# Canada Adds 67,200 Jobs in September: Is the Worst Behind Us?

## Description

Statistics Canada reported last week that the country added 67,200 net new jobs in September. Still, the national unemployment rate remained at 7% as more people entered the workforce.



Let's dig into the numbers to see how important this new data is.

**Headline numbers look good, but specific figures give caution**

Overall, investors should be pleased that the Canadian economy is still posting positive net job additions. That's especially true following massive layoffs over the past 24 months in the energy and mining sectors.

But, the numbers aren't as good as they seem.

Roughly 44,000 of the new jobs are considered part time–hardly a sign of a healthy economy. Another 50,000 were self-employed positions, so the net job additions number doesn't necessarily signify full-time or salaried jobs. Only 23,000 job additions were considered full-time work.

The numbers also don't bode well for Canada's youth. About 56,000 of the job additions were for people aged 55 and above. That could gut the spending power of Canada's younger generations, many of which will soon become the largest consumers of the economy.

**Weak results may indicate a future rate cut–that's bad for the loonie**

**Bank of Montreal** (TSX:BMO)(NYSE:BMO) senior economist Robert Kavcic recently wrote in a research note that the jobs report reduces the likelihood that Canada's central bank will lower its key short-term lending rate to stimulate the economy. That may be true, but I would argue that the odds of an additional cut remain high.
The biggest influence on the Canadian economy in recent years has been the oil and gas market. The recent strength in energy prices may not last for long.

According to a report by the Bloomberg Intelligence, nearly half of the wells located in North America's biggest shale plays can remain profitable even when crude prices fall below US$30 a barrel. So, don't count on U.S. crude production to continue falling at current prices levels. It's very possible we'll see sustainable oil production growth at or even below US$50 per barrel.

The other factor keeping the economy afloat has been rising real estate prices. That tailwind may also be coming to an end.

Canadian Real Estate Association recently trimmed its forecast for 2017, projecting a 0.6% decline in national home sales and a 0.2% drop in prices. In June, it had forecast sales to *rise* 0.2% and for prices to *rise* 0.1%.

This reversal could be catastrophic.

According to Bank of Montreal, the rapidly rising real estate market will end poorly for consumers, lenders, and the economy as a whole. "Odds are that if this kind of price growth continues, it will end badly," a bank analyst said in a research note.

**Expect a weaker Canadian economy and loonie moving forward**



The jobs report looked good on paper, but it won't be enough to offset impending weakness in the energy and real estate markets.

Because the loonie moves strongly based on the health of these industries, expect the currency to show weakness into 2017, especially if the Bank of Canada decides to lower key interest rates yet again.

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