

WEEKLY COMMENTARY

A Great Jobs Report? Meh!

By Jimmy Jean, Vice-President, Chief Economist and Strategist

Blowout jobs report in Canada? Not so fast. True, employment rose by 47,000 in September, besting the median consensus estimate of 27,000. Proportionally speaking, this beats the consensus forecast by even more than the latest US employment figures. The unemployment rate moved one tick lower to 6.5%, the first decline since January. But here's the catch: This report shows a 110,000 increase in the population aged 15 and older—the fourth largest monthly population gain ever recorded. What remains underappreciated is the fact that this massive population growth sets a much higher bar for any employment increase to meaningfully reduce job market slack. Unsurprisingly, this report fell short in that respect. The employment rate dropped again—now down 1.3 percentage points over the past year. The 15-to-64-year-old cohort, which excludes most retirees, saw a 7.3% year-over-year increase in non-participation, a record if we exclude the pandemic.

So Canada is not absorbing job market slack. This is a key distinction from the US, where the employment rate ticked up and the out-of-labour force working-age population has stayed flat as a pancake for the last 4 years. Moreover, hours worked in Canada fell by 0.4% in September, marking the third decline in four months, despite solid full-time job gains. Hours worked in the goods-producing sector dropped by 1%, with significant decreases in construction and manufacturing—two highly cyclical sectors, the latter of which faces increased uncertainty ahead of the US election. Consequently, our GDP growth estimate for the third quarter remains at 1.2% annualized, far below the Bank of Canada's July forecast of 2.8%, which the Bank has since downplayed.

Other indicators that the Bank of Canada monitors offered little encouragement. The job-finding rate remains near

pandemic-lockdown lows, and while job separations remain below pre-pandemic levels, the proportion of laid-off workers seeking jobs within the labour force has steadily risen since 2022. This trend bears watching as the macroeconomic stakes of previously laid-off workers unable to find jobs exceed those of recent newcomers, who add to unemployment counts but typically have smaller financial obligations. Regardless, it is not a good time to be unemployed in Canada, with the share of workers unemployed for more than 27 weeks jumping to a seven-year high of over 20%.

What have we learned about the job market outlook? Hiring intentions remain below average, according to the Bank of Canada's Business Outlook Survey, and employers unsurprisingly report an abundance of applicants, though for job openings that no longer exist. This suggests that the notable slowdown in wage growth in September will persist.

And that's what we ultimately take away: The new information received today was disinflationary, not inflationary. This is why we don't see much ground to revise our call for a 50-basis-point cut at the Bank of Canada's next meeting on October 23.

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What to Watch For

THURSDAY October 17 - 8:30

September	m/m
Consensus	0.3%
Desjardins	0.3%
August	0.1%

THURSDAY October 17 - 9:15

September	m/m
Consensus	-0.1%
Desjardins	0.2%
August	0.8%

FRIDAY October 18 - 8:30

September	ann. rate
Consensus	1,350,000
Desjardins	1,370,000
August	1,356,000

TUESDAY October 15 - 8:30

September	m/m
Consensus	-0.2%
Desjardins	-0.4%
August	-0.2%

TUESDAY October 15 - 9:00

September	m/m
Consensus	n/a
Desjardins	2.9%
August	1.3%

WEDNESDAY October 16 - 8:15

September	ann. rate
Consensus	235,000
Desjardins	253,000
August	217,405

UNITED STATES

Retail sales (September) – After a strong showing in July with a 1.1% monthly gain, retail sales slowed in August with a mere 0.1% improvement. We expect the September print to be fairly modest too. While the automotive sector probably contributed positively with a 3.3% jump in new vehicle sales, this was likely offset by a decline in gas station sales due to September’s falling gasoline prices. We expect retail sales to have edged up 0.2% with these two components excluded. Total sales likely rose 0.3%. That said, the economic impact of Hurricane Helene, which cut through many states in late September, is hard to estimate.

Industrial production (September) – In August, industrial production recorded its strongest monthly advance since February. The uptick was mainly attributable to increased output in motor vehicles and parts. The automotive industry probably contributed positively again in September, as hours worked in this area were up slightly. Hours worked also suggest a modest increase across the rest of the manufacturing sector. This is supported by an increase in the production component of the ISM manufacturing index. But mining and energy likely contracted due to the havoc caused by Hurricane Helene. Ultimately, we expect total industrial production to have grown 0.2%, but considerable uncertainty hangs over this forecast.

Housing starts (September) – After falling to their lowest level since the first quarter of 2019 (excluding the first few months of the pandemic), housing starts surged 9.6% in August. New builds likely increased again in September, though not by as much. On the positive side, building permit numbers are relatively high and 2,000 jobs have been added in residential construction. New home sales have also picked up compared to the beginning of the year. All of this signals an increase in new builds. However, construction was likely held back by Hurricane Helene at the end of the month.

CANADA

Consumer price index (September) – Expect headline consumer price growth to have decelerated sharply on an annual basis from 2.0% in August to 1.7% in August. The steep decline in headline price growth was likely due in part to energy prices as well as base effects, which should fade in the coming months and lead to slightly higher inflation by the end of the year. Excluding food and energy, traditional core inflation is expected to have ticked up to 2.5% but remained around the lowest levels seen since the middle of 2021. The overall distribution of price growth is normalizing, and central bankers will look for further progress in September. The Bank of Canada’s preferred measures of inflation should continue to move lower as well.

Existing home sales (September) – We’re anticipating that growth in home sales accelerated 2.9% m/m in September, building on a 1.3% rise in August. Early figures from local real estate boards showed year-over-year increases in sales in Montreal, Toronto, Ottawa and Edmonton, but declines in Vancouver and Calgary. Homebuyers look to have started to dip their toes in the market following three consecutive interest rate cuts, with more sales expected in the coming months. Recent policy changes aimed at making homeownership more affordable for first-time homebuyers should also help spur demand going forward.

Housing starts (September) – August housing starts caught economic forecasters by surprise, coming in well below expectations at just over 217,000. We’re anticipating September starts rising to 253,000, reflecting the volatile month-to-month nature of housing starts, particularly in the multi-unit sector. Over the next several quarters, falling condo presales, skilled labour shortages, residential construction inflation and still-high (albeit falling) interest rates should continue to put downward pressure on housing starts.

WEDNESDAY October 16 - 8:30

August	m/m
Consensus	-1.5%
Desjardins	-1.5%
July	1.4%

WEDNESDAY October 16 - 2:00

September	y/y
Consensus	1.9%
August	2.2%

THURSDAY October 17 - 8:15

October	
Consensus	3.25%
Desjardins	3.25%
September 12	3.50%

THURSDAY October 17 - 19:30

September	y/y
Consensus	2.5%
August	3.0%

THURSDAY October 17 - 22:00

Q3 2024	y/y
Consensus	4.6%
Q2 2024	4.7%

Manufacturing sales (August) – For manufacturing sales, we anticipate growth to have decreased by 1.5% in August, in line with Statistics Canada’s flash estimate. A dip in sales of energy and petroleum products likely drove this decline after a fall in commodity prices. In real terms, manufacturing sales appear to have decreased by 1.3%, driven by a small drop in seasonally adjusted industrial product prices in August (-0.2%).

OVERSEAS

United Kingdom: Consumer price index (September) – UK inflation has almost returned to the target set by the Bank of England (BoE). But it’s no longer falling like it was earlier this year. The year-over-year change in the consumer price index was 2.3% in April, and little has changed since then as inflation was 2.2% in August. The index for all items less food and energy edged up from 3.3% in July to 3.6% in August. There’s no doubt that BoE officials will want UK inflation to come down further.


Eurozone: European Central Bank meeting (October) – The European Central Bank (ECB) cut its deposit rate by 25 basis points in September and is expected to do the same in October. The latest eurozone inflation figures came in lower than expected. Headline inflation is now at 1.8%. And there are more reasons to be concerned about the economy, such as the recent deterioration in the PMI indicators. Given the weakness of the economy, disinflationary pressures will likely persist over the coming months. At 3.50%, the deposit rate is currently well above the neutral rate, which is estimated to be approximately 2.00%. This means the ECB’s monetary policy is still largely restrictive.


Japan: Consumer price index (September) – Japanese inflation edged up again in August. The annual change in the consumer price index came in at 3.0% in August—its highest rate in a year—up from 2.8% in July. Core inflation rose from 1.9% to 2.1%. But Japan’s inflation rate is expected to have dipped in September. That’s what the preliminary data from the Tokyo area is signalling.

China: Real GDP (third quarter) – Economic activity seems to be slowing on many fronts in China, with retail sales and industrial output being particularly worrisome. In addition, the composite PMI receded from 52.7 in March to 50.4 in September. But the critical issue continues to be the property market, which has been stuck in a slump for more than two years. Beijing has announced several stimulus measures over the past few months, ranging from new infrastructure spending to a government plan to buy unsold homes. More recently, the country’s central bank decided to cut interest rates once again. These measures, however, seem to be underused or less effective than expected. We believe China’s real GDP probably rose modestly in the third quarter.

Economic Indicators

Week of October 14 to 18, 2024

Date	Time	Indicator	Period	Consensus		Previous reading
UNITED STATES						
MONDAY 14	---	Bond markets closed (Columbus Day)				
	15:00	Speech by Federal Reserve Governor C. Waller				
TUESDAY 15	8:30	Empire State Manufacturing Index	Oct.	3.3	4.5	11.5
	11:30	Speech by Federal Reserve Bank of San Francisco President M. Daly				
WEDNESDAY 16	8:30	Export prices (m/m)	Sep.	-0.6%	-1.0%	-0.7%
	8:30	Import prices (m/m)	Sep.	-0.3%	-0.8%	-0.3%
THURSDAY 17	8:30	Initial unemployment claims	Oct. 7-11	240,000	239,000	258,000
	8:30	Philadelphia Fed index	Oct.	4.0	4.5	1.7
	8:30	Retail sales				
		Total (m/m)	Sep.	0.3%	0.3%	0.1%
		Excluding automobiles (m/m)	Sep.	0.1%	0.0%	0.1%
	9:15	Industrial production (m/m)	Sep.	-0.1%	0.2%	0.8%
	9:15	Production capacity utilization rate	Sep.	77.8%	78.0%	78.0%
	10:00	NAHB Housing Market Index	Aug.	43	n/a	41
	10:00	Business inventories (m/m)	Aug.	0.3%	0.3%	0.4%
	16:00	Net foreign securities purchases (US\$B)	Aug.	n/a	n/a	-135.4
FRIDAY 18	8:30	Housing starts (ann. rate)	Sep.	1,350,000	1,370,000	1,356,000
	8:30	Building permits (ann. rate)	Sep.	1,450,000	1,450,000	1,470,000
	10:00	Speech by Federal Reserve Bank of Minneapolis President N. Kashkari				
CANADA						
MONDAY 14	---	Markets closed (Thanksgiving Day)				
TUESDAY 15	8:30	Consumer price index				
		Total (m/m)	Sep.	-0.2%	-0.4%	-0.2%
		Total (y/y)	Sep.	1.9%	1.7%	2.0%
	8:30	Wholesale sales (m/m)	Aug.	-1.1%	-1.1%	0.4%
	9:00	Existing home sales (m/m)	Sep.	n/a	2.9%	1.3%
WEDNESDAY 16	8:15	Housing starts (ann. rate)	Sep.	235,000	253,000	217,400
	8:30	Manufacturing sales (m/m)	Aug.	-1.5%	-1.5%	1.4%
THURSDAY 17	8:30	International securities transactions (\$B)	Aug.	n/a	n/a	10.98
FRIDAY 18	---	---				

NOTE: Each week, Desjardins Economic Studies takes part in the Bloomberg survey for Canada and the United States. Approximately 15 economists are consulted for the Canadian survey and a hundred or so for the United States. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Following the quarter, the abbreviations f, s and t correspond to first estimate, second estimate and third estimate respectively. Times shown are Eastern Daylight Time (GMT - 4 hours).  Desjardins Economic Studies forecast.

Economic Indicators

Week of October 14 to 18, 2024

Country	Time	Indicator	Period	Consensus		Previous reading		
				m/m (q/q)	y/y	m/m (q/q)	y/y	
OVERSEAS								
DURING THE WEEK								
China	---	Trade balance (US\$B)	Sep.	91.40		91.02		
MONDAY 14								
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TUESDAY 15								
Japan	0:30	Industrial production – final	Aug.	n/a	n/a	-3.3%	-4.9%	
United Kingdom	2:00	ILO unemployment rate	Aug.	4.1%		4.1%		
France	2:45	Consumer price index – final	Sep.	-1.2%	1.2%	-1.2%	1.2%	
Eurozone	5:00	Industrial production	Aug.	1.7%	-1.0%	-0.3%	-2.2%	
Germany	5:00	ZEW Current Conditions Survey	Oct.	-84.0		-84.5		
Germany	5:00	ZEW Expectations Survey	Oct.	10.0		3.6		
WEDNESDAY 16								
United Kingdom	2:00	Consumer price index	Sep.	0.1%	1.9%	0.3%	2.2%	
United Kingdom	2:00	Producer price index	Sep.	-0.3%	-0.6%	-0.3%	0.2%	
Japan	19:30	Trade balance (¥B)	Sep.	-496.6		-595.9		
THURSDAY 17								
Japan	0:30	Tertiary Industry Activity Index	Aug.	-0.3%		1.4%		
Eurozone	5:00	Trade balance (€B)	Aug.	17.7		15.5		
Eurozone	5:00	Consumer price index – final	Sep.	-0.1%	1.8%	-0.1%	2.2%	
Italy	5:00	Trade balance (€M)	Aug.	n/a		6,743		
Eurozone	8:15	European Central Bank meeting	Oct.	3.25%		3.50%		
Japan	19:30	Consumer price index	Sep.		2.5%		3.0%	
China	22:00	Real GDP	Q3	1.1%	4.6%	0.7%	4.7%	
China	22:00	Industrial production	Sep.		4.6%		4.5%	
China	22:00	Retail sales	Sep.		2.5%		2.1%	
FRIDAY 18								
United Kingdom	2:00	Retail sales	Sep.	-0.5%	3.2%	1.0%	2.5%	
Eurozone	4:00	Current account (€B)	Aug.	n/a		39.6		
Italy	4:30	Current account (€M)	Aug.	n/a		5,371		
Eurozone	5:00	Construction	Aug.	n/a	n/a	0.0%	-2.2%	

Note: Unlike release times for US and Canadian economic data, release times for overseas economic data are approximate. Publication dates are provided for information only. The abbreviations m/m, q/q and y/y correspond to month-over-month, quarter-over-quarter and year-over-year change respectively. Times shown are Eastern Daylight Time (GMT - 4 hours).