

Jobless rate lowest since 2008

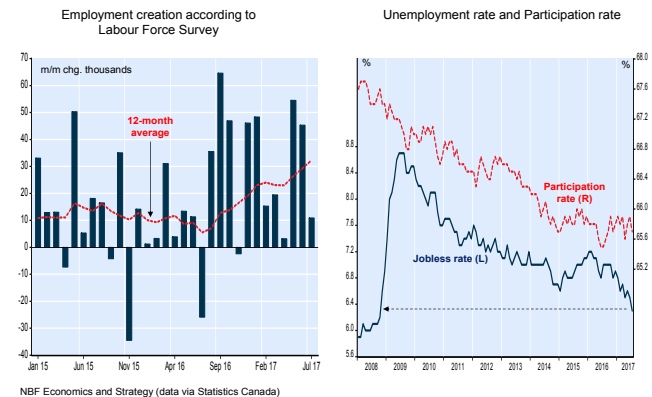
Latest (monthly change): +10.9K (Actual); +12.5K (expected) Previous: +45.3 K

FACTS: Canadian employment rose 11K in July according to the Labour Force Survey. That was a touch below consensus expectations. The unemployment rate dropped two ticks from 6.5% to 6.3% (the lowest since October 2008) as the participation rate fell two ticks to 65.7% (top chart). Job gains in July were mostly for so-called “self-employed” (+13.2K), while public sector gains were minimal (+0.8K). Those gains offset declines in the private sectors (-3K). Good sector employment was up just 2K as gains in manufacturing and resources were offset by declines in construction, agriculture and utilities. The services sector created a net 9K jobs, with strength in trade, health care, info/culture, transport/warehousing more than offsetting sharp declines in education (-32K). Full-time employment jumped 35K while part-time employment was down 24K. That allowed total hours worked to rise 0.6%. On a regional basis, July job creation was driven by gains in Ontario (+25.5K, but largely outside of Toronto) and Quebec (+4.7K) which more than offset declines in British Columbia (-5.1K) and Alberta (-14.4K).

OPINION: The Canadian job gains were not only lower than expected, but the composition of the gains were tilted towards self-employment, which is not necessarily a good thing. The drop in construction and the private sector in general is also not good news. But July’s soft employment report has to be looked at in context, coming after massive job gains in earlier months. So, a moderation in job growth should not be surprising, more so considering that Canadian GDP growth in the current quarter (Q3) is set to soften after a very hot first half of 2017 – recall that GDP growth and employment growth are contemporaneously correlated. On a 12-month average basis, a more reliable measure for a survey such as the LFS, job creation is still running at a solid pace of 32K/month (mostly full-time), more than half of which is in the private sector (middle chart). Not surprisingly, the bulk of the job gains are in Ontario, Quebec and BC, although the uptick in Alberta is also encouraging (bottom chart). All told, the Canadian labour market remains in good shape, something that should be encouraging the Bank of Canada to move towards normalizing monetary policy.

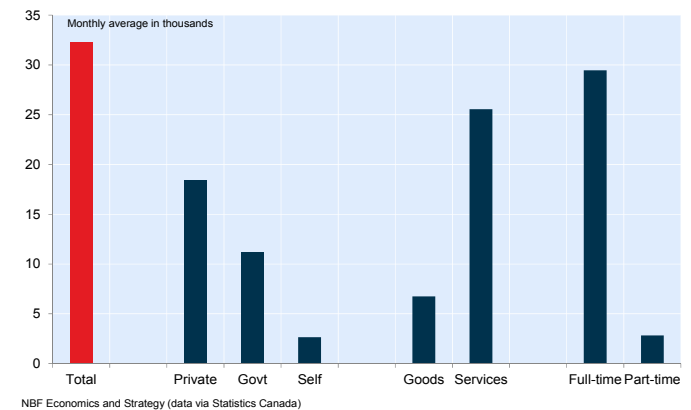
Krishen Rangasamy

Canada: Jobless rate lowest since 2008



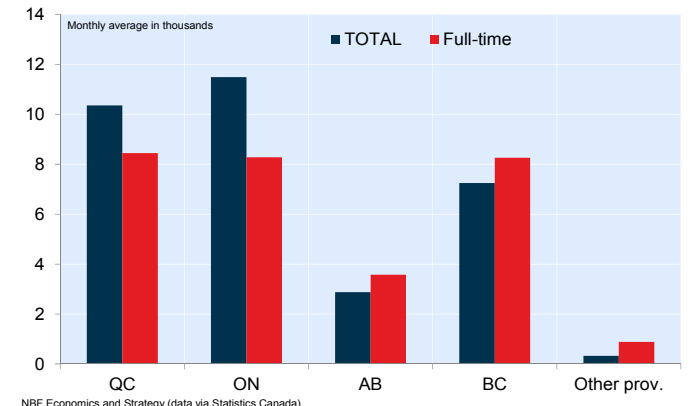
Canada: Labour market has performed well in the last 12 months ...

Net increase in employment over the period August 2016-July 2017



...with particular strength in Ontario, Quebec and BC

Net increase in employment over the period August 2016-July 2017



Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist

stefane.marion@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist

paulandre.pinsonnault@nbc.ca

Krishen Rangasamy

Senior Economist

krishen.rangasamy@nbc.ca

Marc Pinsonneault

Senior Economist

marc.pinsonneault@nbc.ca

Matthieu Arseneau

Senior Economist

matthieu.arseneau@nbc.ca

Angelo Katsoras

Geopolitical Analyst

angelo.katsoras@nbc.ca

Kyle Dahms

Economist

kyle.dahms@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD, Public Sector Research and Strategy

warren.lovely@nbc.ca

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