

## Scotiabank Nowcast: Rebounding Employment Pares Q2-2020 Contraction to -37.1%

We are restarting the publication of the nowcast for Q2-2020 following a suspension in April that was related to the decision by Statistics Canada to publish a flash estimate for quarterly GDP in the previous quarter.

This note is part of a series that is published after important data releases, documenting mechanical updates of the nowcast for Canadian GDP coming from the Scotiabank nowcasting model (see [here](#) for more details). The evolution of this nowcast will inform Scotiabank Economics' macroeconomic outlook.

- The Labour Force Survey for May confirmed that the Canadian economy is starting to emerge from the COVID-19-related shutdowns that led to unprecedented contractions in activity.
- Canadian employment rose by 290K in May, almost 20 times the average employment change in the 2010–2019 period (19.5K). Even more encouraging, three-quarters of the employment gains were in full time work. However, coming on the heels of 3 million jobs lost in the previous two months, the road to recovery will likely be long for the Canadian labour market.
- Broader measures of labour utilization improved as well, as the hours worked rose by 6.3% and the number of people who worked less than half their usual hours dropped by 292K.
- Given that the reference week of the survey, May 10th to 16th, coincided with the initial phase of the re-opening of the Quebec economy, a large part of job creation was registered in Quebec (80%).
- Together with the encouraging news on the US side, with 2.5 million jobs created in May, the Canadian economy has likely started growing again in mid-Q2. For Q2-2020 on average, a deep contraction is expected still, with -37.1% Q/Q SAAR. Note that there remains considerable uncertainty in the Q2-2020 outlook, given the unusual nature of the downturn.

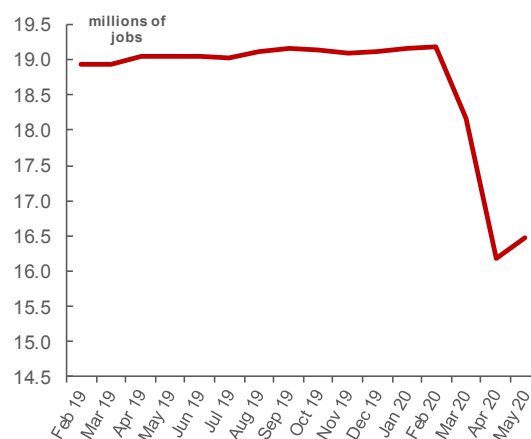
Table 1: Canadian GDP Nowcast, Q2-2020

	Nowcast Date	Q2-2020 GDP Growth, %
Initial Nowcast	04-Jun-20	-42.70
Revisions, financial data		0.00
US nonfarm payrolls		+3.07
Employment, Canada		+1.40
Hours worked, Canada		+1.12
Current Nowcast	05-Jun-20	-37.11

### CONTACTS

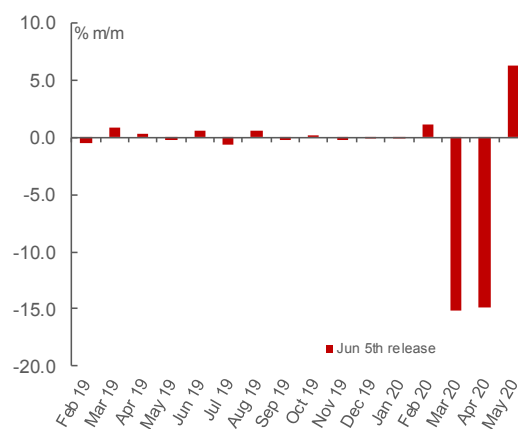
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Chart 1: Employment, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: Hours worked, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

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