

Contributors

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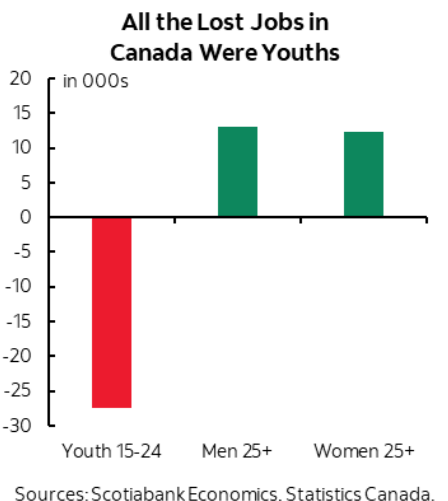
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Chart 1

Canadian Jobs Break Down	
Province	m/m
Quebec	-18.0k
Saskatchewan	-6.0k
Manitoba	-4.3k
Alberta	-3.2k
New Brunswick	-1.7k
Nova Scotia	-1.5k
Prince Edward Island	-0.1k
Newfoundland & Labrador	0.0k
British Columbia	+6.6k
Ontario	+26.1k
Employment Type	m/m
Full Time	-0.7k
Part Time	-1.6k
Public Sector	+11.9k
Private Sector	+15.2k
Self Employed	-29.3k

Sources: Scotiabank Economics, Statistics Canada.

Chart 2



Calling Bogus on the Canadian Jobs Report

- On the surface it looked like Canadian employment was roughly flat
- Details were better
- How youths messed up the report
- Wage growth remains too hot
- Hours worked slipped in March, but remained strong in Q1
- The BoC should ignore the report as a one-off...
- ...in favour of broader developments
- Canada-US relative rates are getting it wrong

Canadian jobs m/m 000s / UR %, SA, March:

Actual: -2.2 / 6.1
 Scotia: 30 / 5.8
 Consensus: 25 / 5.9
 Prior: 40.7 / 5.8

Canadian jobs were flat last month, but the underlying details were better. A partial summary is offered in the table above and chart 1. I don't think this changes anything for the Bank of Canada relative to more significant factors that I'll come back to. The high degree of noise around the household survey positions the 95% confidence interval at between 59k lost jobs and a gain of 57k, lending caution to alarmist headlines.

In my opinion, the roughly 9bps relative outperformance of Canada 2s to US 2s post-data on both sides of the border is an exaggerated headline reaction that fails to probe beneath the surface.

Fade the Headline, the Details are Better

There are several reasons to fade the headline flatness.

- One is that self employed drove the weakness with a 29k drop. That offset a 27k rise in payroll jobs that was split between a 15k rise in private sector payrolls and 12k rise in public sector payrolls. Self-employed jobs are valuable in Canada but the lack of any means to verify this category lends caution. I'm more impressed by the payroll gain.
- Second, the soft headline was driven by youths (chart 2) and in generally unusual fashion (chart 3). The 15-24 age category saw jobs drop by about 28k. The 25+ category enjoyed 25k more jobs. That's not intended to knock youths as youth employment is always important, but the greater economic impact including ties to the housing and consumer markets always comes more from the 25+ category. There are also potentially strong distortions I'll come back to after another key observation.
- Third, there's something about Quebec and its youths in particular that drove the softness. Quebec saw 18k fewer jobs while Ontario (+26k) and BC (+7k) posted gains and others were roughly unchanged.

What's Going On with Youths?

Now, why did youths, especially in Quebec, drive so much of the softness? One possibility is that Quebec's March break was a week before the Labour Force Survey reference week. Seasonal youth employment around March break came and went before the survey was

conducted in that large province. Elsewhere, Spring break was during the LFS reference week in Ontario and it was the week afterward in BC and Alberta which may have driven advance hiring.

Chart 4 would support this theory in that almost all of the weakness in the youths category was driven by the accommodation and food services category (ie: seasonal Spring break employment at restaurants, hotels, bars etc).

Another possible theory is that the temp residents category of immigration that surged over the past couple of years left fewer openings for youths to fill in terms of seasonal March break related employment. If so, then what happens to the youths category going forward partly depends upon whether the feds are successful in pushing the temps category down toward their targets.

Solid Wages

Canadian average hourly wages of permanent employees grew by 4.5% m/m SAAR. That’s a solid back-to-back gain after 4.3% the prior month and indicates that January’s softness was an aberration (chart 5). We’re off the peak for this measure but still running at over twice the BoC’s 2% inflation target.

The BoC also looks at the year-over-year rate at 5% which was up a tick from the prior month. Here too they would say that wages are rising too quickly relative to a) their inflation target, and b) moribund trend productivity growth. Wages are still vastly outpacing inflation (chart 6).

A Small Step Back By Strong Hours Worked

Hours worked slipped by 0.3% m/m for the first drop since November. Bear in mind that this is coming off of three strong prior months. Still, Q1 hours worked were up by 2.9% q/q SAAR which is slower than we had been tracking before this update but still quite rapid. In fact, it’s the biggest jump since 2023Q1 (chart 7).

Since GDP is hours worked times labour productivity—the latter defined as inflation-adjusted GDP divided by hours—the gain in hours is supportive of much faster Q1 GDP growth than the BoC had expected.

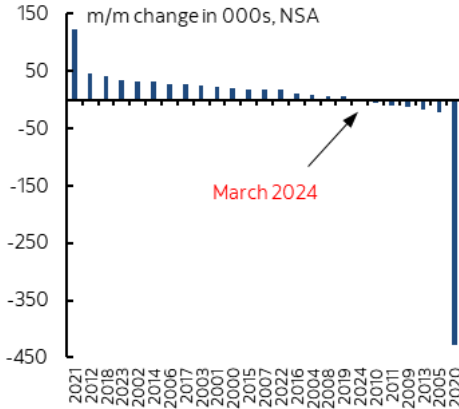
The Scotiabank Economics’ ‘nowcast’ for Q1 GDP remains little changed in the 3½% q/q SAAR range in the wake of these numbers.

Mixed Sector Breadth

Chart 8 shows the break down of the change in total employment during March by sector. It was roughly a draw in terms of ups and downs with the biggest upside being health and social services and the largest downsides being in the hotel and food services, retail, and scientific and technical services categories.

Chart 3

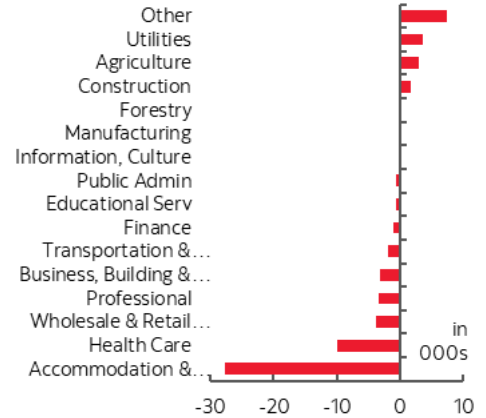
Comparing Changes in Youth Jobs for the Month of March



Sources: Scotiabank Economics, Statistics Canada.

Chart 4

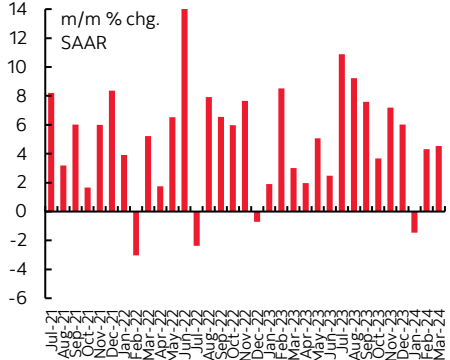
Canadian Youths March Job Changes By Sector



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 5

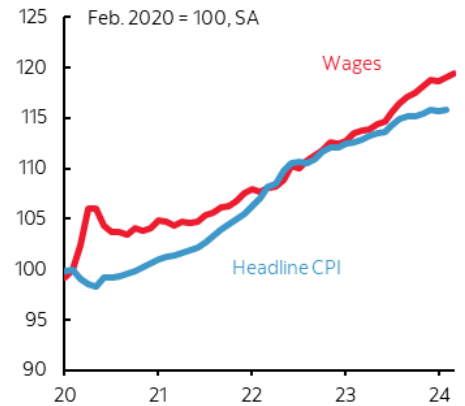
Average Hourly Wages of Permanent Workers



Sources: Scotiabank Economics, Statistics Canada, Haver.

Chart 6

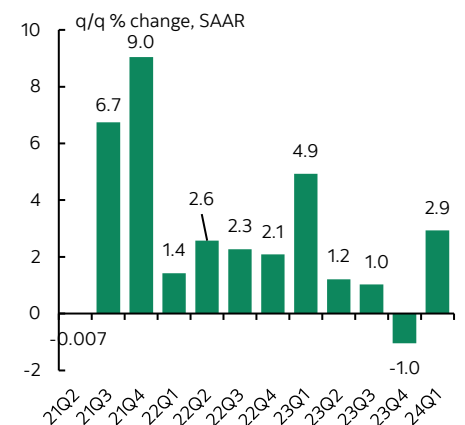
Canadians' Wages Are Beating Inflation



Sources: Scotiabank Economics, Statistics Canada.

Chart 7

Canada Total Hours Worked



Sources: Scotiabank Economics, Statistics Canada.

More Population Than Jobs

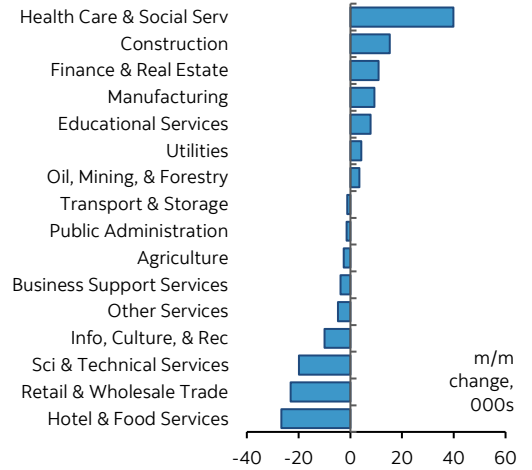
The unemployment rate edged up to 6.1% from 5.8%. That was driven by a faster expansion of the labour force than employment. The labour force was up by 58k m/m in March. The labour force participation rate nevertheless held unchanged at 65.3% (chart 9) which indicates that the share of the population with employment or seeking it was unchanged, but that was applied against another big jump in population. Total population was up by 91k m/m. This will fan concern that Canada is not generating enough jobs in relation to the Federal government's massive immigration surge. Some of that is fair in that I've been saying for ages that Canada's economy cannot absorb this magnitude of immigration in such a short period of time. But some of it is also to be discounted because of the aforementioned reasons to view the headline weakness in employment with skepticism.

The BoC Will Likely Shake it Off

I don't think this changes anything for the BoC. They look at trends, not single months. They look at the broader picture and other parts of it are more important than March jobs, like the fact their GDP forecast is being blown out of the water, the terms of trade is rising, and that fiscal contributions to future growth have to be raised. Then there is the fact that a very resilient US economy and strong jobs south of the border (+303k payrolls this morning) add to arguments for the Fed to be in no rush which— notwithstanding the BoC's arguments for independence—probably add to cautions this side of the border.

Chart 8

March Changes in Canadian Employment Levels by Sector



Sources: Scotiabank Economics, Statistics Canada.

Chart 9

Canada's Labour Force Participation Rate



Sources: Scotiabank Economics, Statistics Canada.

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