

Contributors

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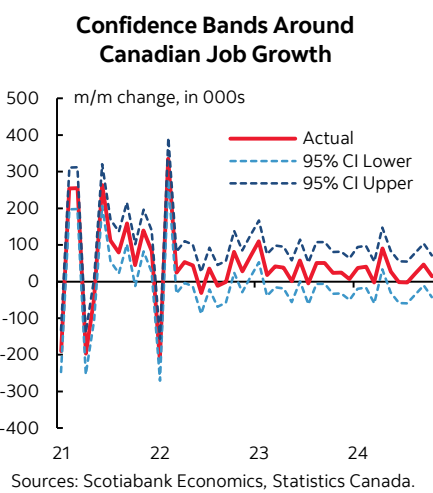
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Chart 1

Canadian Jobs Break Down	
Province	m/m
Alberta	+13.2k
British Columbia	+8.3k
Quebec	+6.5k
New Brunswick	+3.3k
Newfoundland & Labrador	+0.5k
Prince Edward Island	-1.1k
Manitoba	-1.3k
Saskatchewan	-2.0k
Nova Scotia	-2.1k
Ontario	-10.9k
Employment Type	
	m/m
Full Time	+25.6k
Part Time	-11.2k
Public Sector	-17.2k
Private Sector	+20.5k
Self Employed	+11.3k

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Canada's Job Market Remains Resilient

- Another job gain keeps the trend resilient
- Stable unemployment rate as hiring matched labour force expansion
- Wage gains soared
- Hours worked signal solid October GDP, weak Q4 tracking
- Youths, full-time, and the private sector drove it all
- Alberta, BC and Quebec drove the job gain
- The labour force participation rate is cooling mainly because of seniors, but not retirements
- Markets shrugged, more data needed for the BoC's December call

Canada employment m/m 000s / UR %, October, SA:

Actual: 14.5 / 6.5

Scotia: 30 / 6.4

Consensus: 27.2 / 6.6

Prior: 46.7 / 6.5

Canada registered an ok set of numbers that offer mixed perspectives on the labour market and economy. Chart 1 and the table above offer some summary results.

As a result, rates and FX markets largely looked the other way post-data. We're left with no further information to judge the outcome of the Bank of Canada's next decision on December 11th. What may tip the balance on whether they may cut 25bps or 50bps again will be another jobs report in early December, the next CPI report, and a wave of GDP figures.

Another Decent Job Gain

Canada grew employment by 14.5k. Given the high statistical noise factor marked by a 95% confidence interval of +/-57k, all we can really say is that job growth was somewhere between about a drop of -43k and a gain of 72k in repeated sampling 95 times out of 100 (chart 2).

This noise factor is why it's important to look at smoothed trends on the assumption that statistical error over time isn't persistently biased in one direction or the other, and a broad array of metrics. The three-month moving average for monthly job changes is 28k/mth which remains decent and slightly above a long-run average monthly gain.

Chart 3

Weighted Contributions to the Canadian Unemployment Rate

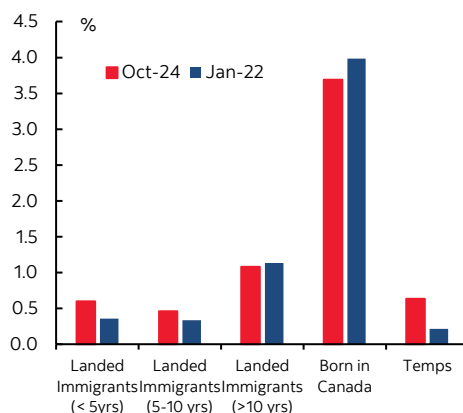
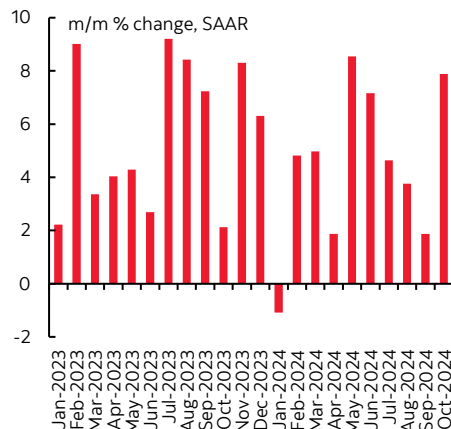


Chart 4

Canadian Hourly Wages



Unemployment Rate Stable

The unemployment rate was stable at 6.5%, thus splitting the difference between consensus that had an uptick to 6.6% and me at 6.4%.

It held unchanged because the employment gain of roughly 15k matched the labour force gain of the same amount which was in line with what I had spitballed. The UR was slightly higher than I had estimated, however, because overall job growth wasn't as strong as guesstimated.

Why? It remains the case that temps are driving much of the weighted contributions to the rise in the UR over time (chart 3).

Wages Ripped

Wage growth was strong at 7.9% m/m SAAR (chart 4) which lifted the y/y rate up four-tenths to 5%. Real wage gains are strong and productivity growth is awful which means the incidence effects will partly involve higher inflation.

Weak productivity impairs top line revenue growth while paying workers more raises compensation bills. The margin squeeze has to be incurred by someone, including shareholders, consumers through higher prices, governments through lower tax revenues, and suppliers.

Solid Breadth

Job gains by sector were marked by decent breadth (chart 5). They were led by construction +6k, manufacturing +10k, business/building/other support services +29k, education +12k, accommodation and food services +12k. Weakness was in other services like wholesale/retail, transportation/warehousing/FIRE.

All Youths

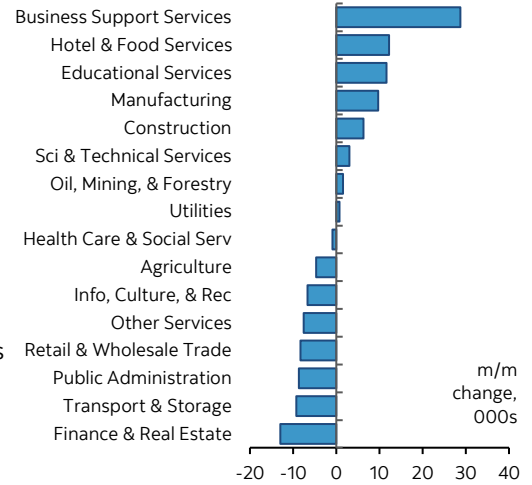
Youth employment (aged 15–24) was up by another 33k and dominated the overall gain (chart 6). I think that may be crowding in the space vacated by temps. The aged 25+ category lost 19k jobs which is not great since the bills are more focused upon that cohort. All of that softness in the 25+ age category was among women this time (-20.8k) with men 25+ little changed.

Hours Worked Up—With Cautions

Hours worked were up 0.3% m/m SA in October which is solid for that month's GDP estimate. That said, Q4 hours worked are tracking flat in q/q SAAR terms during Q4 after being up by +2.1% q/q SAAR in Q3 (chart 7). That's not great because GDP is an identity defined as hours worked in aggregate times labour productivity and we all know how the second thing performs here... If this kind of tracking persists, then the BoC may suffer a further setback in terms of more slack than estimated in the overall economy, hence more concern about downside risk to inflation and hence ongoing risk of upsizing cuts.

Chart 5

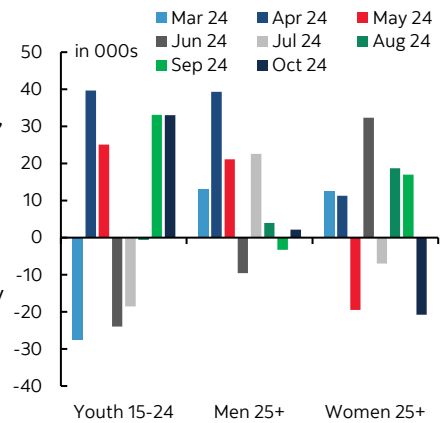
October Changes in Canadian Employment Levels by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

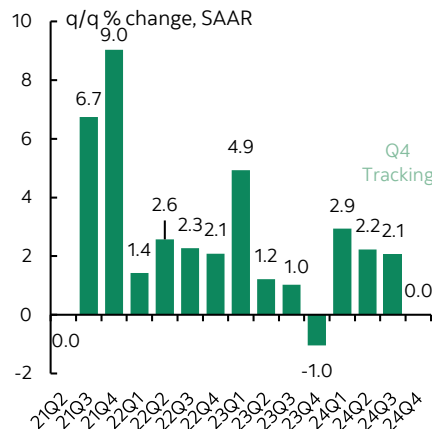
Strong Youth Employment



Sources: Scotiabank Economics, Statistics Canada.

Chart 7

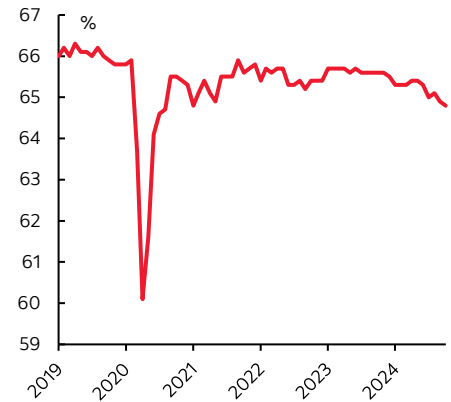
Canada Total Hours Worked



Sources: Scotiabank Economics, Statistics Canada.

Chart 8

Canada's Labour Force Participation Rate



Sources: Scotiabank Economics, Statistics Canada.

All Full-Time

Full-time jobs are crazily strong with another 25.6k rise in October after being up +112k in September. Part-time employment was down 11.2k after a drop of -65k in September.

Population was up by another 85k m/m.

All Private

Private sector payroll employees were up by 20.5k, public sector payrolls were down 17.2k, and self-employed was up 11.3k.

Cooling Labour Force

We're definitely seeing trend cooling in the growth of the labour force in Canada (those either working or looking for work). It was up +15.4k last month, +15.9k in September, there was an outlier gain of 82.5k in August, and it was down -11k in July. The average m/m change in the LF over the past four months of 26k is less than half the 59k over Jan–June

What that is doing is pushing the participation rate lower (chart 8). It's at the lowest level since 2020 in the initial stages of the pandemic rebound. 64.8%, compared to a post-pandemic peak of 65.9%. In fact, statcan noted that if you take out the pandemic era, then the participation rate is now at its lowest since December 1997.

Canada's population surge is clearly not going into the LF in proportionate terms.

And the reason? The category "not in the labour force and did not want work or not available" has soared from 10.374 million in September 2021 when the part rate peaked, to 11.576 million now. That's a whopping 1.2 million increase in the number of people in just three years who thumbed their noses at working in Canada. For a country with only about 41 million people, that's a huge change in a short period in terms of the number of folks who just don't want to work.

And no, they're not all students. The 15–24 age category has seen an increase in this "not in the labour force and did not want to work or available" equal to 395k over that period. Ergo, two-thirds of the rise was aged >25. Even less was driven by the 25–54 aged category for this metric that is up 169k over that period. The 55+ age category up 640k and entirely in the 65+ age category (chart 9).

It doesn't seem to be because of mass retirements either. The breakdown of reasons for leaving one's job shows that retirements have increased from 242k in September 2021 to 279k now.

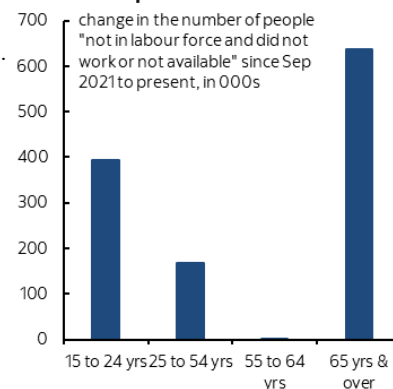
The "never worked" category within "reasons for leaving job" has gone up by about 410k over the Sept 2021 period to now. The "have not worked in the past year" category has gone up by 466k over this period. This is a strain on government finances through net effects on revenues and expenditures—and hence probably on future risks to taxes and expenditures.

The next challenge may be spillover effects from tighter US immigration policy. When the US tightened eligibility criteria for US visas in 2017, it drove a sharp increase in the number of skilled immigrant admissions to Canada. [This](#) study estimates that the US policy changes drove a 30% higher level of Canadian applications in 2018. Their study shows that Canadian firms benefitted through increased production, exports, and wages paid.

The key difference this time is that Canadian immigration policy is now tightening which may thwart efforts to divert skilled workers to Canada instead of the US.

Chart 9

Older People Less Interested in Work



Sources: Scotiabank Economics, Statistics Canada.

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