

## Canada's unemployment rate dips to 5.9 per cent as part-time work swells

By David Ljunggren

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The Canadian economy added more than twice as many jobs as expected in September, although all of them were part-time, cementing market expectations that the Bank of Canada would raise interest rates again later this month.

Statistics Canada on Friday reported a gain of 63,300 jobs in September and said the jobless rate had edged down to 5.9 per cent from 6.0 per cent in August. Analysts in a Reuters poll had forecast a gain of 25,000 positions. Full-time employment dropped by 16,900 jobs while part-time positions rose by 80,200.

“I think it’s just another reason for the Bank of Canada to go ahead with another rate hike in October,” said Nathan Janzen, senior economist at the Royal Bank of Canada.

Bank of Canada Governor Stephen Poloz said last week that the bank would continue to raise interest rates gradually, keeping a close eye on economic data. The bank’s next fixed date rate announcement is on Oct. 24.

Since Poloz spoke, U.S. and Canadian negotiators wrapped up a deal on NAFTA. Poloz had said the talks were one major cause of uncertainty facing the bank.

“I think October is baked in (for a Bank of Canada rate hike) ... with NAFTA cleared, hopefully, or at least a big hurdle having been

cleared, that’s going to dominate the outcome in October,” said Derek Holt, vice president of capital markets economics at Scotiabank.

The Canadian dollar initially strengthened on the news, rising to \$1.2903 to the U.S. greenback, or 77.70 U.S. cents, up from \$1.2926, or 77.36 U.S. cents. It quickly gave up all the gains as U.S. data showed the unemployment rate fell to near a 49-year low of 3.7 per cent.

Investor expectations of an interest rate hike in October were little changed at about 85 per cent, the overnight index swaps market indicated.

Average hourly wages, a figure watched closely by the central bank, rose by 2.2 per cent in September from a year earlier. This was the smallest year-on-year increase since the 2.2 per cent gain in September 2017.

On a year-over-year basis employment rose by 222,400 jobs, or 1.2 per cent. The six-month average for employment gains rose to 14,800 jobs from 9,700 in August.

Separately, Statscan said Canada recorded its first trade surplus for more than 18 months in August as unusually timed shutdowns at auto plants helped cut imports at a greater rate than exports.