Canada: Employment jumps in October
By Matthieu Arseneau/Alexandra Ducharme

In a context where the Bank of Canada is trying to cool down the economy to bring down inflation, the October data raises eyebrows. After disappointing economists considerably in the last six months, the October report exceeds expectations by 100K jobs. The details of the report are also strong. Full-time employment hit a new high, while the jump in private employment partially offsets losses since May (employment remains 14K below April’s peak). Wages accelerated in October after a lull in September, and the sharp increase in hours worked does not suggest the onset of a recession in the final quarter of 2022. There is no doubt that this morning’s report will reinforce the central bank’s view of the need to raise rates further, but we continue to believe that a pause will soon be needed to assess the delayed impact of its actions. The September unemployment rate remained very low at 5.2%, up 3 ticks from the record low of 4.9% reached during the summer. But there was a more pronounced easing in another crucial indicator of labor market pressures: the underemployment rate, which counts not only the unemployed but also those who have given up looking for work, those who are forced into involuntary part-time work and waiting groups. This rate rose for a fourth consecutive month, for a substantial 2.1 percentage point increase to 7.9 percent, returning to its 2019 rate (left chart). Further easing is expected as weakening domestic demand in the coming months is expected to lead companies to scale back hiring plans and end the bidding for employees that has generated high wage inflation. The latest CFIB survey indicates that small businesses still perceive significant labor shortages, but they are no longer willing to give wage increases as high as they did at the beginning of the year. As for hiring intentions, the number of firms planning to expand their workforces is similar to those planning to reduce them, suggesting a hiring freeze at the aggregate level (right chart). Even if mass layoffs are avoided, this hiring freeze in the face of strong population growth is likely to increase the unemployment rate in the coming months. In October, the population 15 years and older increased by 52K, the third largest increase on record.

HIGHLIGHTS:
- Canadian employment registered a 108K increase in October, marking a second consecutive monthly gain following a weakness between May and August. This gain is above consensus expectations calling for a 10K increase. October’s job gains combined to a two-tick increase in the participation rate left the unemployment rate unchanged at 5.2%.
- The increase in employment stemmed from full time jobs (+119K) while part-time employment pulled back (-11K). The public sector posted a second consecutive increase (+18K), while the headcounts for private corporations increased (+74K) the most since February 2022. Self-employed people (+17K), meanwhile, registered a first increase in three months. October’s gain came from both the services (+63K) and goods sectors (+45K). On the services-producing sectors side, accommodation and food services (+18K), professional/scientific services (+18K) and other services (+18K) lead the increase.
- Meanwhile, the increase in employment in the goods-producing sector was propelled by increases in construction (+25K), manufacturing (+24K) and agriculture (+4K). for its part, the forestry sector registered a decline (-7K) while employment in the utilities sector (-0.1K) stalled.
- Regionally, Ontario registered a sizable increase (+43K), followed by Québec (+28K), British Columbia (+10K) and Alberta (+7K).
- Hours worked were up 0.7% in October after September’s decline.
- The increase in wages was slightly up on a year-over-year basis, reaching 5.5% in October (5.2% in September)

Canada: Labour market less tight than this summer
Unemployment rate and underemployment rate*

Canada: Small businesses already in hiring freeze?
Full-time hiring intentions in the next 3-4 months and average wage plans

*In addition to the unemployed, this indicator includes workers discouraged from searching, workers forced to work part-time, and waiting groups.

NBIF Economics and Strategy (via Statistics Canada)
This Report was prepared by National Bank Financial, Inc. (NBF), a Canadian investment dealer, member of IIROC, an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient’s individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision. This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

General

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.
UK Residents
This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.
This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE.

NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

U.S. Residents
With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above.
To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative.
This report is not a research report and is intended for Major U.S. Institutional Investors only.
This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents
With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") (which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.
The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.
There may be conflicts of interest relating to NBCFMA or its affiliates’ businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.
No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright
This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.