Canadian economy posts worst month for job losses in more than a decade

By Matt Lundy
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Canada's labour market in November recorded its worst month for job losses in more than a decade, the latest sign that employers are stepping back from a strong pace of hiring.

The economy shed about 71,000 positions in the month, while the jobless rate jumped to 5.9 per cent from 5.5 per cent in October, Statistics Canada said on Friday. Economists had expected 10,000 jobs to be added in November, according to Bloomberg's consensus estimate.

"It's a picture of the Canadian labour market that has gone from running hotter than we expected, given the [gross domestic product] readings, to looking ice cold," said Royce Mendes, senior economist at Canadian Imperial Bank of Commerce.

For much of 2019, Canada's labour market has been a beacon of strength in an economy otherwise marked by tepid growth. Through October, roughly 356,000 more Canadians were working this year, which represented the strongest year-to-date job growth since 2002.

But with November's loss, the number of employed Canadians has risen by 1.6 per cent over the past year, which marks a considerable slowing from growth rates north of 2 per cent in six of the previous seven months.

"Growth has decelerated, and that's sort of what we expected to happen," Mr. Mendes said. "What's surprising is that it all happened in one month."

Quebec shed roughly 45,000 jobs, with manufacturing accounting for a substantial portion. Both Alberta and British Columbia saw losses of roughly 18,000 positions, while Ontario was the only province to notch a sizable gain for the month, at more than 15,000 jobs.

Some of November's decline was likely linked to the end of temporary employment tied to October's federal election.

As such, "the single monthly drop is probably overstated by the headline" figure, Mr. Mendes said.

There were, however, substantial losses in both the manufacturing and natural-resources sectors, with a combined drop of roughly 34,500 jobs.

Broadly speaking, the global manufacturing sector is currently in a downturn, with particular weakness in major economies such as Germany and the United States.

"The view is Canada has been largely spared from this manufacturing recession," said Frances Donald, chief economist at Manulife Financial Corp. "If we were to see another one to two months of large manufacturing job losses, we'd have to question whether Canada is heading down that same path."

Employer surveys suggest hiring could be shifting into a slower gear. Forty-three per cent of companies expect their headcount to increase over the next year, down from as high as 56 per cent in 2018, according to the Bank of Canada's most recent business outlook survey.

To that end, the private sector accounted for around 50,000 of jobs lost in November. Further, the number of self-employed Canadians dropped by close to 20,000.

A slower pace of job creation could complicate matters for the Bank of Canada, which earlier this week held interest rates steady, while noting the “resilience” of the domestic economy.

“One month of bad job growth is not going to trip the circuit breaker on rate cuts,” Ms. Donald said. “Three or four months of bad job growth, coupled with other evidence of a weakening economy, could do that.”

While monthly results in the Labour Force Survey of households can be volatile, Mr. Mendes said the report offers the “earliest warning sign about what’s to come” for the broader economy. And right now, he added, it’s signalling a lethargic end to 2019.

“If this labour market data is correct, then the fourth quarter could look more sluggish than the Bank of Canada had expected, and it probably at least opens the door to the [bank] discussing rate cuts again over the next few months,” Mr. Mendes said.

One area of strength in Friday’s report was compensation: Average weekly wages increased by 4.5 per cent from a year ago.