

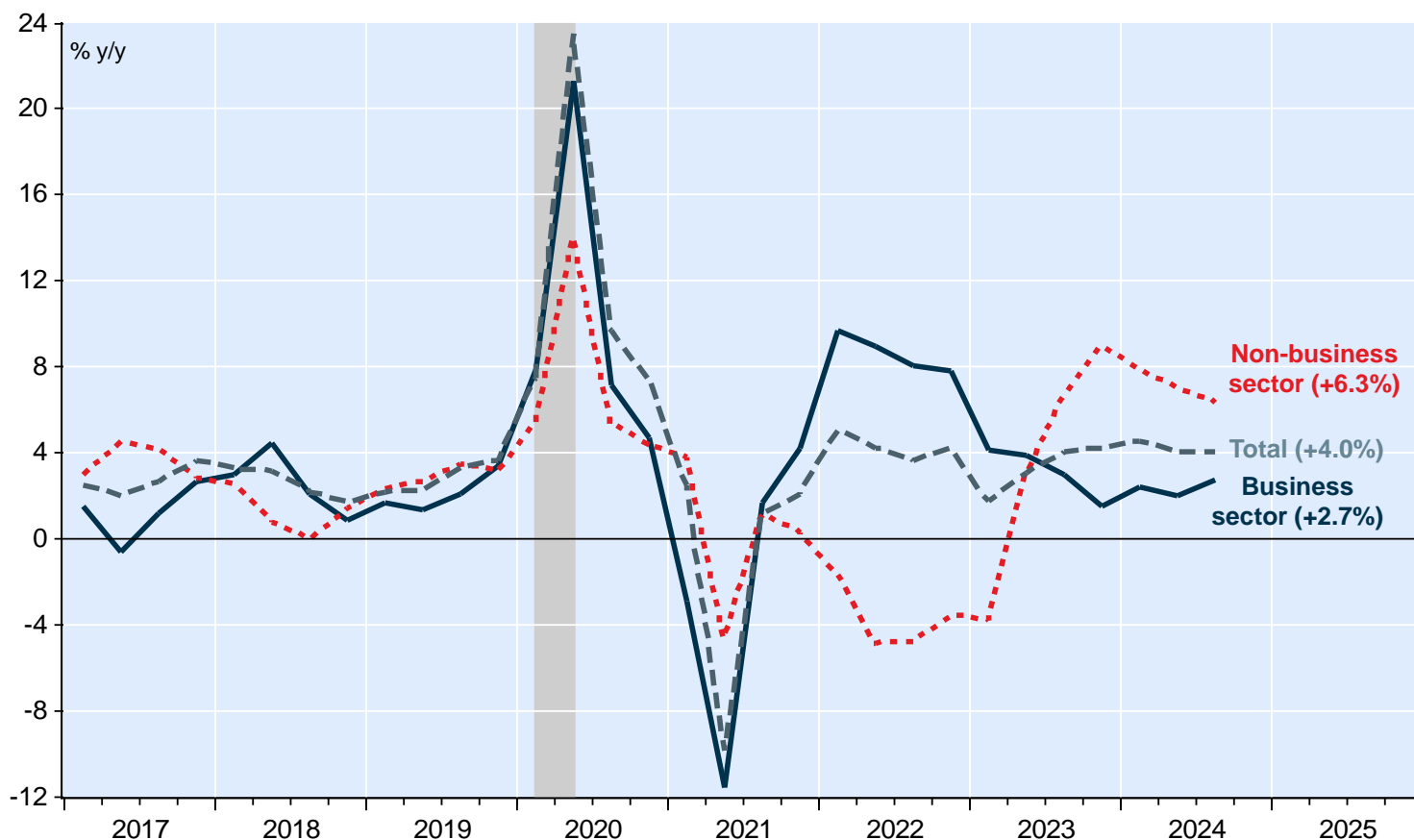
Canada Watch

By **Matthieu Arseneau**

While Canadian economic data is being closely examined for information on the sustainability of inflation on the central bank's target, some observers are worried about wage growth. The SEPH survey shows an acceleration in hourly wages to 5.5% year-on-year in September, while the LFS survey published this morning is slightly less worrying but remains high at 3.9% in November (compared with 4.9% the previous month). The same is true of data from the productivity accounts, which give us a more comprehensive picture of employee compensation (wages + benefits). Hourly compensation growth is stuck around 4.0% y/y as of Q3 2024, above the average of 3.0% seen between 1999 and 2019. But how is it that wage pressures remain high despite the deterioration in the labour market ([link](#))? As today's Hot Chart shows, it is civil servants who appear to be contributing to this strength, with pay rises of 6.3% over the past year (non-business sector), having been able to obtain compensation for past losses in purchasing power. Conversely, employees in the private sector (business sector) are recording wage growth back to a normal pace, at 2.7%, which is consistent with the weakness in the labour market. Since the CPI basket is mostly produced by private firms, the current composition of wage pressures, concentrated among government employees should mean less concern for the central bank's inflation outlook.

Canada: Public sector keeps wage inflation high

Total compensation per hour worked



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