



Canada Labour market: Weakness lurks below surface level strength

The curious case of the Canadian economy continued into September. Despite slowing economic growth patterns and weaker sentiment, employment growth again ran ahead of expectations with 60k more people (0.3 per cent) employed compared to August, supported in part by rapid population growth. This tripled the consensus forecast for growth, while the unemployment rate was unchanged at 5.5 per cent and a touch lower than expectations.

September's employment increase marked a second consecutive gain and net hiring has gained traction after a mid-year slowdown. Third quarter employment growth reached 0.4 per cent (or an annualized 1.5 per cent), which was in line with second quarter growth.

Despite the solid headline figures, underlying data was not as robust and any enthusiasm over the strength of the numbers should be tempered. The bulk of September's increase was owed to part-time hiring (up 47.9k persons or 1.3 per cent), with full-time work rising slightly (up 5.8k persons 0.1 per cent). This points to a drop in job quality, and according to Statistics Canada, there was an increased share of individuals working part-time that preferred full-time work (30+ hours). Total hours worked were unchanged from August, pointing to negligible impact on economic activity. Wage growth, however, remained elevated at 5.0 per cent y/y, which nudged up from August. Unemployment rates were held steady by the expanding labour force.

Moreover, employment gains were heavily concentrated in specific industries. Education dominated with a 65.8k persons (4.5 per cent) monthly increase which was more than the net overall increase. However, this reversed the 40,000+ loss in August and as noted then, reflects timing issues of back-to-school contracts in the sector. The only other notable increase was in transportation and warehousing (up 18.9k persons or 1.8 per cent). Declines were observed more broadly in construction (-17.5k or 1.1 per cent), wholesale/retail trade (-10.7k or 0.4 per cent), and finance/insurance/real estate (-19.8k or 1.4 per cent). In fact, all the net increase in September was owed to public-sector hiring and self-employment as private sector employment remained flat, consistent with worsening business sentiment.

Mixed conditions were also observed among provinces. Alberta more than reversed August gains with employment down 37.8k or 1.5 per cent but grew in most other provinces. The front-runners were Manitoba (1.3 per cent), Saskatchewan (1.0 per cent) and Prince Edward Island (3.0 per cent). Ontario growth was modest at 0.3 per cent or 19.9k, while B.C. employment rose a robust 0.9 per cent or 25.7k. Similarly, unemployment rates were mixed with some provinces showing declines and other increases. Saskatchewan and Manitoba both saw sharp declines and at 4.9 and 5.0 per cent were among Canada's lowest, alongside Quebec at 4.4 per cent. Ontario (6.0 per cent) and B.C. (5.4 per cent) nudged up.

September's strong pace of headline hiring growth and wage growth may provide fuel for rate hike speculation, but it is clear the details were far weaker below the surface. The combination of flat hours worked, job quality erosion, and concentrated industry gains points to moderation in strength. Coupled with broader signs of slower economic activity, we expect that the Bank will continue to hold off on any rate moves at its next policy rate decision.

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Canada Labour Force Survey Summary

	2023M05	2023M06	2023M07	2023M08	2023M09
Employed, m/m	-17.3	59.9	-6.4	39.9	63.8
Employed, m/m %	-0.1	0.3	-0.0	0.2	0.3
Employed, y/y %	1.8	2.4	2.2	2.5	2.8
Unemployment Rate, %	5.2	5.4	5.5	5.5	5.5
Participation Rate, %	65.5	65.7	65.6	65.5	65.6
Employment Rate, %	62.1	62.2	62.0	61.9	62.0
Hourly Wage, y/y %	5.1	4.2	5.0	4.9	5.0
Employed, 3m % ch	0.3	0.4	0.2	0.5	0.5

LFS Employed, m/m ch. by select NAICS industry, persons

Goods	22.8	9.8	-27.5	-2.5	-10.5
Resources	2.1	3.0	-0.3	5.3	0.3
Construction	0.6	-13.5	-44.7	33.8	-17.5
Manufacturing	12.9	27.3	5.2	-29.5	8.8
Services	-40.1	50.0	21.2	42.4	74.3
Trade	-12.9	32.6	1.9	8.0	-10.7
FIREL	-3.3	9.8	15.0	-16.3	-19.8
PST	-13.4	-6.5	-10.3	52.1	8.4
Accom. and Food services	10.6	-1.0	8.4	-0.5	11.0
Public Admin	0.6	6.7	-16.7	-3.0	6.4

Provincial Summary

	Employment					Unemployment Rate		
	Employed	m/m ch.	Persons	m/m % ch.	y/y % ch	Per Cent		
	2023M09	2023M08	2023M09	2023M08	2023M09	2023M08	2023M09	
British Columbia	2,814.3	12.0	25.7	0.4	0.9	1.7	5.2	5.4
Alberta	2,449.3	17.7	-37.8	0.7	-1.5	2.8	5.7	5.7
Saskatchewan	592.6	2.8	6.0	0.5	1.0	2.4	5.4	4.9
Manitoba	700.1	1.5	8.8	0.2	1.3	3.2	5.7	5.0
Ontario	7,960.2	-9.0	19.9	-0.1	0.3	3.2	5.9	6.0
Quebec	4,543.2	14.8	38.7	0.3	0.9	2.8	4.3	4.4
New Brunswick	386.4	1.6	-2.7	0.4	-0.7	2.1	7.7	7.2
Nova Scotia	494.8	-3.6	3.2	-0.7	0.7	1.9	7.0	6.9
Prince Edward Island	92.6	1.8	2.7	2.0	3.0	12.2	7.6	6.3
Newfoundland & Labrador	236.7	0.4	-0.6	0.2	-0.3	1.3	8.9	9.7