

Contributors

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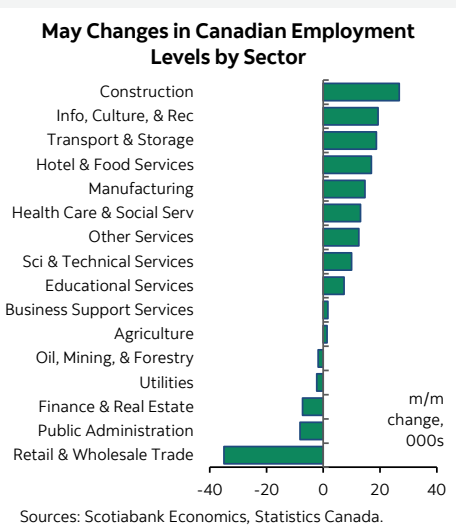
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Chart 1

Canadian Jobs Break Down	
Province	m/m
Ontario	+41.8k
British Columbia	+25.2k
Alberta	+13.9k
Quebec	+13.2k
Prince Edward Island	+1.2k
Manitoba	+0.3k
Nova Scotia	-0.2k
New Brunswick	-0.5k
Newfoundland & Labrador	-1.2k
Saskatchewan	-6.1k
Employment Type	m/m
Full Time	+154.0k
Part Time	-66.2k
Public Sector	+20.4k
Private Sector	+56.3k
Self Employed	+11.2k

Sources: Scotiabank Economics, Statistics Canada.

Chart 3



Spring Has Sprung in Canada's Job Market

- Canada heaped on explosive job growth with solid details
- It's the report the BoC has been dreaming about...
- ...as it fits the narrative of a Spring and Summer rebound
- Markets added to BoC hike pricing, CAD slipped as USD strength dominated

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

Actual: 87.8 / 6.6

Scotia: 25 / 6.9

Consensus: 10 / 6.9

Prior: -17.7 / 6.9

Canada's job market came roaring back to life in May. This is the jobs report that the Bank of Canada has been dreaming about as they will heave a big sigh of relief to see further signs of a Q2 rebound in the works. Scotia's estimate was at the high end of consensus but even then the gain blew past all of our estimates. See chart 1 for some initial summary stats.

BOC HIKE PRICING GOT A BOOST

Markets reacted by pushing bond yields sharply higher with the Canada 2s yield up 10bps on the day in a bear flattener curve move. Markets added a bit to year-end hike pricing with about 35bps of a hike priced. It's just one report, but rebounding growth, importing a positive commodity shock, upside risk to inflation, fiscal stimulus, and traction on trade negotiations could well give rise to our longstanding hike call this year.

The Canadian dollar is the second strongest performer among major crosses in the aftermath with only USD strength rivalling it following the large gain in nonfarm payrolls.

ROBUST DETAILS

Canada gained 88k jobs in May and the details were robust.

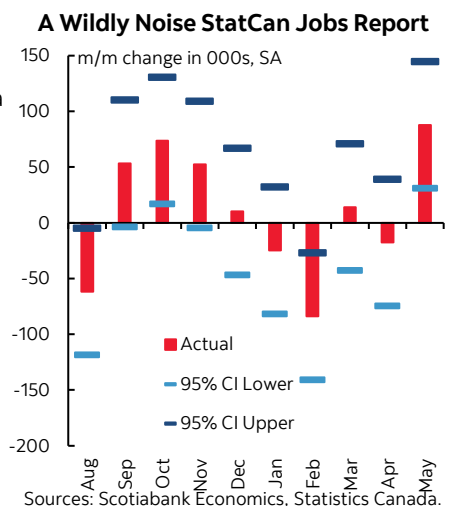
Even by the standards of a notoriously noisy report this was still a strong reading; chart 2 shows the upper and lower confidence bands that reflect the survey's statistical noise and how a sizeable gain would have been registered notwithstanding wide confidence bands.

For starters, it was all full-time (+154k) with part-time jobs down 66k which is positive in an overall macro sense to see the rotation of employment toward more stable and typically higher paying jobs and with more paid hours.

Private payrolls led the way (+56k) with public payrolls up 20.4k and self-employed gained 11.2k.

Chart 3 shows that there was significant sector breadth to the hiring. Construction jobs led the rebound which is a good sign for a Spring construction rebound. Travel and recreation related jobs were second and fourth on the list of sector drivers. Retail/wholesale was the lone sizeable drag (-35k) entirely due to retail sector.

Chart 2



Youths bounced back with a gain of 22k jobs (chart 4). Tell that to your kid(s) if they say they can't find summer jobs!

The labour force only expanded by 3.8k and so that's why the unemployment rate fell by three-tenths to 6.6% in light of the strong gain in employment.

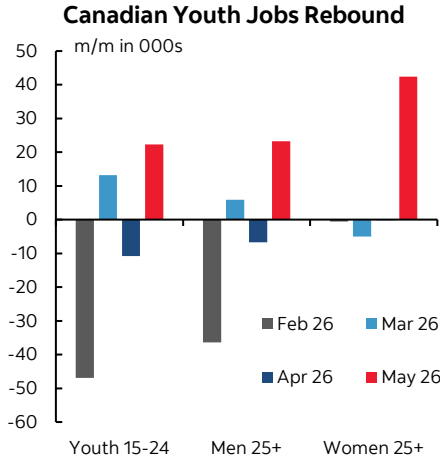
Hours worked were up by a very strong 0.6% m/m SA in May after being flat in April. For Q2 overall, hours are tracking a gain of 0.6% q/q SAAR (chart 5). Since GDP is hours times labour productivity this is a good sign for Q2 GDP alongside the 0.4% m/m rise we saw in April.

By province, the standouts were Ontario (+42k), BC (+25k), Alberta (+14k) and Quebec (+13k). Chart 6. If Ontario is at the center of trade policy risks holding back jobs then someone forgot to tell employers given that province's large back-to-back gains. I think this fits the narrative of CUSMA carve-outs and CAD depreciation combined with decent US growth providing understated supports to the province.

There is something wonky going on with Canadian wages (chart 7). Wage growth slipped by 10.5% m/m SAAR in May after being flat in April (+0.2%) but following gains of 11.7% in March and 16.4% in February. The effects drove the year-over-year rate of growth in wages of permanent employees down to 3.2% from 4.8% in a combination of the monthly change and a shift in year-ago base effects.

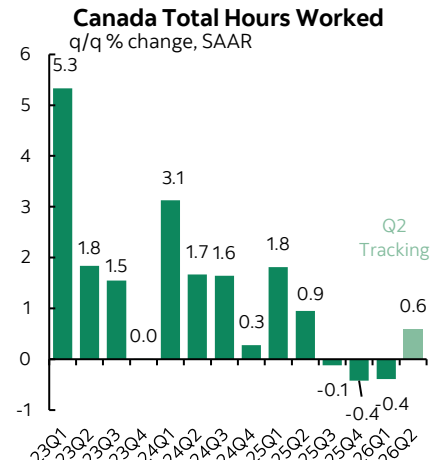
Even by Canadian standards this year has been pretty awful in terms of weather and seasonal sickness. Charts 8 and 9 show hours worked that were lost due to weather and sickness on a year-to-date basis. Keep this in mind in terms of what contributed to weaker activity in Q1 and the potential for a rebound into Summer.

Chart 4



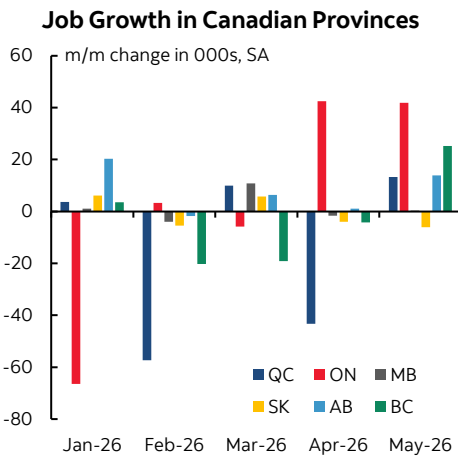
Sources: Scotiabank Economics, Statistics Canada.

Chart 5



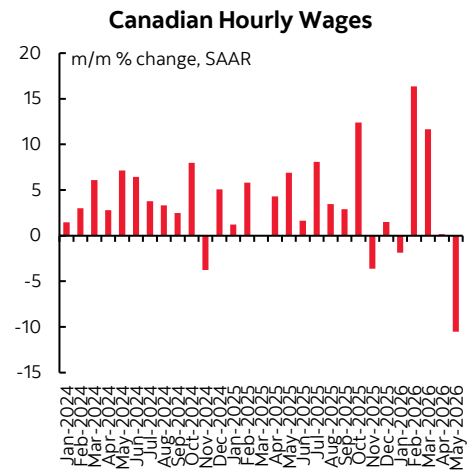
Sources: Scotiabank Economics, Statistics Canada.

Chart 6



Sources: Scotiabank Economics, Statistics Canada.

Chart 7



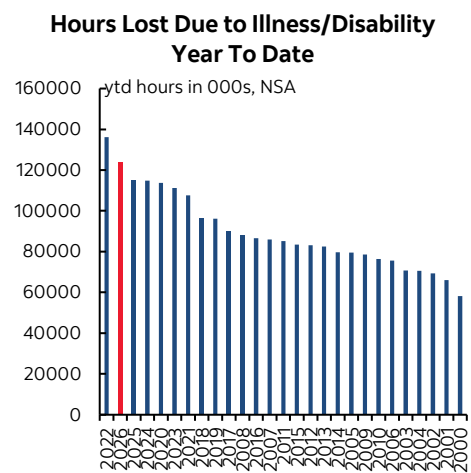
Sources: Scotiabank Economics, Statistics Canada.

Chart 8



Sources: Scotiabank Economics, Statistics Canada.

Chart 9



Sources: Scotiabank Economics, Statistics Canada.

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