

Contributors

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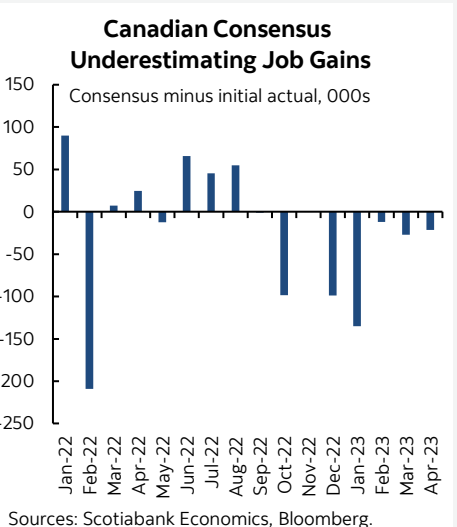
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Chart 1

Canadian Jobs Break Down	
Province	m/m
Ontario	+32.7k
Quebec	+10.5k
Prince Edward Island	+2.2k
British Columbia	+2.1k
Nova Scotia	+1.3k
Saskatchewan	+0.3k
Newfoundland & Labrador	+0.2k
New Brunswick	-1.9k
Alberta	-1.9k
Manitoba	-4.0k
Employment Type	m/m
Full Time	-6.2k
Part Time	+47.6k
Public Sector	+13.3k
Private Sector	+9.2k
Self Employed	+19.1k

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Canada's Job Market Keeps Defying the Gloom

- Job growth continues to exceed expectations
- Details were mixed
- Wage growth ground to a halt but agreements may renew pressure
- Bonds sold off, equities and the C\$ rallied

Canadian jobs m/m (000s) / UR (%), SA, April:

Actual: 41.4 / 5.0
 Scotia: 25 / 5.0
 Consensus: 20 / 5.1
 Prior: 34.7 / 5.0

Canadian job growth keeps defying expectations with serial beats relative to consensus expectations. A fly in the ointment is that wage growth has evaporated, but that might be temporary. Regardless, strong job growth in a very tight labour market combined with the US numbers drove Canadian government bond yields higher with the two-year up 10bps on the day while the Canadian dollar vaulted toward the top of the pack relative to the USD dollar and the TSX is rallying by about 1% on the day.

See chart 1 for some of the details behind the report that I'll come back to in a moment.

Charts 2 and 3 show the magnitudes of the consensus bias problem. Chart 2 does this by comparing actual job growth according to initial estimates by month relative to consensus expectations. Chart 3 shows the spread between consensus expectations and the full history of revisions, bearing in mind that Canada revises less frequently than the US.

How big of a deal is this over time? Since the start of last year, consensus has underestimated cumulative job growth by a cumulative 330–340k depending upon whether we go with initials or revisions. That's like wiping out a mid-sized city's workers!

Could the other shoe still drop at some point? Maybe. But when we've had bond market tightening for over a year-and-a-half and jobs are not even flinching it seems to me that folks need to be at least a little more balanced in their arguments about what's happening and the possible path forward on both sides of the border. Some plausible arguments for Canadian jobs resilience are similar to the US with a couple of added factors.

- there is ongoing rotation away from sectors that were once hoarding all of the workers like IT and home delivery services toward all of the sectors that couldn't hire anyone for a long time like many of the service categories. Layoffs are not high enough to derail this effect this far.
- Different domestic demographics may be driving more hoarding behaviour today.
- the poor productivity of the incremental Canadian worker being hired at the margin may also necessitate having to hire more folks to achieve the desired end.
- We've never had a tightening cycle coincide with improving supply chains at home and abroad and so this gives the opportunity to produce more;
- That opportunity to produce more needs more inputs when the economy is in excess demand and tight capacity limits. The bias may be more tilted toward labour over capital and hence variable costs over fixed costs amid the uncertainty.
- Canada is jacking up immigration levels and this may be helping to fill vacancies while creating opportunity.
- Canada's public sector has been a vastly bigger driver of employment gains than in the US and as governments continue to spend and spend some more this effect may persist (chart 4).

My point is not that no one can tell us with certainty where this is all headed. But even pointing to the balance that's missing in the debate is worthwhile information relative to the overly confident markets that are pricing rate cuts this summer.

DETAILS

The details were not great, but still better than perhaps feared. Chart 5 shows changes by sector.

Full-time jobs were down 6k and so the 48k rise in part-time jobs kept overall job growth going.

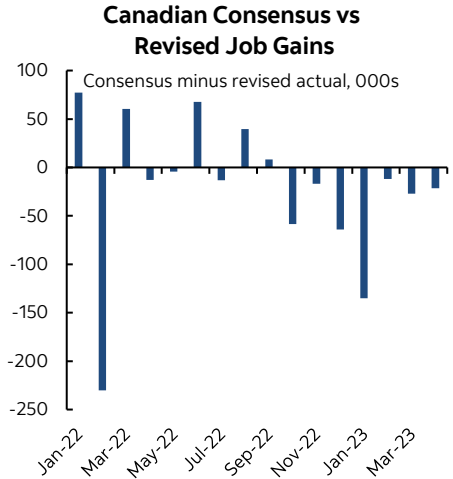
Canadian jobs are now up by over 900,000 since before the pandemic (chart 6)

Wage growth ground to a halt (chart 7). Collective bargaining agreements could raise this.

The labour force participation rate held steady at 65.6% and the unemployment rate was unchanged at 5% (chart 8)

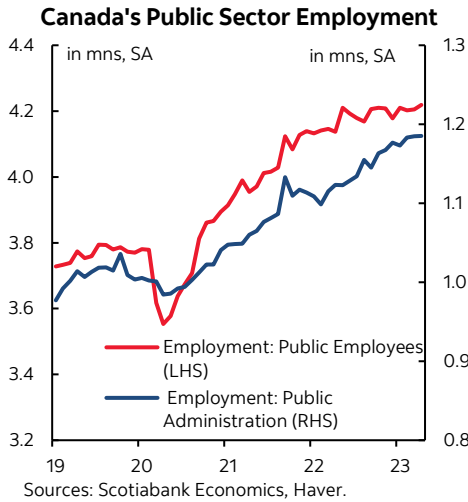
Hours worked are tracking a 2.7% q/q SAAR gain in Q2 which is a strong plus for GDP growth but probably continues to come at the expense of productivity growth (chart 9).

Chart 3



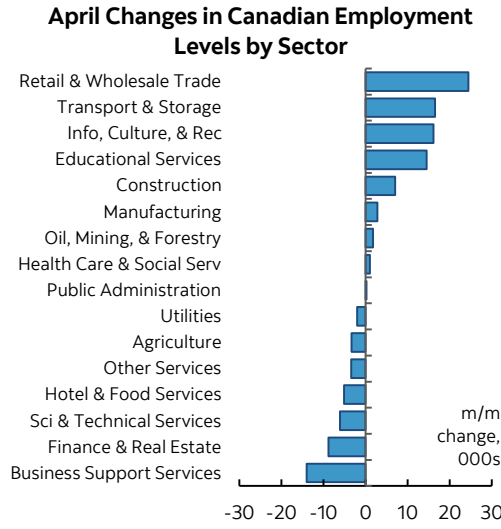
Sources: Scotiabank Economics, Bloomberg.

Chart 4



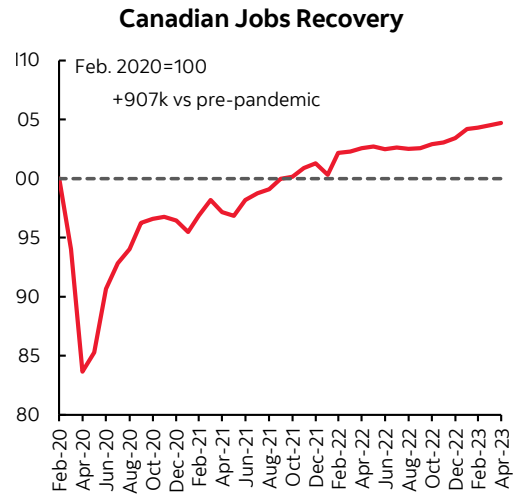
Sources: Scotiabank Economics, Haver.

Chart 5



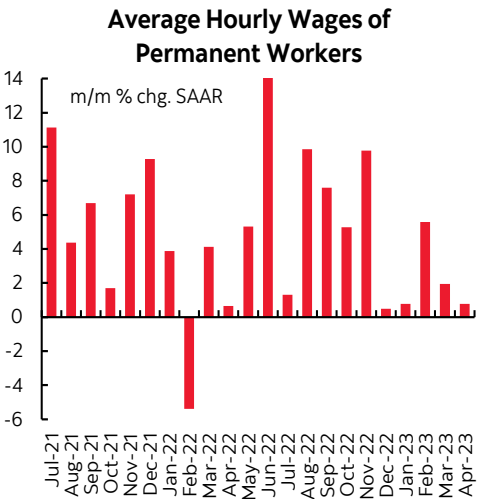
Sources: Scotiabank Economics, Statistics Canada.

Chart 6



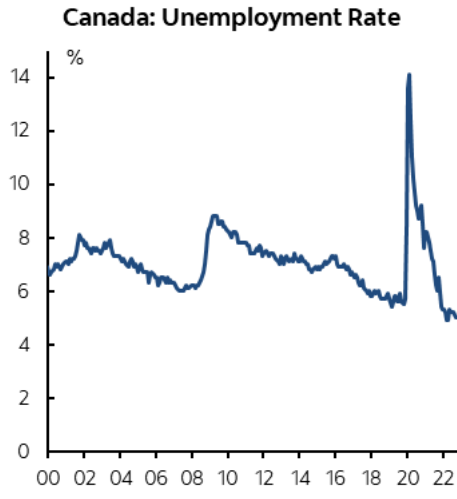
Sources: Scotiabank Economics, Statistics Canada.

Chart 7



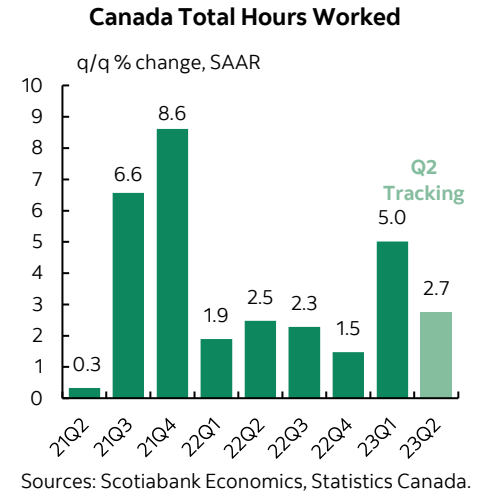
Sources: Scotiabank Economics, Statistics Canada

Chart 8



Source: Scotiabank Economics, Haver.

Chart 9



Sources: Scotiabank Economics, Statistics Canada.

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