

April chill cools employment

April (monthly change): -1.1K (Actual); +20K (expected) Previous: +32K

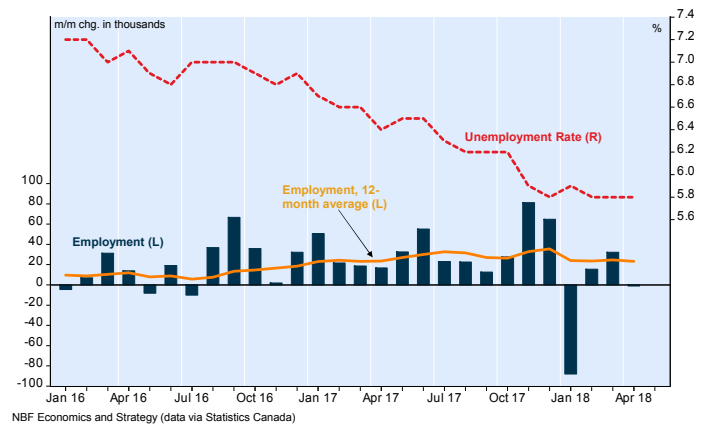
FACTS: Canadian employment fell 1.1K in April according to the Labour Force Survey, disappointing consensus which was expecting an increase. However, thanks to a one-tick drop in the participation rate to 65.4%, the unemployment rate managed to remain unchanged at 5.8% (top chart). Job increases in the private sector (+28K) were offset by declines in both the public sector (-13.6K) and self-employment (-15.6K). Employment in the goods sector fell 16K as declines in construction, manufacturing and resources more than offset gains in agriculture and utilities. Services-producing industries increased employment by 15K courtesy of gains in professional services, accommodation which dwarfed losses in finance, trade, health care, education. Full-time employment jumped 29K, offsetting declines of 30K for part-timers. Hourly earnings were up 3.6% year-on-year, the highest since 2012. Looking at provinces, Ontario created the most jobs in April (+9K) and continues to lead the nation on a 12-month average basis.

OPINION: The April employment report is not as bad as it looks. True, the jobs decline was disappointing, particularly losses in cyclical sectors such as manufacturing and construction. But the soft headline number doesn't necessarily mean Canada's labour market is struggling. A colder-than-usual April may have temporarily hurt hiring in some sectors. The weakness was also largely due to declines in self-employment and the public sector. But more importantly, private sector employment rose by the biggest amount since November of last year. The tilt towards full-time jobs is also encouraging and largely explains the uptrend in wage inflation (middle chart). Also positive is the further increase in employment of prime-age Canadians (age 25-54) which provides support for consumption spending and the housing market. On a 12-month average basis, total employment creation is running at a healthy 23K jobs/month, with more than half of that tally coming from the private sector (bottom chart). All in all, the April jobs report does nothing to change our view that the labour market remains tight and will continue to fuel inflation pressures this year. As such we continue to call for a July interest rate hike from the Bank of Canada.

Krishen Rangasamy

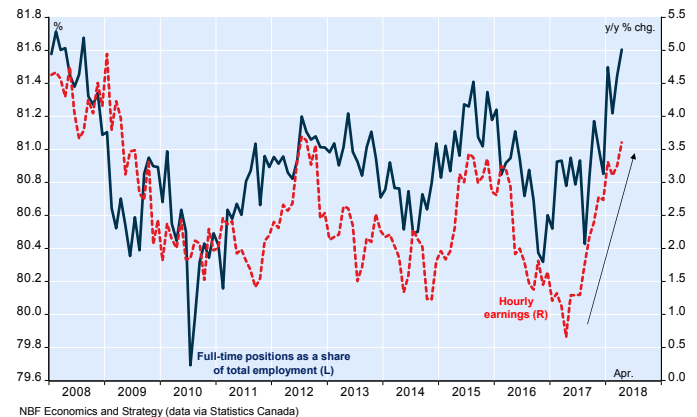
Canada: Employment fell slightly in April

Employment and unemployment rate



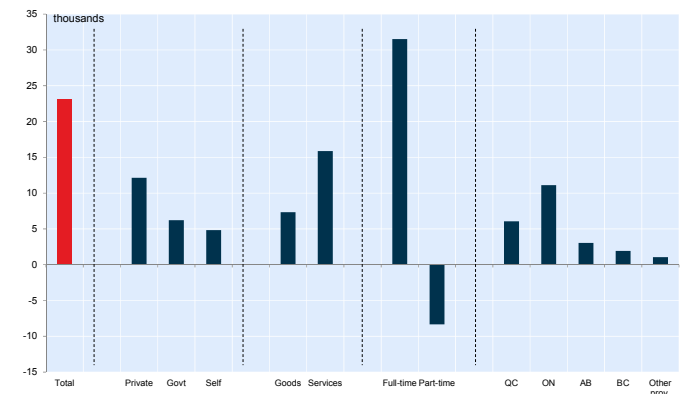
Canada: Wage inflation highest since 2012

Full-time share of total employment versus Average hourly wage rate of employees



Canada: A more than decent performance in the past 12 months

Net employment creation according to Labour Force Survey, 12-month average



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