

ECONOMIC RESEARCH AND STRATEGY



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North America Job Market Reports – More Evidence of Cooling This Fall

U.S. nonfarm payrolls – Earlier this week, Federal Reserve Chair Powell mentioned: “the labour market has been rebalancing, but it is still very tight by many measures”. His remarks remain valid based on the latest October figures released this morning. First, U.S. nonfarm payrolls rose by 150K jobs, a meagre amount even if manufacturing employment fell temporarily by 35K because of recent auto worker strikes. Like recent nonfarm reports have shown, an oversized share of job creation has been in sectors insensitive to high interest rates: education, health care and social assistance sectors added 89K jobs in October while government jobs increased by 51K. The unemployment rate rose on a rare occasion, by 0.1pp to 3.9%. Overall, the rebalancing has been mostly occurring in job postings, down 1.3M from a year ago. Meanwhile, the number of Americans unemployed rose by 0.5M. Among other signs of rebalancing, employees on a part-time basis rather than full-time for economic reasons rose by 200K. Furthermore, wage inflation cooling continues. Average hourly earnings on a year-over-year reached a peak of 4.7% last winter, softened to 4.4% in June and sat at 4.1% in October. Overall, this job market report supports the growing market sentiment that the U.S. Federal Reserve hiking cycle is over although there are numerous high-frequency reports scheduled before the year’s final monetary policy decision.

Canadian Labour Force Survey (LFS) – The pace of job creation slowed to 18K in October, an expected relief after the addition of almost 100K jobs during the previous two months. Nationwide, private sector employment failed to rise again in October. For instance, the pullback of consumer spending per capita appears to have led retailers to shed jobs during the last two months. The modest uptrend in unemployment that began last Spring continues. Job creation cannot fully compensate for solid labour growth fueled in part by the current federal immigration policy. Also, there is a surprising, soft decline in full-time employment in Quebec. Altogether, the unemployment rate rose by 0.2pp to 5.7%. Wage inflation slowed modestly to 4.8%, even if three provinces (Ontario, Saskatchewan, and Manitoba) announced a 7%-8% increase in the minimum wage. The LFS is very volatile and noisy. One example relates to the surprising large decline in Alberta’s employment in September. This soft spot did not last as employment rebounded solidly in Alberta during the month of October. According to Indeed, there are clearly more job postings in the energy powerhouses of Alberta and Saskatchewan than other provinces. Saskatchewan’s unemployment figure came back under the 5% mark after a brief hiccup. Quebec’s unemployment rate at 4.9% is now closer to 5% than 4% for the first time since early 2022. Total employment in Ontario has stagnated since last June. The 6.2% unemployment figure in Ontario is the highest since late 2021. In BC, employment has been gaining traction after the round of layoffs in the forestry sector earlier this year, although the unemployment rate remains north of 5%.



So far this year, employment rose by an average of 28K per month while the growth in the population aged 15 and over has averaged 81K per month. Looking forward, new entrants looking for a first job or current employees trying to switch positions will find it even more challenging as higher for longer interest rates gain further traction on economic momentum. Earlier this week, the federal government maintained the same immigration targets for permanent residency as a year ago for 2024 (465K) and 2025 (500K). Altogether, we forecast the unemployment rate to reach 6.5% near mid-2024.

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