Why Rising Jobs Numbers Don’t Mean the Economy Is Strong

Description

There seems to be a disconnect these days with how many people feel the economy is doing versus the data that’s out there. There are a couple of reasons why even though job numbers may be up, the economy isn’t necessarily in good shape.

Role of part-time and contract work

In August, we learned that Canada added a net 81,000 new jobs. However, the majority of those positions were part-time positions. In addition, workers aged 15-24 represented 42,000 of the positions added.

This skews the numbers in a couple of ways, as a rising number of part-time jobs could indicate more of an interest in employers being a lot leaner and more cost effective by minimizing the benefits and costs that come with full-time employees.

From an employee perspective, that’s likely going to mean needing to balance multiple jobs. The one exception, of course, is younger workers who might not be able to take on full-time jobs because of school.

And that’s the other part of these numbers that becomes misleading — the jobs taken by young individuals, whether they are part-time or full-time, may be on a temporary basis. In the summer months is when many young people are able to work, and the jobs could have been only temporarily.

These are just a couple of ways the job reports can present a picture that’s a little misleading, and why we may see a drop in September.

Minimum wage jobs are on the rise

One of the numbers that might be the most telling about the economy is when it comes to minimum wage. In 2018, 10.4% of employees in Canada were earning minimum wage. That’s up significantly from 5.2% back in 1998.

While wages have certainly increased over that period, the fact that such a significant chunk of the population is still earning the bare minimum suggests that the quality of the jobs is simply not that strong, as indicated by part-time work on the rise and potentially contracted work playing more of a role these days.

With low-paying jobs and part-time work growing, the economy is not necessarily getting stronger despite a rising number of jobs.

What does this mean for investors?

This year, we've seen a lot of concern surrounding bank stocks. **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) stock, for example, was flat for the year before it released its latest quarterly results, which beat earnings and sent the stock rallying.

However, in order for investors to be bullish on that stock over a longer period, they're going to need to be optimistic about where the Canadian economy is headed. With concerns about Canada potentially headed for a slowdown and entering a recession, it could mean for tougher times ahead for financial stocks.

If people aren't working quality jobs and with debt levels continuing to be very high, the risk of loans and mortgages not being paid will rise, thus exposing Scotiabank and other lenders to greater risk.

While that may not have a long-term impact on the bank, there could still be a lengthy downturn that takes place.

From an investment standpoint, if you're looking to buy bank stocks, whether it's Scotiabank or any other, it may be a good idea to wait for more of a decline in price.

Although the numbers are looking good for the economy today, they may prove to be unsustainable, which could put bank stocks at risk for correction later on this year or into 2020.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred

4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/01
Date Created
2019/09/18
Author
djagielski