

The CN Tower-Sized Question Mark Behind Canada's Reported Job Gain

- StatsCan says that 290,000 jobs were created in May
- Most details support the headline gain...
- ...as jobless claims were potentially misleading
- Believability hinges upon what happens to the 2¾ million Canadians who said they thought they had a job but didn't work
- Quebec was the stand-out among provinces

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

Actual: +289.6 / 13.7
 Scotia: -1000 / 16
 Consensus: -500 / 15
 Prior: Unrevised from -1994 / 13

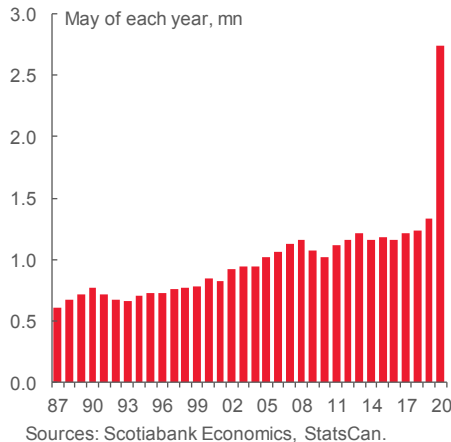
Believe it or not, Canada created about 290,000 jobs last month while the unemployment rate edged up by less than expected to 13.7% and the labour force participation rate increased by about 1½ percentage points to 61.4%. The table at right and chart 1 provide an overall depiction of several details.

The Canadian dollar shook off the results relative to the USD that also factored in a positive nonfarm payroll surprise, but the C\$ isn't outperforming other crosses. The Canada two year yield increased by over 3bps initially but has since pared back half of that rise likely as doubts justifiably crept back into the picture. In both countries, 2s10s spreads steepened further post-jobs.

Relying upon jobless claim filings within the Canada Emergency Response Benefit program to gauge employment changes clearly failed to come anywhere close to predicting the headline yet that's pretty much all we had to go by in advance. Claims translated poorly to the reported employment figures likely because of the way a very large number of households are responding to StatsCan's questions. I'll come back to the generally supportive underlying details behind the headline tally in a moment, but only after getting out the world's biggest salt shaker that you should have while going over the figures.

Whether or not you believe that Canada created about 290,000 jobs last month depends critically upon what fraction of those who worked no hours

Chart 2
Canadians Who Were Employed But Worked No Hours in May



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Canadian Jobs Break Down

Province	m/m
Quebec	+230.9k
British Columbia	+43.3k
Alberta	+28.2k
New Brunswick	+16.8k
Manitoba	+13.1k
Newfoundland & Labrador	+10.0k
Nova Scotia	+8.6k
Prince Edward Island	+2.6k
Saskatchewan	+0.6k
Ontario	-64.5k

Employment Type	m/m
Full Time	+219.4k
Part Time	+70.3k
Public Sector	-21.2k
Private Sector	+329.7k
Self Employed	-18.8k

Sources: Scotiabank Economics, Statistics Canada.

Chart 1



With credit to our economic analysts Evan Andrade, Alena Bystrova and Marc Ercolao for timely help with a lot of charts and to Wanda Wen for her superb publishing efforts and tireless devotion.

in May but said they were employed will ultimately return to their jobs. Right now they are not counted as unemployed and hence not as a lost job. Some will indeed return to full or part hours and we all hope this to be the case for all. Some won't regain the full hours they had before the COVID-19 and OPEC+ shocks and some will not return at all, but the reality that will set in for a seven figured tally of such workers leads me to strongly reserve judgement on the quality of the headline and pretty much all of the components. We need to see what happens to these folks over time and it bears noting that even in a 'normal' recession employment is often a lagging indicator.

Enter chart 2. **StatsCan reports that 2.74 million Canadians told the agency that they were employed last month, but worked no hours.** There is always such a component to the LFS that varies in seasonal fashion throughout the year. The reading for this month of May compared to prior months of May over the years controls for usual seasonality around this time of year and—as shown in the chart—it remains exceptionally elevated compared to a 'normal' month of May. May's reading fell from 3.43 million workers in April to 2.74 million but remains well above the 1.4 million trend range that existed prior to the COVID-19 shock. **Thus, over one and a quarter million more Canadians than usual are saying they think they have jobs, but didn't do anything last month.**

How to account for this is something that only time will inform. I hope for nothing less than for all of them to fully return. It's unrealistic to assume that none of them will go back to their jobs so subtracting well over one million from the headline job change to get a steep decline in overall employment instead of the reported figure probably wouldn't be realistic. It would probably be equally unrealistic to assume they are all coming back which would mean no adjustment to the job change and taking it at face value. I'm pretty comfortable—but not pleased—with assuming that a sizeable fraction of such workers may well not return such that taking at face value that Canada created 290k jobs makes me uncomfortable.

If one ignores this CN Tower sized wrinkle in the numbers, then the rest of the details generally reinforced the headline number. The problem is that it all hinges upon what happens to the 'zeroes' folks since if not all of them return to work then multiple indicators in this report will suffer.

Those details go as follows and the collection of charts that follow should help to illustrate overall developments in the workforce last month in greater detail.

- Full-time jobs were up 219k, part-time jobs were up 70k;
- private sector jobs were up 330k while the public sector continued to drop jobs. The overall public sector fell 21k in May and is down 243k over the past three months of steady declines.
- payroll positions were up by 308k while self-employed positions fell by about 19k.
- Hours worked increased 6.3% m/m after two months of 15% declines each time. They are still down massively by 60% q/q in Q2 over Q1 at a seasonally adjusted and annualized rate.
- by age, youths 15–24 saw a 29.5k rise in jobs, those aged 25–54 saw a 168k rise and those aged over 55 were up 92k in jobs.
- by gender, women aged 25+ saw an 80k rise in employment while men saw a 180k rise.
- by sector, goods industries registered a 165k rise in jobs while service sectors added 125k.
- Within goods producing industries, the bulk of the gain was in manufacturing (+79k) and construction (+74k).
- within service producing industries, wholesale/retail account for 107k of the 125k rise. Accommodation and food services was next at +42k. Education added 22k.
- By province, Quebec was the stand-out as 231k jobs were created. Ontario lost 65k. BC saw an increased of 43k and Alberta gained 28k. Other provinces were modestly higher. The winners last month included regions that were first to reopen most aggressively while we continue to monitor COVID-19 rises as economies reopen across the globe.

Chart 3



Chart 4

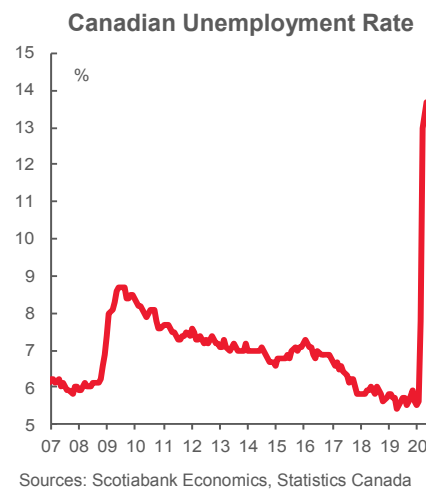


Chart 5

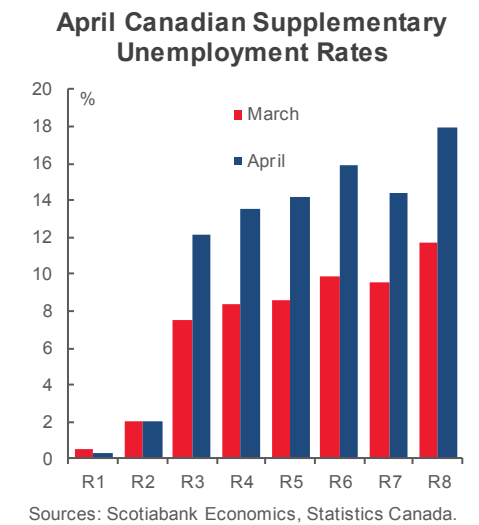


Chart 6

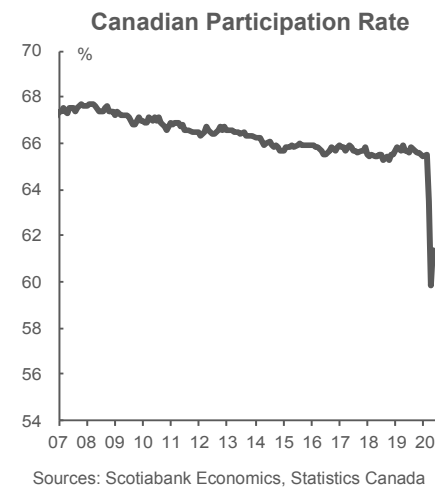


Chart 7

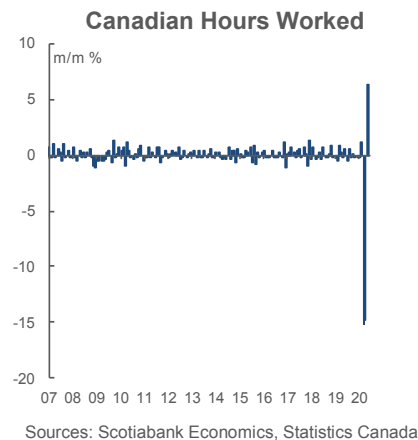


Chart 8

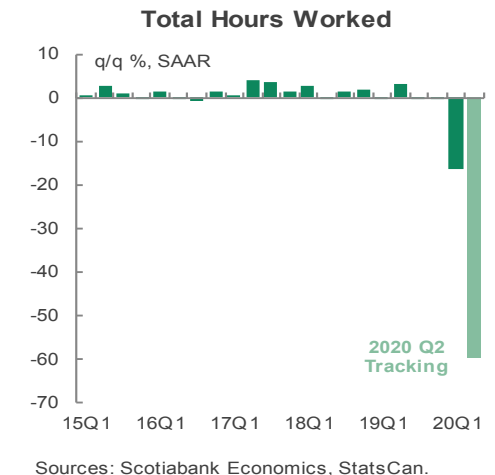


Chart 9

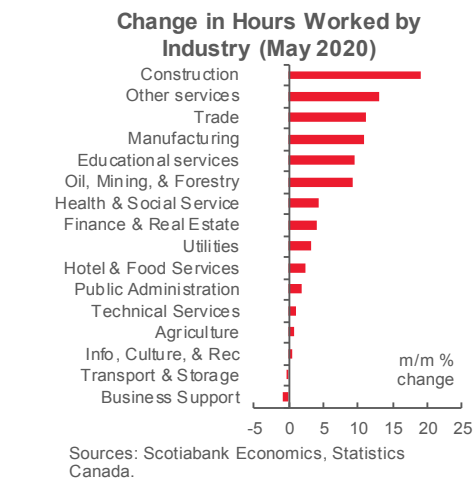


Chart 10

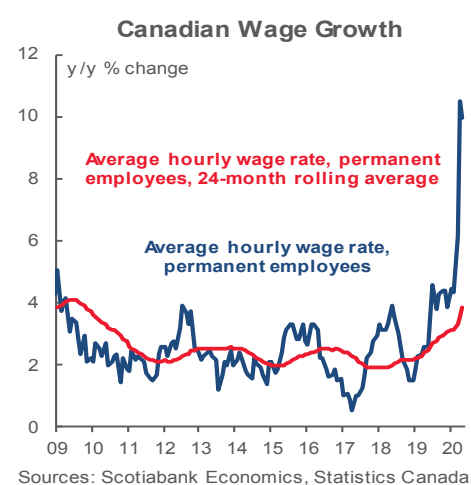


Chart 11



Chart 12

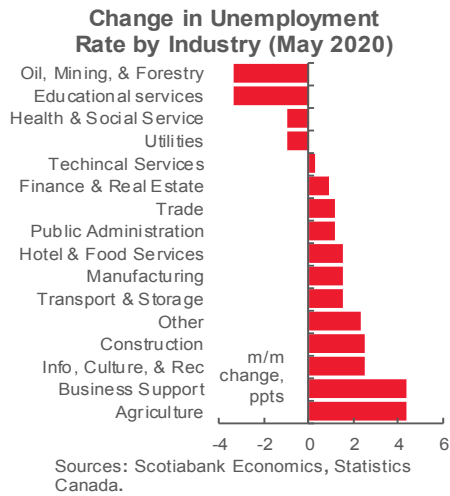


Chart 13

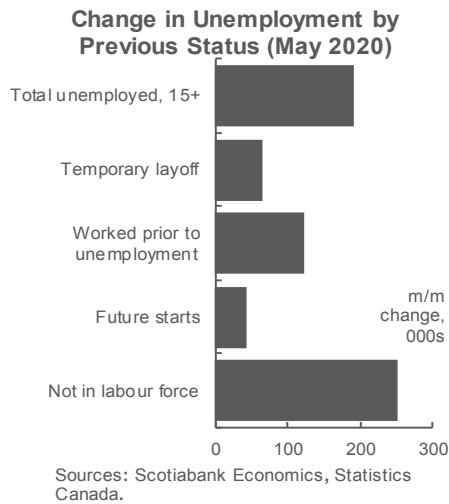


Chart 14

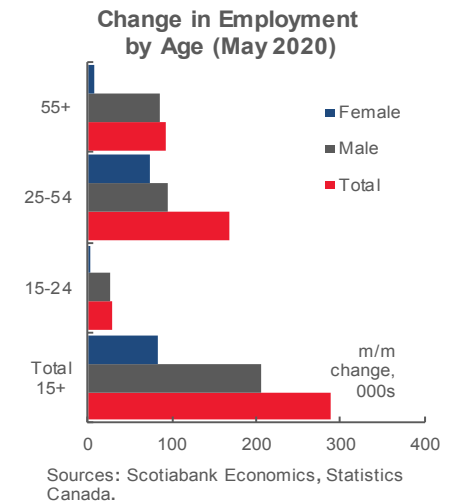


Chart 15

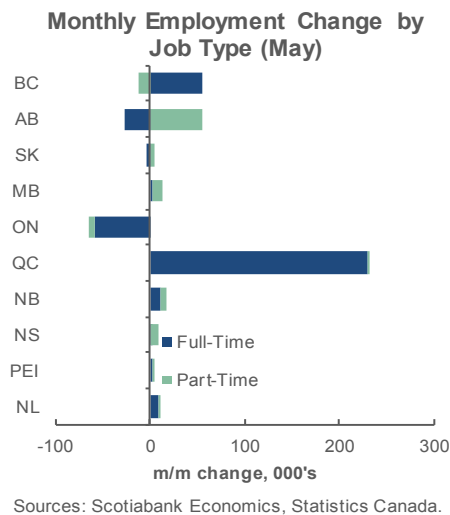


Chart 16

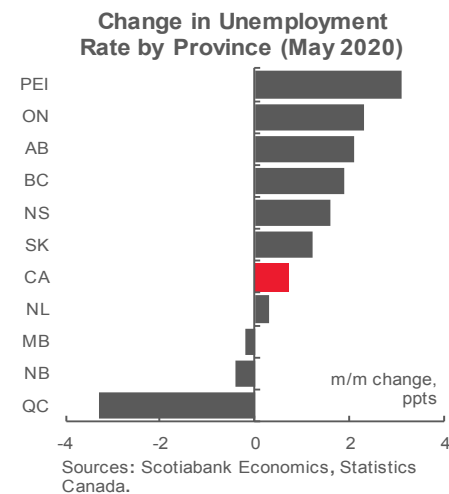


Chart 17

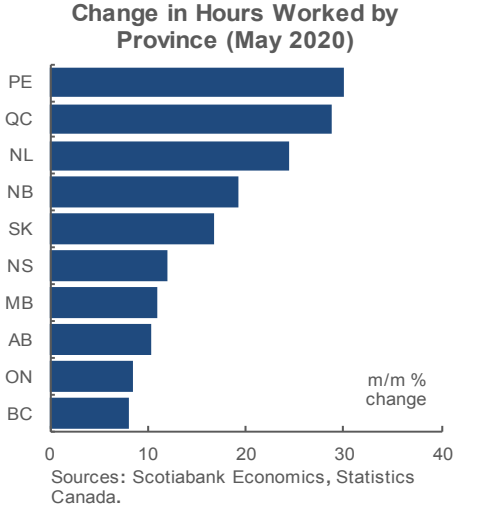
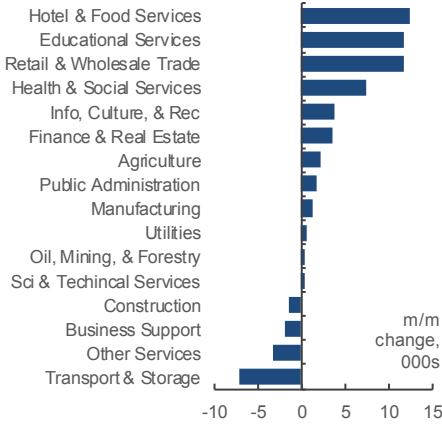


Chart 18

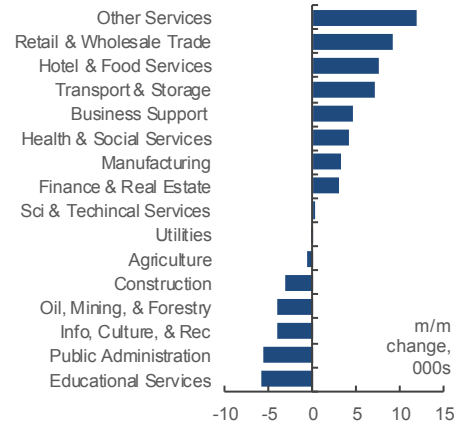
British Columbia - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 19

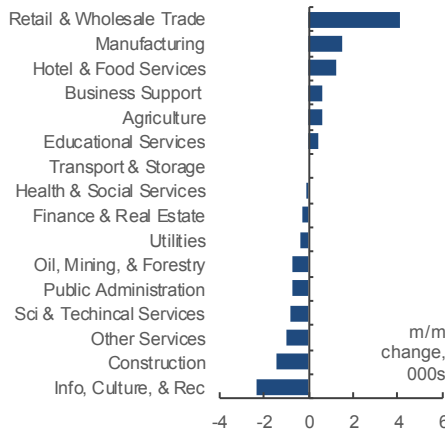
Alberta - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 20

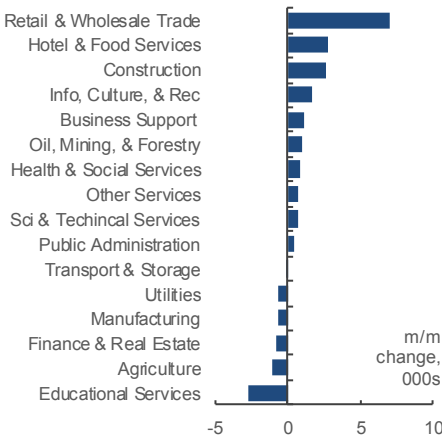
Saskatchewan - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 21

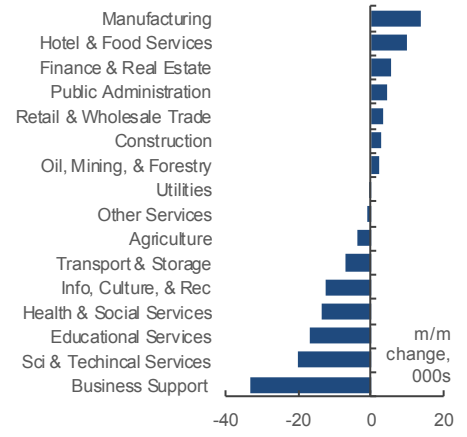
Manitoba - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 22

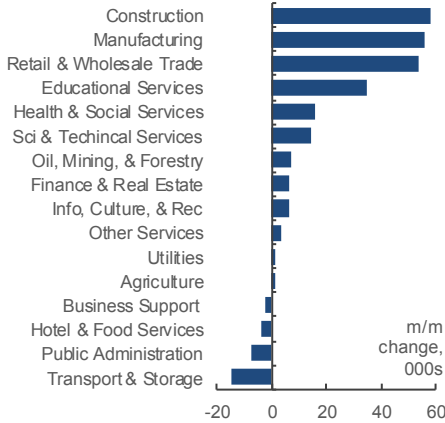
Ontario - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 23

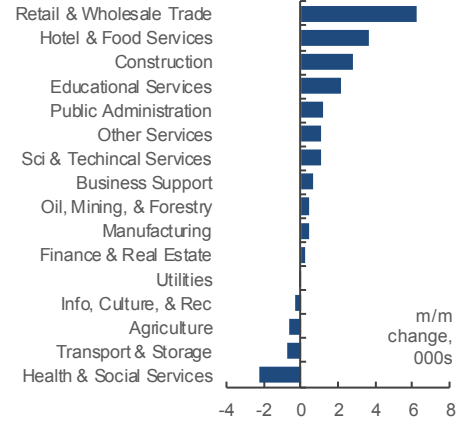
Quebec - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 24

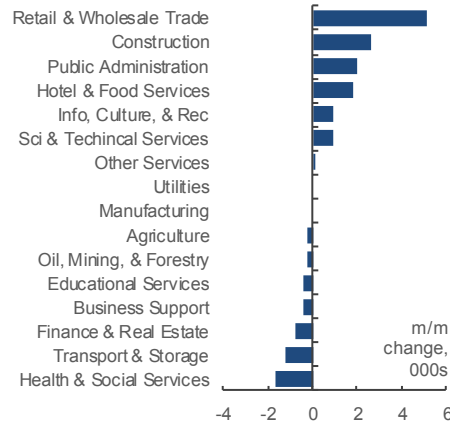
New Brunswick - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 25

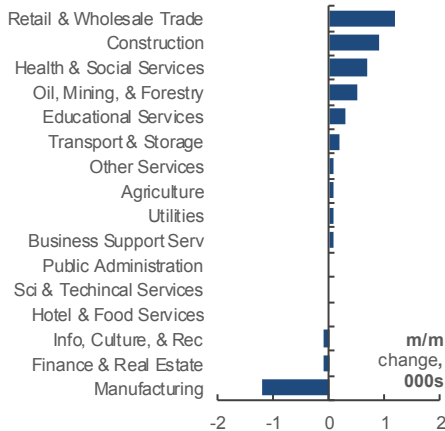
Nova Scotia - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 26

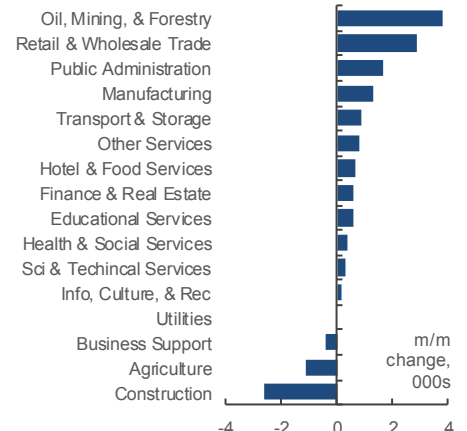
PEI - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

Chart 27

Newfoundland & Labrador - Employment Changes by Sector (May)



Sources: Scotiabank Economics, Statistics Canada.

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