

Canadian Jobs Reinforce Our BoC Hike Call

Canada, Net Change in Employment SA (m/m 000s) / UR (%), April:

Actual: 106.5 / 5.7

Scotia: 20 / 5.8

Consensus: 11.6 / 5.8

Prior: Unrevised from -7.2 / 5.8

- Did somebody whisper 'hike'? Try yelling it aloud on the back of numbers like this. CAD heard it as the dollar appreciated by about three quarters of a cent to the USD in the aftermath. The two year GoC bond heard it as the yield jumped higher by about 4bps. **Scotia Economics position as the only dealer to forecast a rate hike later this year got a shot in the arm by a resoundingly positive jobs report that in turn supports the outlook for consumption and housing. Indeed, the rebound narrative is alive and kicking with the strongest monthly job gain on record and the strongest year-to-date tally for cumulative job growth ever.** In fact, 222,000 jobs added so far this year is almost equal to the total employment creation in all of 2018 (+238k), two-thirds of the full year tally for 2017, and already about 70% higher than the three year average pace of job growth over 2014–16 when 110k, 154k and 133k jobs were created respectively.
- Try as I might to poke holes in the traditional 'quality' metrics, I can't really.** The standard caveats still apply—it's a small sample, hopefully there were no foul-ups—but all of the quality indicators were strong. Having said that, the 95% confidence interval for monthly reported job changes in the Labour Force Survey is +/-54,400 jobs. **While statistical noise is high in this household survey, a gain of 106,500 jobs blows way past the upper band and cannot be dismissed as a mere statistical sampling issue.**
- I get GDP growth tracking about 0.2% higher for March and 0.2% higher for April based solely upon the effects of the 1.0% and 0.4% gains in hours worked over the two months and the 15% and 23% monthly gains in housing starts for the two months. The export gain of 3.2% m/m that was mostly through volumes should also translate favourably into manufacturing shipments next week. **These are not just rebounds. These are ripping numbers to end Q1 and transition to Q2.** They still tentatively translate into modest one-handed GDP growth over Q1 into Q2 but with a lot of Q2 data still ahead of us. Clearly trade policy is a risk to the outlook but it remains a binary risk: one that could go in either direction quickly and needs to be constantly monitored alongside incoming data that is thus far proving to be resilient.
- Hours worked increased by 0.4% m/m.** That's the second straight monthly jump after a 1.0% monthly gain in March. **Hours worked are tracking a rise of 3.2% q/q** at a seasonally adjusted and annualized rate in Q2 which is the **strongest rise since 2017Q3.** It's a sharp reversal from the 0.9% q/q annualized drop in Q1. **Since GDP is an identity derived from hours worked times labour productivity, a strong rise in tracking for hours worked in Q2 is a serious reinforcement of the Q2 GDP rebound narrative.**
- Self-employment was flat,** so all of the rise in employment was through payrolls and particularly via the 84k rise in private payrolls. Self employed jobs are valuable, but the self-disclosure and other matters can often cause economists to fade a report that is too heavily derived from such a contribution that did not occur here.

CONTACTS

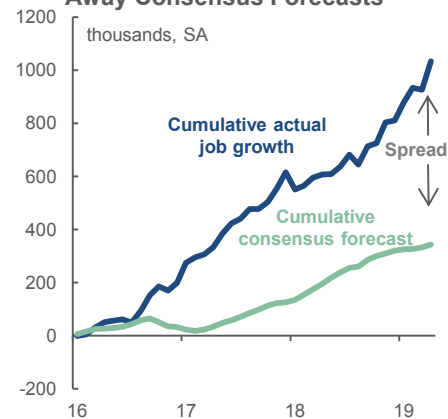
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April Job Growth Continue to Blow Away Consensus Forecasts



Sources: Scotiabank Economics, Bloomberg.

- **Full-time jobs accounted for almost 70% of the job increase** via a rise of 73,000 positions. Part-time was up 33,600.
- **Sector breadth was strong.** Construction jobs were up 29,200 to dominate the gain across goods producing industries but agriculture was also up 6,500 and manufacturing added 5,700 while resource jobs fell by 2.9k. Services were up 67k and 8 of 11 service sectors gained. Retail and wholesale trade added 32,400.
- **Regional breadth was strong.** Quebec added 38k jobs, Ontario was up 47k, Alberta was up 21k and BC added 6k so workers parted across the biggest provinces. Small declines in three out of four Atlantic provinces and Manitoba were largely rounding errors.
- **Wage growth for permanent employees landed at 2.3%.** This is not the BoC's preferred gauge which is wage common that is a composite of four contributors. But the fact that this morning's measure is hanging onto the acceleration that occurred from late last year into early this year is encouraging. **What's extra encouraging here is that the year-ago wage growth rate is firm at 2.3% even though it's being based to the acceleration that was still underway around this time last year. A year ago we were running at 3.3% wage growth. These are not weak wage growth figures.**
- **Youth employment was up 47,200.** While this time of the year can raise questions about seasonal factor stability at times and especially when paired with the jump in retail/wholesale employment, the fact that jobs were up by 59,500 for workers over 25 years of age and nearly evenly split between men and women and the fact that the overall tally was so strong makes the potential youths issue moot.

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