

## An Unbelievable Canadian Jobs Report

### Canada, Employment change / UR / wages, m/m 000s SA / % / y/y %, August:

Actual: -51.6 / 6.0 / 2.6

Scotia: 10 / 5.9 / na

Consensus: 5.0 / 5.9 / na

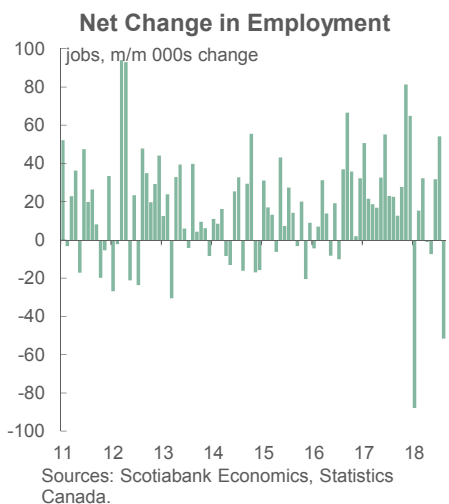
Prior: 54.1 / 5.8 / 3.0

- If you believe that Canada gained over 50k jobs in July and then ditched them all in August then there's land for sale at the heart of the Arctic circle with your name on it. This report has a 95% confidence interval of +/-54,400 and so even these outsized ups and downs fall within the realm of possible noise. The difficult to understand concentration of all of the losses upon Ontario raises a cautious flag. To the extent to which the hours worked data is reliable, they are constructive to Q3 GDP growth expectations. Canada's short-term bond yields have shaken off the effects and are up on the day tracking other developments while CAD depreciated following the numbers but has since reversed half of that reaction and counting.
- After losing 28k full-time jobs in July, August was up 40,400.
- After gaining 82,000 part-time jobs in July, August was down 92,000.
- The unemployment rate increased two-tenths to 6% despite a -16.8k drop in the size of the labour force.
- In terms of payroll positions, the public sector dropped 38k workers and the private sector shed 30,700. The number of self-employed workers increased by 17,200.
- Across sectors, ten of 21 subsectors saw job losses. The goods sector dropped 30,400 jobs and the services sector dropped 21,200. Within goods, there were declines of 16,400 in construction, 9,200 in manufacturing, 4,800 in agriculture, and 2,500 in natural resources. Utilities added 2,500. Across services, the declines were concentrated upon the retail and wholesale trade sectors (-19,600) and the professional, scientific and technical services category (-22,100).
- Across provinces, it was all in Ontario where the declines occurred. Jobs fell by 80,100 driven by a decline of 80,700 in part-time employment as full-time jobs were flat. That's the largest drop in Ontario in about nine years dating back to when the Global Financial Crisis was fresh. The size of the labour force also declined by 57,700 in Ontario. Ontario's election was on June 7<sup>th</sup> so much more modest hiring and firing effects should have been out of the way before this report and probably in the June LFS reference period. Further, the areas where jobs were lost in Ontario last month were in retail/wholesale and the prof/sci/tech categories. I struggle to think of what went so wrong in Ontario's economy during August to validate the loss of 80k jobs and why so many people exited the workforce last month. Given the history of problems with this report, the natural inclination is to treat such a decline with a lot of caution absent much of any explanation provided by Statistics Canada. Basing data dependent monetary policy on a report like this needs to be done with extreme care.

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- Elsewhere there were decent increases in Alberta (+16,200) and BC (+9,900). Employment was little changed across other provinces.
- Hours worked increased for the second consecutive month. They were up 0.2% m/m after a rise of 0.5% in July. For the quarter as a whole, hours worked are tracking a rise of 1.9% q/q at a seasonally adjusted and annualized pace assuming that September comes in flat in order to focus upon the effects of what we already know. Since GDP is hours worked times labour productivity defined as output per hour worked, the strength in hours worked is a plus for GDP growth while activity readings that are at a nascent stage of tracking will inform productivity expectations.

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