

A Solid Start To Canada's Jobs Recovery

- Canada regained 231k jobs in June
- The reliance upon part-time jobs was to be expected...
- ...but it might take until the school year for full-time jobs to recover
- The figures keep the BoC on track to taper again next week...
- ...and combined with vaccinations, may fan election fever

Canadian Jobs m/m 000s // UR, SA, June:

Actual: 230.7 / 7.8

Scotia: 175 / 7.8

Consensus: 175 / 7.8

Prior: -68 / 8.2

During June, Canada recaptured almost all of the jobs that were lost due to third wave restrictions over the prior two months (-275k). Before we get into details, that's nothing to spit at. In one month, Canada went from being down 571k jobs during the pandemic to 340k to date. The vast majority of the 3 million jobs lost have been recouped (chart 1). See the accompanying table for highlights.

Due to high statistical noise in this report the 'beat' was barely inside a 95% confidence interval which makes it more of a meet in a statistically pure sense. The details were mixed but short-term yields are not under the same mild upward pressure as in the US this morning and likely due to the concentration upon part-time employment gains. USDCAD ignored the report.

I wouldn't fuss the part-time reliance too much since the sectors that saw restrictions begin to relax inherently rely upon part-timers. What else would one have really expected?! The report is a good foundation upon which to build further and more diversified job gains in subsequent months such that we could well wind up recovering all of the jobs lost to the pandemic as soon as the end of this summer which remains my benchmark. That would further fan expectations for a possible Federal election call especially when combined with our tracking of vaccination rates that could achieve herd immunity as soon as this month.

DETAILS, DETAILS!

Part-time jobs were up 264k but full-time jobs fell 33k. The part-time gain isn't surprising, but the drop in full-time jobs was a dent against the quality of the reading. If StatsCan had tech folks who could run a web site then markets might have been able to see that detail sooner! In any event, through the three months of the third wave tightening and easing, full-time jobs have been down 176k while part-time jobs were up 132k. I would expect full-time job gains to become more positive perhaps over the rest of the summer and/or when the kids will likely go back to in-person learning in September and the parents are feeling rather more liberated!

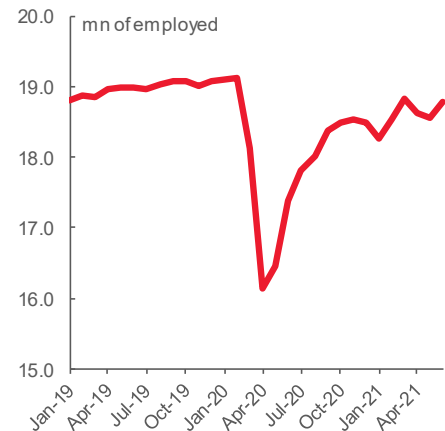
Total hours worked fell 0.2% m/m in June. They fell by 3.8% q/q in Q2 at a seasonally adjusted and annualized rate (chart 2). The hand-off to Q3 bakes in -0.4% before we get any Q3 data.

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Chart 1

Canada's Job Recovery



Sources: Scotiabank Economics, Statistics Canada.

Canadian Jobs Break Down

Province	m/m
Ontario	+116.9k
Quebec	+72.3k
British Columbia	+42.1k
Nova Scotia	+13.8k
Newfoundland & Labrador	+2.3k
Alberta	-0.2k
Prince Edward Island	-1.4k
New Brunswick	-2.4k
Manitoba	-6.4k
Saskatchewan	-6.5k

Employment Type	m/m
Full Time	-33.2k
Part Time	+263.9k
Public Sector	+43.2k
Private Sector	+250.5k
Self Employed	-63.1k

Sources: Scotiabank Economics, Statistics Canada.

Breadth was ok with accommodation and food services up 101k, education up 26k but with distorted SA factors, health care up 21k, business/building/support up 18k and so was professional/scientific/tech. Finance jobs were flat. 'Other' services were up 24k. See chart 3 for the sector breakdown. Chart 4 does the same thing on a pandemic-to-date basis.

Almost all of the gain was in private sector payrolls (+251k) with public sector payrolls up by 43k. Self-employed jobs were down 63k which isn't unusual at a turning point. The private/public mix was a decent quality reading and fade the self-employed dip.

ONTARIO SURPRISINGLY LED THE WAY

All of the gain was concentrated in four provinces. I was surprised to see Ontario at the top of the heap with 117k more jobs given that it ended stay at home orders early in the month but its overall restrictions eased later than elsewhere in the country and with further easing to go. Quebec was up 72k, BC was up 42k and Nova Scotia was up 14k with little change elsewhere.

THE LABOUR FORCE IS BIGGER THAN BEFORE THE PANDEMIC

People counting themselves in the workforce are up by 106k to date during the pandemic. The labour force is bigger than just before the pandemic struck. Population growth has only slightly exceeded labour force growth but the overall participation rate is roughly in line with where it was just before the pandemic hit (chart 5).

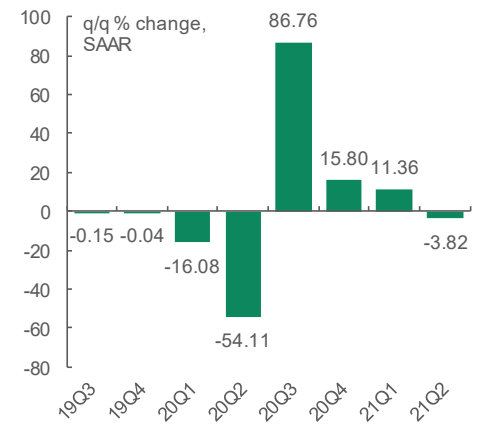
The composition of layoffs shows that we've now had a complete recovery in those who have been told they are only temporarily laid off (chart 6). The numbers who have been permanently laid off still have room for further progress but continue to decline (chart 7).

By way of the demographic break down pandemic-to-date, the youthcession still has them down 126k. Females over 25 are next at -118k. Men over 25 are down 97k. Reopening effects are likely to be focused upon youths over the summer and then probably women come Fall.

BANK OF CANADA IMPLICATIONS

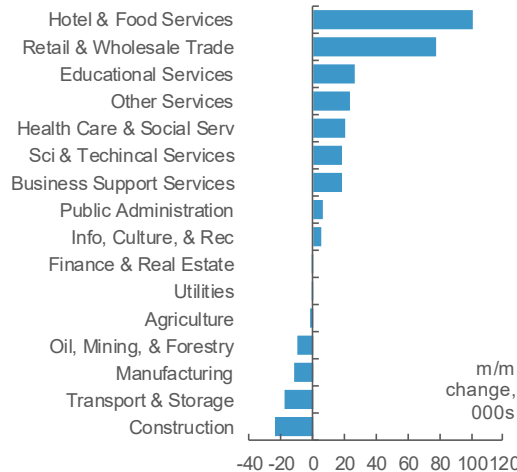
So does this change anything for the BoC next week? Probably not. Q2 GDP growth is likely tracking their April MPR fairly well. They knew about the restrictions and said they were expecting soft April/May readings when they published their last forecasts but expected those restrictions to ease by late May which is roughly what happened. Vaccinations, however, are proceeding much faster than the BoC had assumed in its April forecasts when it said immunity would be achieved later in the year (more like soon after their July meeting...).

Chart 2
Total Hours Worked



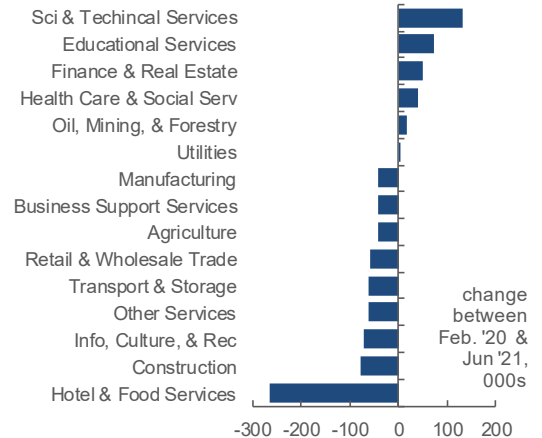
Sources: Scotiabank Economics, Stats Can.

Chart 3
June Changes in Canadian Employment Levels by Sector



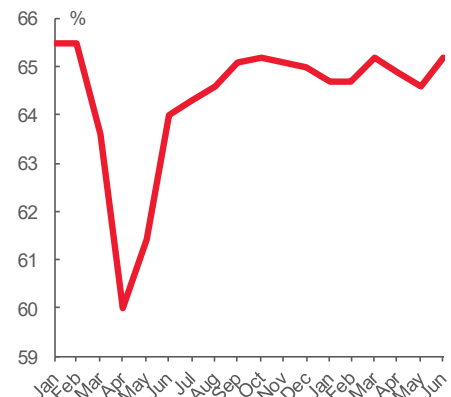
Sources: Scotiabank Economics, Statistics Canada.

Chart 4
Canadian Employment Recovery to Pre-Pandemic Levels



Sources: Scotiabank Economics, Statistics Canada.

Chart 5
Canada's Labour Force Participation Rate



Sources: Scotiabank Economics, Statistics Canada.

Besides, the key isn't the bumps and wiggles in the short-term data. What matters is the end point on where they think they'll be with shut spare capacity and hikes over 2022H2 and what they have to do now to get prepared for that. That likely means taper again next week and moving toward shutting down purchases by year-end, reinvesting for a time and then hiking according to their order of operations. They need to be opportunistic and not blow opportunities to act if they want to step away in 'gradual and measured fashion' rather than waiting too long and cramming in all of the adjustments too late in 'hurried and erratic' panic-stations fashion. Besides, all of this global QE and liquidity is doing more harm than good in my view.

Chart 6

Temporarily Laid Off Are Getting Back to Normal

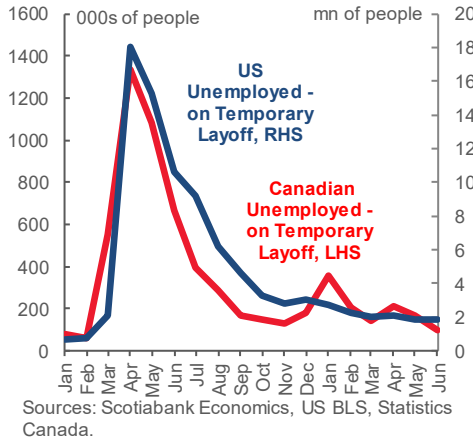
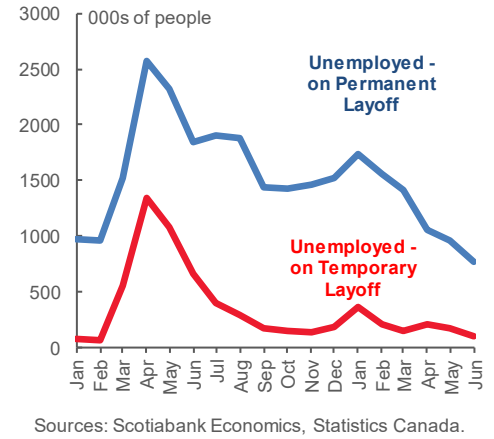


Chart 7

Permanently Laid Off Are Falling



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