



Canadian labour market sours in August, unemployment rate jumps

Canada's labour market soured in August in a sign that the economic slowdown is gathering steam, although there were some big caveats in the latest data. Total employment fell by 39.7k persons (-0.2 per cent) during the month, underwhelming forecast consensus for a 15k increase. Canada's unemployment rate shot up to the highest level since February with a 0.5 per cent increase to 5.4 per cent. Since peaking in May, the economy has shed jobs for three straight months, marking a cumulative drop of 113.5k jobs as domestic and U.S. interest rate hikes and global economic slowdown are tempering demand.

August data broadly softened. Employment declines were driven entirely by a 77k drop in full-time work (-0.5 per cent) which was partially offset by an uptick in part-time work. That said, total hours worked held steady. Just over half of the total loss (and 2/3 of full-time losses) owed to a drop off in youth (aged 15-24) amidst some normalization of elevated student employment, although younger workers may also be early casualties of layoffs. Prime-age employment slipped 0.2 per cent.

By class of workers, the public-sector contributed to most of the employment loss (-27.6k or 0.6 per cent), as private-sector employment held steady. Self-employment fell 0.3 per cent. The huge driver of August's pullback was education with a loss of 49.5k workers or 3.3 per cent. This sector contributed the bulk of the loss. That said, education counts are influenced by timing of school year and some of this drop off may be due to abnormal seasonal fluctuations. If so, the headline loss is worse than reality. Construction also shed substantial jobs with a 28.2k or 1.8 per cent drop, corresponding with a slowdown in housing renovation activity and housing market. In contrast, gains were observed in professional/scientific/technical services (14.4k or 0.8 per cent) and private personal services (15.4k or 2.2 per cent).

B.C. led the national decline with a 28.1k (-1.0 per cent) employment loss. Losses were also observed throughout the Prairies, led by Manitoba (-1.5 per cent), while Nova Scotia (-1.1 per cent) also shed jobs. Ontario declines were insignificant (-0.2 per cent) but contributed to the headline loss.

The latest pullback alongside growth in the labour force drove the unemployment rate up sharply by 0.5 per cent to 5.4 per cent, which was the largest single-month increase since February. That said, levels do remain low and given still high job vacancy rates, this uptick may reflect a skills mismatch in the economy. Average hourly wages continued to rise with a hefty 5.4 per cent year-over-year gain, albeit trailing inflation.

Unemployment rates rose in all provinces and remained highest in the Atlantic provinces. Notable increases included PEI from 5.7 per cent to 7.3 per cent, and Nova Scotia from 5.9 to 7.6 per cent. Manitoba's unemployment rate rose from 3.5 per cent to 5.3 per cent. B.C. held steady at 4.8 per cent despite the large employment decline, while Ontario's rose from 5.3 to 5.7 per cent.

While there are questions about the magnitude of job loss in August due to the influence of the education sector which could bounce back in September, we should expect to see slower employment growth to continue. Further interest rate hikes will further slow the housing market, and impact business decisions, and domestic labour demand. That said high job vacancy rates suggest firms will try to hang onto workers amidst a slowdown. We expect the unemployment rate to nudge higher but remain historically low.

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