

What Next After Canada Reclaims Two-thirds of Lost Jobs?

- Canada's quarter-million job gain met expectations
- The low hanging fruit of the jobs recovery has probably been picked
- Ex-Ontario's reopening effect, breadth was soft

Canadian jobs, m/m 000s / UR, SA, August:

Actual: 245.8 / 10.2

Scotia: 250 / 10.1

Consensus: 250 / 10.2

Prior: 418.5 / 10.9

Canada posted a job gain during August that was in line with expectations, but there is evidence that the reopening effect may be maturing. That, in turn, means that we're entering a period of time when the outlook for future employment changes will be marked by considerably greater uncertainty not only in magnitude, as has been the case so far, but now perhaps also in direction. Highlights of the changes this month are illustrated in the accompanying table.

Canada's sovereign yield curve steepened following the figures as the 10 year yield rose about 4bps. The Canadian dollar depreciated a touch versus the USD mostly because the USD rallied following nonfarm payrolls. The TSX is little changed.

Canada has now recouped nearly two-thirds of jobs lost since the pandemic struck. The initial hit of 3 million jobs over March and April has seen 1.9 million jobs reclaimed as shown in chart 1. That leaves behind a very large 1.1 million who are still out of work. The glass half full view on this is that it's amazing that almost two million jobs have been recouped in just four months. Some will dismiss that as a function of reopening, but remember those who were arguing that simply flicking the switch back on wouldn't be taken up by way of gains across activity and job readings. The glass half empty angle is that still having one million Canadians out of work remains a major challenge that, while not compounding aid, should also not prematurely reverse it.

Consider three points as evidence of the forward looking uncertainty. One is that aside from Ontario's reopening effect, there was little regional breadth and I'll return to this. Two is that the labour force participation rate has now almost fully recovered (chart 2). Three is that we've returned to a more normal level of people who say they are employed but worked zero hours as a proxy for the most acute indication of underutilized labour (chart 3).

There is still a large amount of underutilized labour as will be highlighted. My point, however, is that the rate of progress toward reducing underutilized labour and reclaiming lost jobs may be at an inflection point or slope shift that raises uncertainty. Duration of unemployment for the remaining one million Canadians is going to be a rising challenge.

CONTACTS

Derek Holt, VP & Head of Capital Markets Economics
416.863.7707

Scotiabank Economics

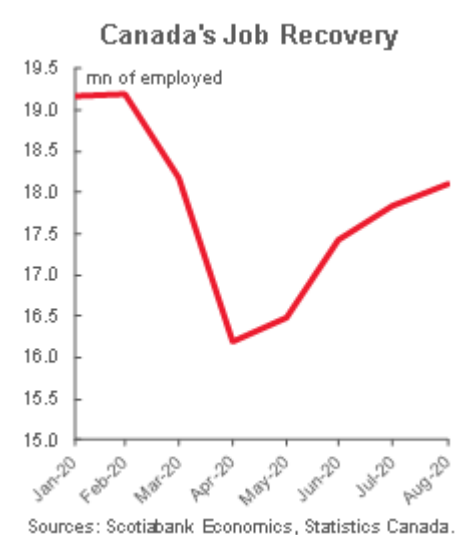
derek.holt@scotiabank.com

Canadian Jobs Break Down

Province	m/m
Ontario	+141.8k
Quebec	+54.2k
British Columbia	+15.3k
Alberta	+9.7k
Manitoba	+8.1k
Nova Scotia	+7.2k
Saskatchewan	+4.7k
Newfoundland & Labrador	+4.0k
Prince Edward Island	+1.6k
New Brunswick	-0.7k
Employment Type	m/m
Full Time	+205.8k
Part Time	+40.0k
Public Sector	+28.3k
Private Sector	+275.5k
Self Employed	-58.0k

Sources: Scotiabank Economics, Statistics Canada.

Chart 1



Hours worked are tracking an 83% q/q annualized gain in Q3 assuming September comes in flat in order to focus upon the effects of what we know so far (chart 4). They were up by another 2.9% m/m in August. This points to explosive GDP growth in Q3 given that GDP is an identity defined as hours worked times labour productivity with the latter defined as real GDP divided by hours worked. The Canadian economy has recovered about two-thirds of the hit to total hours worked from the pandemic so far which continues to point to substantial under-utilization.

Full time jobs dominated the gains with a rise of 206k. Part-time employment was up by 40k.

The unemployment rate fell to 10.2% because the job gain of 246k exceeded the increase in the size of the labour force (+109k) and the rise in the participation rate to 64.6% (64.3% prior). The participation rate is now only 0.9% below where it was before the pandemic.

By province, Ontario's rise of 142k accounted for 58% of the overall job gain. The other 104k jobs that were regained were spread out across the provinces. Quebec saw another 54k rise. BC was up by 15k and Alberta saw a 10k rise. Other provinces were little changed. 80% of total job gains came out of Ontario and Quebec.

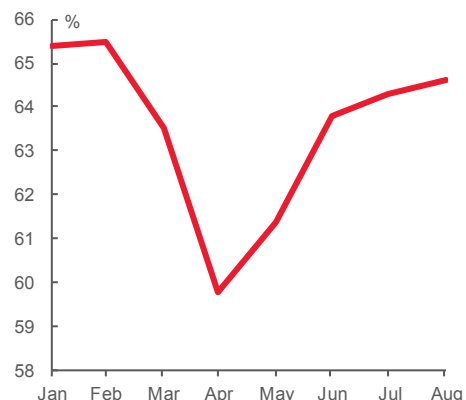
Youth employment was up by 55k. Men over 25 saw a 75k rise in employment while women over 25 saw a gain of 116k.

By sector, 89% of the jobs gained in August were in services. Within the goods sector's gain of 27.6k, breadth was soft as manufacturing jobs were up 29.4k, construction was up 4.5k and utilities added 4.2k while resources shed 9.1k. See chart 5 for the industry breakdown.

Within services, the biggest gains were a virtual tie between educational services (+50.5k) and accommodation and food services (48.9k). 'Other' services were up 37.7k. Wholesale and retail categories were up 28k followed by a 26k rise in professional, scientific and technical services.

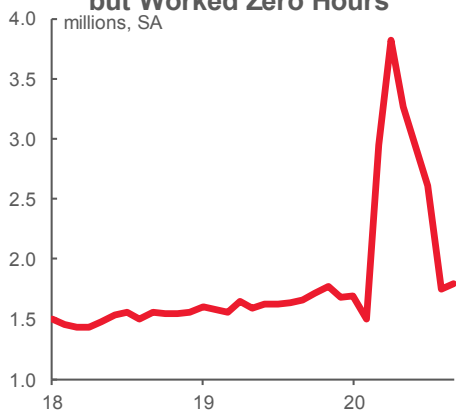
Payroll jobs were up by 304k with the private sector adding 276k. Public sector payroll jobs were up 28k. Self-employed jobs were down 58k.

Chart 2
Canada's Labour Force Participation Rate



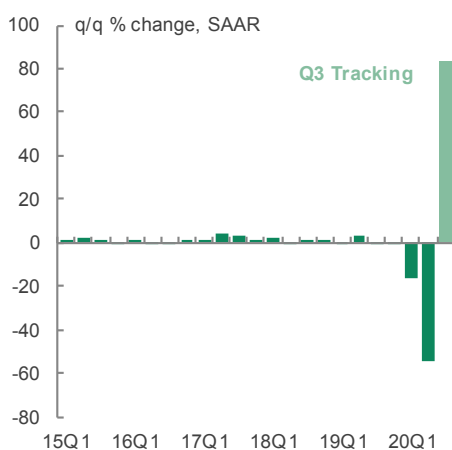
Sources: Scotiabank Economics, Statistics Canada.

Chart 3
Canadians That Are Employed but Worked Zero Hours



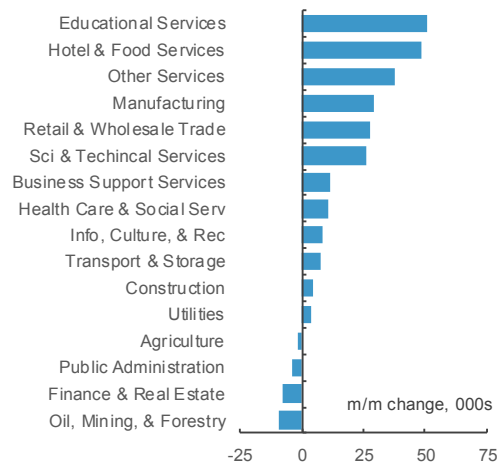
Sources: Scotiabank Economics, Statistics Canada.

Chart 4
Total Hours Worked



Sources: Scotiabank Economics, StatsCan.

Chart 5
August Changes in Canadian Employment Levels by Sector



Sources: Scotiabank Economics, Statistics Canada.

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