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GLOBAL ECONOMICS

SCOTIA FLASH

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Contributors

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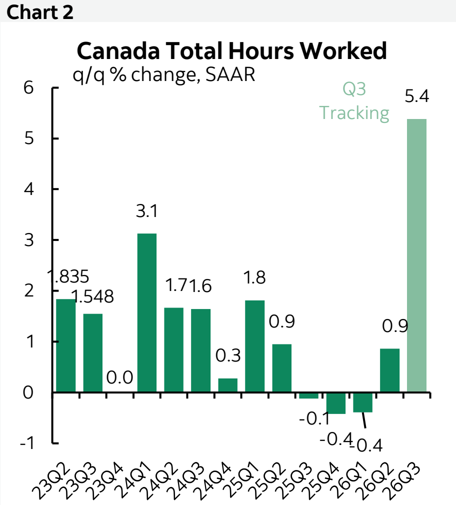
Chart 1

Canadian Jobs Break Down	
Province	**m/m**
Quebec	-18.5k
Ontario	-18.1k
Alberta	-8.9k
British Columbia	-5.5k
Prince Edward Island	-0.4k
Manitoba	+0.5k
Newfoundland & Labrador	+1.4k
New Brunswick	+2.4k
Saskatchewan	+2.6k
Nova Scotia	+2.6k
Employment Type	**m/m**
Full Time	-35.9k
Part Time	-5.8k
Public Sector	-20.0k
Private Sector	-22.8k
Self Employed	+1.1k

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Sources: Scotiabank Economics, Statistics Canada.

Canada Cut Jobs, Worked Harder as GDP Tracking Rips

- **Canada unexpectedly lost 42k jobs in August…**
- **…while the unemployment rate held steady as the labour force shrank**
- **Surging hours worked indicate cautious hiring, working employees longer…**
- **…and suggests very strong Q3 GDP growth, earlier closure of spare capacity**

Canadian jobs m/m 000s / UR %, SA, August:
Actual: -41.7 / 6.4
Scotia: 20 / 6.3
Consensus: 15 / 6.4
Prior: 75.1 / 6.4

Canada lost jobs but worked longer hours in August. About 42k jobs were lost with soft details (chart 1), but hours worked are on a tear (charts 2, 3). This could reflect a conscious choice by employers to be a little more restrained in adding a greater number of workers in favour of giving them more hours. The implications for GDP and the Bank of Canada are mixed but more hawkish than dovish; they won't overreact to August jobs but GDP tracking may ring alarms.

Hours worked were up by 0.6% m/m SA in back-to-back fashion. They are tracking a Q3 gain of about 5% q/q SAAR. That's the biggest gain since 2021Q4.

Since GDP is hours worked times labour productivity, a still tentative 5% jump in hours is a very strong starting point for tracking GDP. We need a lot more activity readings over the quarter in order to form a rough opinion on productivity, but it would have to be nearly disastrous to offset such strength in hours.

As chart 4 shows, manufacturing added 22k jobs. Along with info/culture/rec (+12k) and healthcare and social services (6k), these were the only sources of job gains last month. The rest of the picture was weak as most other sectors posted job losses led by business support services (-20k) and retail/wholesale (-11k).

The seasonally unadjusted number was the second worst on record for like months of August (chart 5). That was partially reined in by the fact that the seasonal adjustment factor continues to drift higher for like months of August over time (chart 6). The lost jobs would have been bigger if not for a higher SA factor.

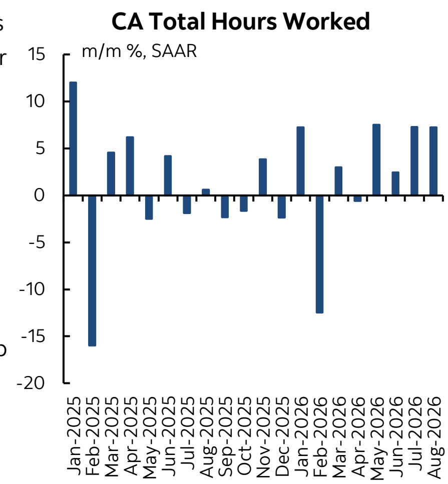
The unemployment rate was unchanged at 6.4% despite disappointing jobs because the labour force shrank by 37k last month which was about as expected. The participation rate has been holding steady (charts 7, 8).

Wage growth has ebbed. August came in at –6.9% m/m SAAR after –2.3% the prior month. The figures are exceptionally volatile (chart 9) but the year-over-year growth in wages has fallen back to just 2% which points to recently falling real wages given CPI is running hotter than wages.

Since spending is significantly driven by pay and pay is wages times hours worked in aggregate the effects cancel out for August but indicated strong prior income employment growth. Wages times hours were flat in August (-0.1% m/m SAAR), but up 4.8% in July and 10.6% in July.

Chart 10 shows lost jobs were in Ontario and Quebec.

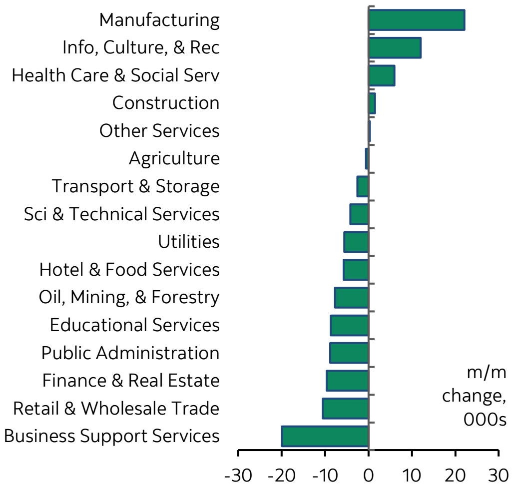
Chart 3



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

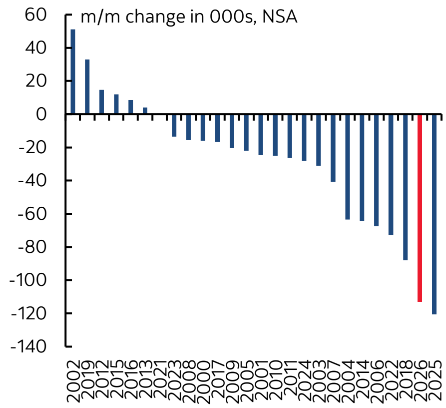
August Changes in Canadian Employment Levels by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 5

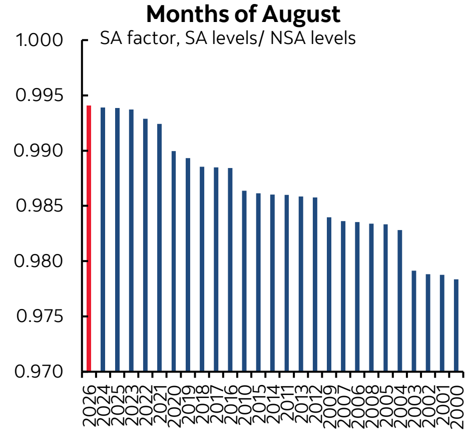
Comparing CA LFS NSA for All Months of August



Sources: Scotiabank Economics, Statistics Canada.

Chart 6

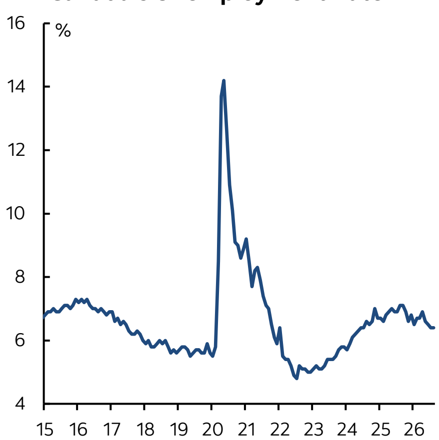
Comparing CA LFS SA Factor for All Months of August



Sources: Scotiabank Economics, Statistics Canada.

Chart 7

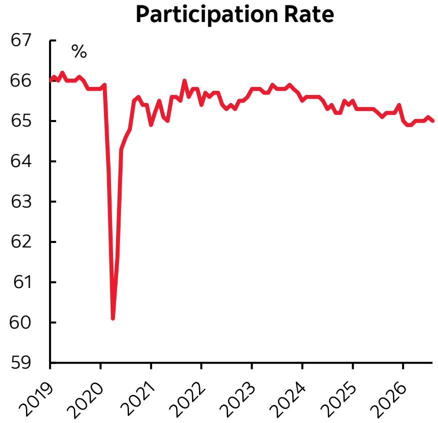
Canada's Unemployment Rate



Source: Scotiabank Economics, Statistics Canada.

Chart 8

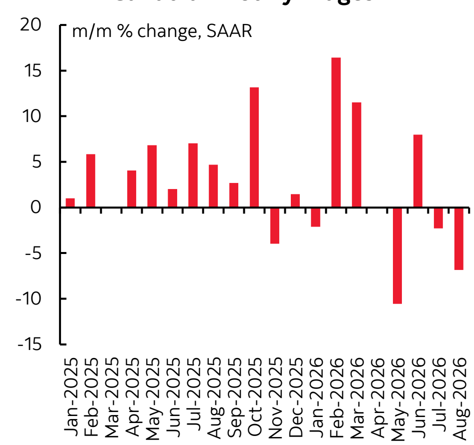
Canada's Labour Force Participation Rate



Sources: Scotiabank Economics, Statistics Canada.

Chart 9

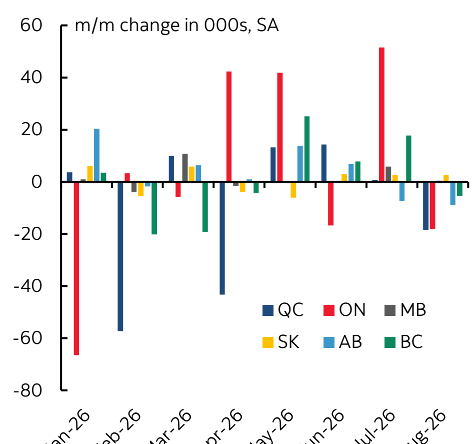
Canadian Hourly Wages



Sources: Scotiabank Economics, Statistics Canada.

Chart 10

Job Growth in Canadian Provinces



Sources: Scotiabank Economics, Statistics Canada.

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