



September 9, 2016

TD Economics

Data Release: Canadian employment growth normalizes in August

- Canada added a net 26.2k jobs in August. With the labour force expanding, the unemployment rate ticked up to 7.0%. On a trend basis (6 month moving average), employment growth was 7.8k, broadly in line with the trend seen so far this year.
- The details were fairly solid, as full time employment was up a net 52.2k in August, after two months of decline. Offsetting this was a 26k decline in part-time positions. This reversal was not enough to offset past moves: on a year-on-year basis, part-time employment has been entirely responsible for job gains.
- The bulk of the net job growth came from the public sector, which added 57k positions, while the private sector added 8.3k net positions. With strong public hiring, the number of employees was also up (+65.4k), while self-employment fell 39.1k net positions.
- Within industries, public administration led the way, adding 16k positions, followed by trade (+11.3k). Healthy job gains were also seen in information (+9.6k), health care (+8.1k), and construction (+7.4k).
- Regionally, the bulk of the gains were seen in Quebec (+21.9k) and Ontario (+10.5k), with mixed performances across the rest of the country. Gains in participation were also concentrated in Ontario and Quebec, pushing their unemployment rates higher, to 7.1% and 6.7% respectively (from 7.0% and 6.4%).

Key Implications

- After a weak July jobs report, it was encouraging to see a modest rebound in hiring, particularly given the details. Job growth came from full-time employment, and the unemployment rate rose for the 'right' reason as more Canadians were engaged with job markets in August, reversing a four month trend.
- Still, this is a very volatile series, and we shouldn't put too much weight on any given month. From a longer-term perspective, Canadian labour markets remain consistent with the economic lethargy that has characterized the first half of this year. Trend employment growth has averaged 7.2k so far in 2016 – roughly half of the pace seen last year. Moreover, the recovery in full time employment was not enough to offset sizeable losses in the months prior, leaving part-time employment the driver of job growth on a trend basis.
- That said, we do expect a more constructive trend to emerge, with steady job gains forecast for the coming months and quarters, which will gradually take the unemployment rate lower.

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