

Canadian Jobs Bonanza!

Employment change, m/m 000s SA, November:

Actual: 79.5 / 5.9

Scotia: 20 / 6.2

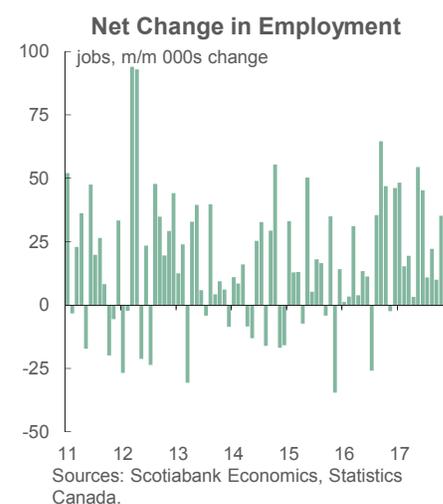
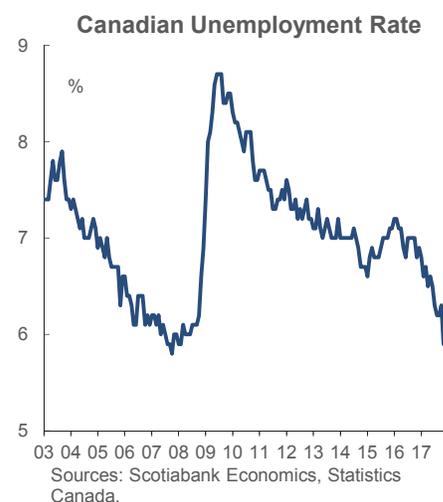
Consensus: 10 / 6.2

Prior: 35.3 / 6.3

- This is a much stronger than expected report on headline and most details.** Indeed, since job growth accelerated after July 2016, Canada has heaped on a whopping 535,000 new jobs. Think about this for a moment. On the usual roughly 11-to-1 factor, that would be equivalent to almost six million new jobs created in the US economy which is about two-and-a-half times as many jobs as the US household survey has actually added over the same period and about 2.3 times the number of US jobs created in the payrolls survey. Come to Canada where jobs and immigration are on the rise! CAD appreciated by about one-and-a-third cents post-data and the GoC 2 year yield spiked higher by about 8bps.
- Before turning to the details, does this change anything for the BoC?** I'd hope a volatile Labour Force Survey never really swings the needle around on a single month's print at the best of times. Further, softer GDP growth running at about potential tamps down pressure upon the output gap and inflation in the near-term albeit with continued expectations to witness somewhat above-potential growth next year, but **the wage cycle dynamics are becoming increasingly hawkish.** Next week will offer up a difficult balancing act for the BoC that has to acknowledge strong job markets with knock on supports for housing and consumption, versus the future oriented uncertainties like NAFTA negotiations and the fact that the lagged effects of rate hikes on the economy and job markets are too early to assess. **Recall, after all, that jobs are a contemporaneous indicator and the unemployment rate a lagging one and so I'm not sure there is much information to the forward looking policy bias stemming from current job market developments.** That still speaks to taking some time to evaluate various sources of uncertainty overhanging the outlook in my opinion. It may also be the case that added investment uncertainty stemming from the NAFTA debate at a point of strained capacity across many industries could shift the labour:capital mixture more toward meeting incremental demand by hiring more workers and paying them more while holding off on big-ticket investments but that's a risk that time and data will inform.
- After a massive 88,700 jump in full-time jobs during October, Canada heaped on another 29,600 full-time jobs alongside 49,900 part-time jobs that reversed the prior month's decline in part time employment.
- Wage growth accelerated again to 2.7% y/y, up another three tenths from the prior month and up from a cycle low of 0.4% y/y back in April.** What a wonderful time of year for consumers and workers to be witnessing firming wage growth, but the labour cost pressure upon company profit margins is increasingly negative. Wage growth is going v-shaped over the past half year but **contain at least some of the enthusiasm here because some of that is a base effect bounce.** A year ago, wage growth was tumbling on the lagging effects of the commodity shock. In November last year, wage growth had already fallen to 1.5% y/y. It is not the least

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inconceivable that base effects stemming from a reset commodity drag on incomes are temporarily boosting wage growth at least through 2018H1 and aided by tight labour markets, productivity growth, the waning commodity shock effects and looming minimum wage hikes in Ontario and Alberta. The bigger question mark lies in terms of what happens to wage growth thereafter into late 2018 and beyond, but don't let that spoil the party at this point.

- **Hours worked fell by 0.7% m/m after being flat in October and despite the huge full time surge.** StatsCan noted the steady decline in average weekly hours worked over the long-term.
- **The unemployment rate dropped four tenths of a percentage point to 5.9%.** Because of measurement differences, if we defined the Canadian unemployment rate using the same methodology as in the US then Canada's US-equivalent unemployment rate is now probably four-handled in the high-4s versus 4.1% in the US. Combined with a higher labour force participation rate in the US, there is a strong case to be made for how there is less labour market slack in Canada than the US. Ergo, more wage pressures on the path to a forecast 4% y/y wage hike on average across the full Canadian economy next year and with a lot of sector breadth to the numbers.
- **Payroll employment climbed by 83,000 and there were 3,500 fewer self-employed jobs** so on net this boosts the quality of the headline print.
- **There were 72,400 jobs created in the private sector and 10,600 jobs added in the public sector** which also boosts quality.
- **By sector, the big gainers were diversified** across manufacturing (+30,400), construction (+16,200k) and broad gains in services (+42k). Within services, jobs were up in retail/wholesale trade (+38.8k), education (+20.7k), accommodation and food services (+6.5k). Jobs fell in agriculture (-5.8k), utilities (-3.5k), professional/scientific/tech (-9.9k), business building/support (-4.1k), health care and social assistance (-3.4k). Other sectors including resources were flat.
- **By province, the gains were focused upon Ontario (+43.5k and split between FT and PT), BC (+18.2k) and Quebec (+16.2k).** Other provinces were little changed.

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