

CANADA

Canada's Strong Jobs Report Contrasts With Many Other Global Economies

Report makes up for declines in previous two months and is expected to quell talk of imminent rate cut



Canada's labor market posted one of its biggest employment increases in the past decade. A worker at a Canada Goose manufacturing facility in Montreal. PHOTO: CHRISTINNE MUSCHI/BLOOMBERG NEWS

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OTTAWA—Canada's labor market in August blew past expectations with one of the biggest employment gains in a decade, extending a run of solid data that is at odds with many other economies.

The Canadian economy added a net 81,100 jobs on a seasonally adjusted basis in August, Statistics Canada said Friday. Market expectations were for a 15,000 increase, according to economists at BMO Capital Markets. All of the new jobs created were in the private sector, although more than two-thirds were in the part-time category.

The strong jobs report more than made up for declines that were posted in the previous two months and is expected to quell talk of an imminent interest-rate cut by the Bank of Canada. While the Canadian economy is likely to slow in the second half of this year, its recent strength contrasts with many other global economies.

Germany is facing a looming recession and the British economy contracted in the second quarter amid uncertainty over the country's departure from the European Union.

The U.S. economy, meanwhile, added 130,000 jobs in August but the pace of hiring slowed, likely keeping the Federal Reserve on track to lower interest rates again this month. The U.S. economy has continued to expand at a solid pace despite rising trade tensions and global headwinds.

BMO Capital Markets economist Doug Porter said one of the reasons Canada's jobs market has been strong is the country's growing population. The Canadian population expanded by more than 500,000 in 2018, largely because of immigration. Last year's 1.4% increase was by far the fastest pace among the Group of Seven nations.

While that helps explain Canada's strong jobs data, Mr. Porter says, it "does not detract from the broader picture that the Canadian economy is indeed showing impressive resilience in the face of the many global storm clouds."

Canada's gross domestic product expanded at a 3.7% annualized rate in the second-quarter, following a slowdown around the turn of the year. Still, economists don't expect that level of growth to be maintained, and the Bank of Canada anticipates total growth of just 1.3% this year.

"We expect the global slowdown to take a more material bite" by the fourth quarter, CIBC World Markets economist Avery Shenfeld said. He said that could prompt the Bank of Canada to lower interest rates in late December or early next year.

The central bank left its main interest rate unchanged at 1.75% this week and delivered a statement that offered no clear signal on the need for rate relief.

Canada's unemployment rate remained unchanged from the previous month at 5.7% because of a significant jump, 91,300, in the number of people that joined the labor force looking for a job. When using U.S. Labor Department methodology, Canada's jobless rate was 4.5% in August. Canada's unemployment rate remains near a 40-year low.

Average hourly wages rose 3.7% in August from a year ago, which marked a deceleration from the previous month's 4.5% advance. Nevertheless, annual wage gains continue to accelerate compared with the beginning of 2019, when they averaged 2%.

Canada's job gain in August follow declines in June and July of 2,200 and 24,200, respectively. Data in April indicated Canada added a record number of jobs, 108,100, in a one-month period.

August's jobs report said the bulk of net job creation was in the services sector. Leading the pack were financial services and real estate, up 22,400; education, up 20,500; and professional services, such as engineers and accountants, up 16,800.

Private-sector companies and organizations added 92,200 employees in August, whereas the public sector shed workers and the ranks of the self-employed—generally freelancers and independent contractors—shrank.

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