labour force survey, it is difficult to conclude that employment really is increasing at a more modest pace that is sustainable over the long term. The situation will have to be kept under a close watch in the coming months. The Bank of Canada will no doubt be keeping an eye on wage growth, which is showing no signs of slowing down. This could cloud matters when it comes to managing its monetary policy.

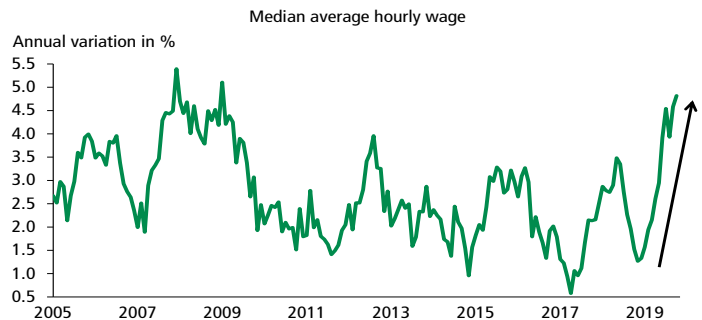
GRAPH 1

The employment trend has been less robust in recent months



GRAPH 2

Median hourly wage growth continues to accelerate



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