

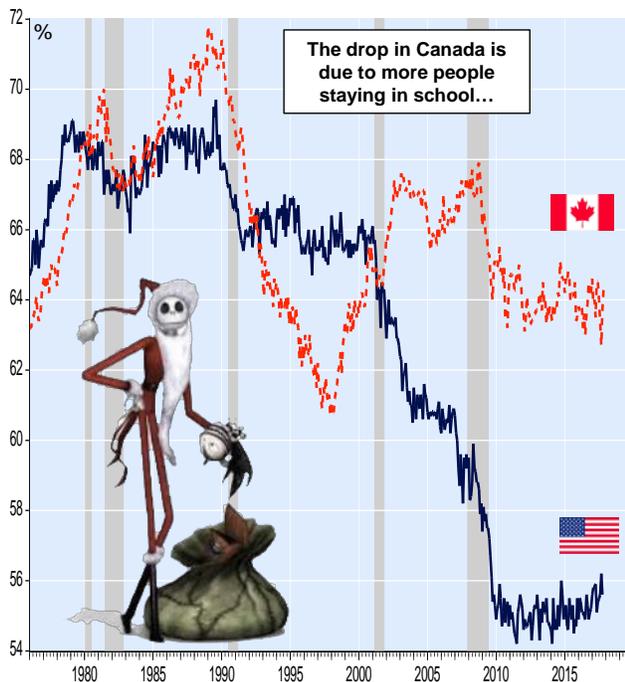
Canada Watch

Mr. Poloz shared with a Toronto audience last week that youth underemployment was one of three slow-moving nagging issues that keep him awake at night. The BoC governor is apparently losing sleep over the fact that the participation rate of people aged 15-24 is only around 64%, the lowest in almost 20 years. That's one nightmare we cannot interpret. If Mr. Poloz is indeed having bad dreams about youth underemployment, than he probably consider Mrs. Yellen to be one of the world's most reckless central bankers for hiking rates in spite of the extremely low youth participation rate in that country (a whopping 8 percentage points below Canada's). Yet, Mr. Poloz continues to claim that that the U.S. is closer to full employment than Canada! What's more, our analysis reveals that the decline in youth participation in Canada since 2007 is exclusively driven by students (mostly those aged 15-19). For non-students, the participation rate has remained unchanged at around 87%. What's wrong with having a bigger proportion of youth attending school? Two decades ago, only 32% of Canadians aged 25-34 had post-secondary education. The proportion now stands at almost 62%, the highest in the OECD and about 15 percentage points above that in the U.S. The more educated the population is, the more likely workers are to remain employed as they move into prime age (25-54). As today's Hot Charts show, that's exactly what's happening in Canada. Nightmares notwithstanding, eventually reality will catch up with you. There are no compelling arguments for keeping real interest rates negative in Canada at this time. Incoming data (GDP, CPI inflation, Employment/wages and the BoC business outlook survey) may still convince the Bank of Canada to hike on January 17, 2018.

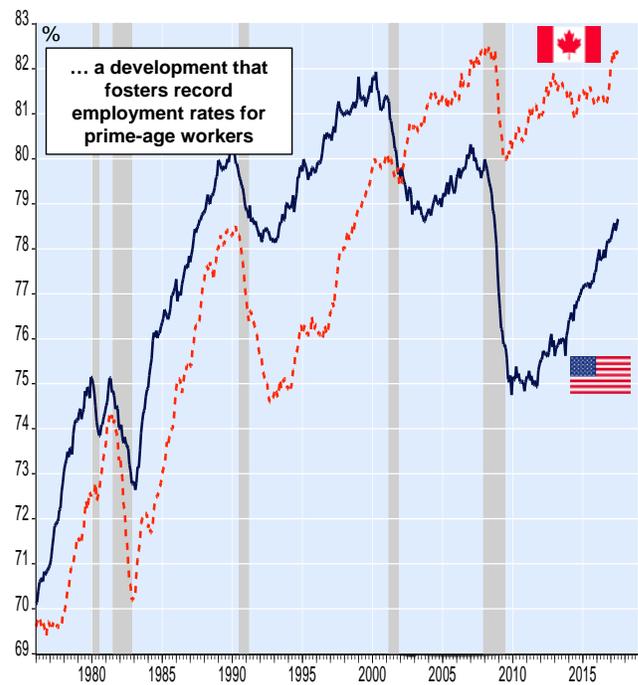
Stéfane Marion

Canada: Mr Poloz's nightmare before Christmas

Labour force participation rate for youth:
Canada (aged 15-24) vs. the U.S. (aged 16-24)



Employment/population ratio
for people aged 25-54



Hot Charts

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