

 **CANADA**

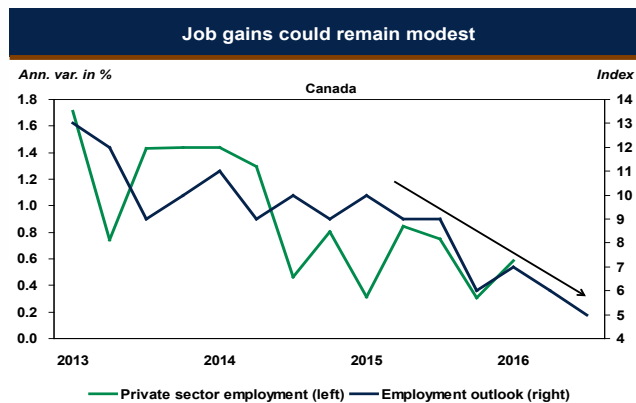
Business demand for new workers could remain fairly weak

The Manpower Employment Outlook Survey for the third quarter was published yesterday, which shows the hiring intentions of Canadian companies between the months of July and September. Survey results, expressed by a diffusion index based on the number of respondents who anticipate increased employment minus the number anticipating a decline, fell to only 5% (once corrected for seasonal fluctuations)—the weakest level since the fourth quarter of 2009, during the great recession.

Clearly, this is not good news for Canada’s labour market. The deterioration of job outlooks fuels concerns over the continuing decline in the number of private sector workers in the months ahead. The difficulties in the energy sector, which create many disparities in economic growth across Canada, are partly responsible. The employment outlooks are in fact weaker in the Atlantic and western regions, where energy is a key sector, but other sectors are also dealing with weak job outlooks. Manufacturing tops this list due to the repercussions of the decline in non-residential investment.

The low level of business demand for new workers seems to be having an impact on wage growth. The annual growth of the average hourly wage fell to 1.9% in May from a pace of around 3% seen in recent months. Expressed in real terms, the annual change in wages is no more than about 0.3%.

Implications: More modest job creation combined with sluggish wage growth could eventually ripple through to household spending. This represents a significant risk at a time when the decline in business investment is already hindering domestic demand. That said, our forecast calls for the negative impact caused by downward adjustments to energy prices to wane in the near term, which should boost economic growth and the labour market before the end of the year.



Sources: Statistics Canada, Manpower Group and Desjardins, Economic Studies



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