

Canada: Return of the jobs juggernaut?

August jobs up a net 35.8K although unemployment rate rises.

The Canadian economy churned out a decent number of jobs in August, 35.8K to be exact, and not that far off the market median looking for 30K and our own forecast at 35K. The unemployment rate crept higher, moving from 8.0% to 8.1%, but that is forgivable given the 0.1ppt rise in the participation rate to 67.4%. Between a rise in the participation rate and the natural population growth 53.5K people were added to the labor force.

And of course the rising participation rate will be seen as indicative of a firming jobs environment as pulling formerly frustrated job seekers back into the market space on the back of improved prospects for employment.

The jobs mix was also encouraging. 44.1K part-time jobs were traded in for nearly 80K full time jobs in August. Again on the surface this would tend to suggest a qualitative improvement in the jobs picture as those forced into part time work during recession are now able to gravitate into full time positions. Year over year, full time jobs are up by nearly 300K positions while overall employment has grown by nearly 400K positions.

Although in terms of class of worker, there is very nearly an even split between employees and self employed. In a household survey we tend to be a wee bit sceptical of that self employed category.

Caveat emptor. One may recall that last month's jobs report contained a rather sizeable (-65.3K) decline in educational services that looked like a failure by Statcan to capture the seasonality of the calendar school year. In August, educational services added back 68.4K positions. Net, net, looks like a wash to us. Still, we were not expecting such an immediate return to the fold of those jobs lost in July to the educational category until the September report.

To wit, Statcan included a little reader note in today's release about the seasonal adjustment process and the fact that the current volatility in educational jobs bears no consistent seasonal precedent. Fair enough. A large boost to education employment in November of 2009 (+38K in the middle of the academic calendar) didn't make any sense either.

On the down side, manufacturing jobs slipped by nearly 26K positions along with broad based softness across most of the service sector categories.

On the upside, construction employment jumped by 12K at a point in time when the new build housing sector is in the process of seeing activity moderate. To our point on the back of yesterday's housing starts number, we note that building permits reflect a softening in the dollar value of residential permits at the same time that non residential permits have been running strong (+39%y/y). It would appear that non residential construction is picking up any of the slack opening up in residential construction. Natural resources employment also up strongly, rising by 9.3K. In the professional category 28K positions showed up.

Overall, despite bearing the brunt of the economic recession, goods producing jobs continue to slide with August's report showing a decline of -8.2K. Service sector employment by contrast rose by 43.9K.

While the market inclination may be to take Tuesday's IVEY PMI (65.9) and today's employment report as vindication of Tuesday's rate hike and justification for the firmer than expected language associated with the post meeting statement, the BoC is likely more inclined to tilt its focus towards the unfolding economic picture in the US as a key determinant for policy going forward despite the gravitas the market attaches to employment numbers. And of course the BoC will always emphasize that despite the market interest in employment reports, policy is set upon a broader platform of data.

Disclosure appendix

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