

# Canada's volatile employment report shows major job losses in August

By Andy Blatchford

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Canada's seesawing employment report posted particularly volatile numbers last month that showed big, mid-summer gains had essentially been wiped out by August.

The economy lost 51,600 net jobs last month in a decrease that helped drive the national unemployment rate to six per cent, up from 5.8 per cent in July, Statistics Canada reported Friday in its monthly labour force survey.

Last month's drop, fuelled by the loss of 92,000 part-time positions, largely eliminated July's healthy net increase of 54,100 positions.

However, August also featured a notable bright spot: full-time jobs rose by 40,400.

"A little bit of a mixed bag, but definitely not quite as bad as the headline would suggest," TD senior economist Brian DePratto said of the August jobs report.

"Another messy one, to be frank... It's always a noisy report, but it seems like the last few months have been particularly noisy."

A closer look at the August data revealed even more turbulence in the month-to-month numbers.

Ontario lost 80,100 jobs last month after gaining 60,600 in July — with both data points almost entirely driven by swings in part time work.

The August decrease, a drop of 1.1 per cent, was by far the biggest decline among the provinces. It helped bump Ontario's unemployment rate up to 5.7 per cent, from 5.4 per cent.

DePratto said it's difficult to determine the cause of July's "odd, significant spike" in Canada's most-populous province.

Some commentary, he noted, had connected the jump to a summertime hiring boost in the university sector that many expected would recede in the subsequent months.

But DePratto said the August drop didn't reflect any significant reversals from earlier increases because the losses were concentrated in areas like construction and professional, scientific and technical services.

"Unfortunately, by and large, it looks like statistical noise," he said.

Royce Mendes, director and senior economist for CIBC Capital Markets, summed up the jobs report in a research note to clients as "Now you see them, now you don't."

He described the Statistics Canada employment report as "always volatile and at times implausible".

"While you can't put too much faith in any one reading from the (labour force survey), there's certainly nothing in the report to suggest that the economy is racing ahead," Mendes wrote.

Mendes doesn't expect the results to be enough to prevent the Bank of Canada from raising its benchmark interest rate in October, although if the economy remains in a "lower gear" he believes governor Stephen Poloz will need to follow a more-gradual, rate-hiking approach thereafter.

The central bank will also pay close attention to more signs Friday that wages are softening in Canada despite the tightened labour market.

The report showed that average hourly wage growth, which is closely watched by the Bank of Canada ahead of rate decisions, continued its gradual slide last month to 2.9 per cent after

expanding 3.2 per cent in July and 3.6 per cent in June.

Compared with 12 months earlier, Canada's overall employment was still up 0.9 per cent following the addition of 171,700 jobs, including 326,100 full-time positions.

In August, the data also show the economy lost 38,000 public-sector employee jobs last month, while the private sector shed 30,700 positions.

By industry, the goods-producing sector lost 30,400 jobs last month in a decline led by notable losses of 16,400 positions in construction and a drop of 9,200 in manufacturing.

The services sector shed 21,200 jobs in August after shedding 22,100 positions in professional, scientific and technical services.

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