

Contributors

Derek Holt

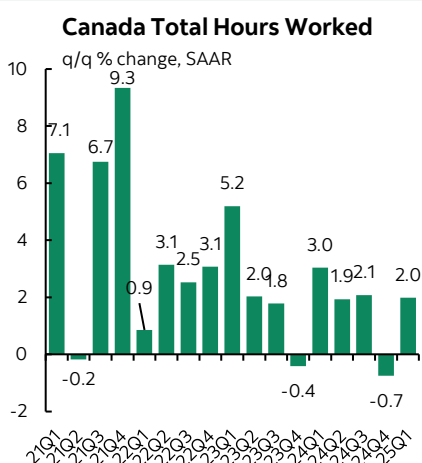
VP & Head of Capital Markets Economics
 Scotiabank Economics
 416.863.7707
derek.holt@scotiabank.com

Chart 1

Canadian Jobs Break Down	
Province	m/m
Ontario	-27.5k
Alberta	-15.4k
Quebec	-4.9k
Manitoba	-1.1k
Prince Edward Island	+0.1k
New Brunswick	+0.2k
Newfoundland & Labrador	+1.6k
Nova Scotia	+2.0k
British Columbia	+5.7k
Saskatchewan	+6.6k
Employment Type	m/m
Full Time	-62.0k
Part Time	+29.5k
Public Sector	-2.8k
Private Sector	-47.8k
Self Employed	+18.0k

Sources: Scotiabank Economics, Statistics Canada.

Chart 3



Sources: Scotiabank Economics, Statistics Canada.

Canada Loses* Jobs — BoC Faces Bigger Issues

- Employment fell with soft details
- Chosen SA factors exaggerated the weakness
- BoC is more focused on a negative terms of trade shock than last month's jobs

Canada employment, m/m 000s // UR %, SA, March:

Actual: -32.6 / 6.7

Scotia: 25 / 6.5

Consensus: 10 / 6.7

Prior: 1.1 / 6.6

Whoops, we all blew that one. Then again, the decline was fudged in my opinion. Nevertheless, it still doesn't matter in the face of the changed world we now have upon us with the trade war.

Canada 'lost' about 33k jobs last month. The details were weak (chart 1). Ontario, Alberta and Quebec drove the loss.

Full-time jobs took it on the chin at -62k with part-time jobs up about 30k.

Private payroll jobs fell 48k with public sector payroll jobs little changed (-3k) and self-employed jobs up 18k. I'm always skeptical toward self-employed positions not due to their nature but due to the soft data quality with self-reporting and what a sudden pick up indicates amid mounting risks to the economy.

By industry, the retail and wholesale trade sectors took the biggest hit at about -29k jobs following the end of the GST/HST cut and as significant retailers stumble. Other sectors were more balanced in terms of gainers and losers (chart 2).

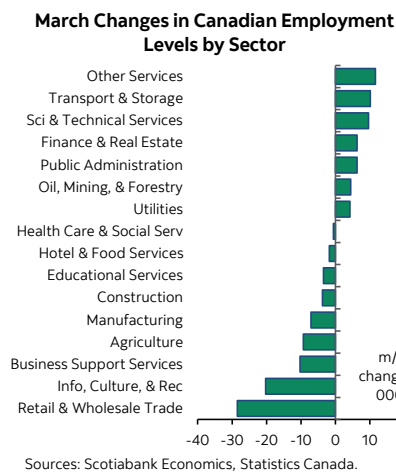
Hours worked are a better indicator of incomes for many but they only gained 0.4% m/m SA after a steep drop of -1.3% in February. Q1 hours worked were up by 2.0% q/q SAAR which is a positive reading for GDP growth with GDP defined as hours worked times labour productivity (chart 3). Weather helped, as the lost hours worked due to weather in February (think snow...a lot) fell back to closer to seasonal norms (chart 4).

Wage growth stalled at just 0.1% m/m SAAR in March, but this followed a jump to 6% the prior month (chart 5). Still, the three-month moving average is just 2.3% m/m SAAR.

Here's where the rub comes in. Statcan applied the lowest seasonal adjustment factor on record for months of March to the job figures (chart 6). Doing so worsened what was little changed in the seasonally unadjusted drop of -11k. Chart 7 shows what job growth would've looked like across a sampling of SA factors drawn from the history of other months of March. Most of them would have generated a gain in jobs.

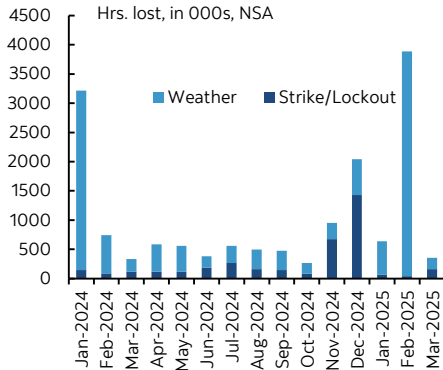
As for the Bank of Canada, I don't think they will much care about these jobs numbers including the SA factor distortions. For one thing, it's just one number, although the prior month was soft as well and with weather and SA factors also weights in February. What will carry the day is that the trade shock is much bigger than anyone anticipated—especially those who felt the BoC would keep cutting but that tariffs would never materialize! Reasons matter.

Chart 2



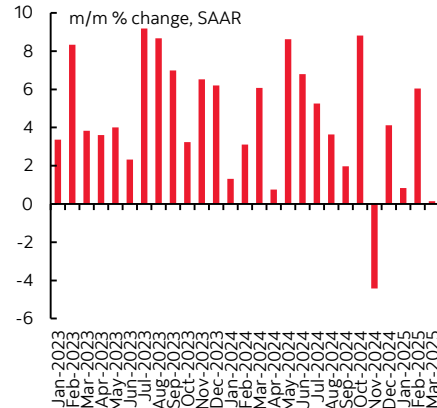
For a modestly sized, open economy that trades a lot and is commodity dependent, these are bad developments. It's a negative terms of trade shock to which the BoC tends to respond dovishly. Look at oil, for example. Plus, Canada's retaliation is less than the US tariffs, hence not dollar for dollar, and so the impact is a net demand shock through the two-way trade measures. And the US economy is going down here which is never good for Canada especially given commodity hits.

Chart 4
Canadian Economy Hours Lost Due to Strike/Lockout & Weather



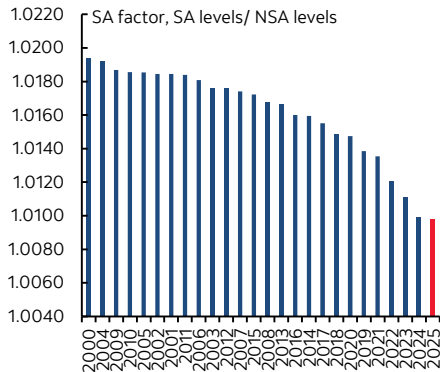
Sources: Scotiabank Economics, Statistics Canada.

Chart 5
Canadian Hourly Wages



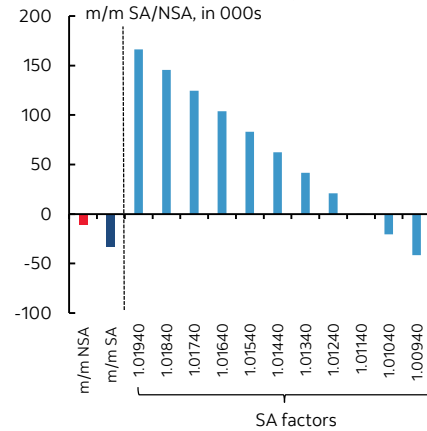
Sources: Scotiabank Economics, Statistics Canada.

Chart 6
Comparing Canada LFS for All Months of March



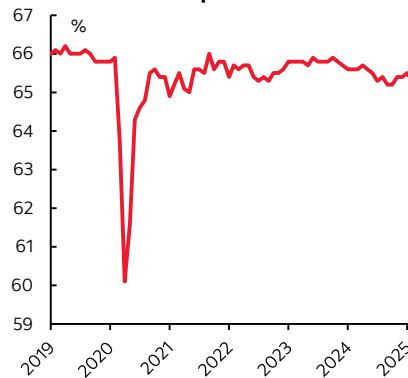
Sources: Scotiabank Economics, Statistics Canada.

Chart 7
CA Labour Force Survey Scenarios



Sources: Scotiabank Economics.

Chart 8
Canada's Labour Force Participation Rate



Sources: Scotiabank Economics, Statistics Canada.

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