

# Muni musings: Canada's spreading jobs recovery

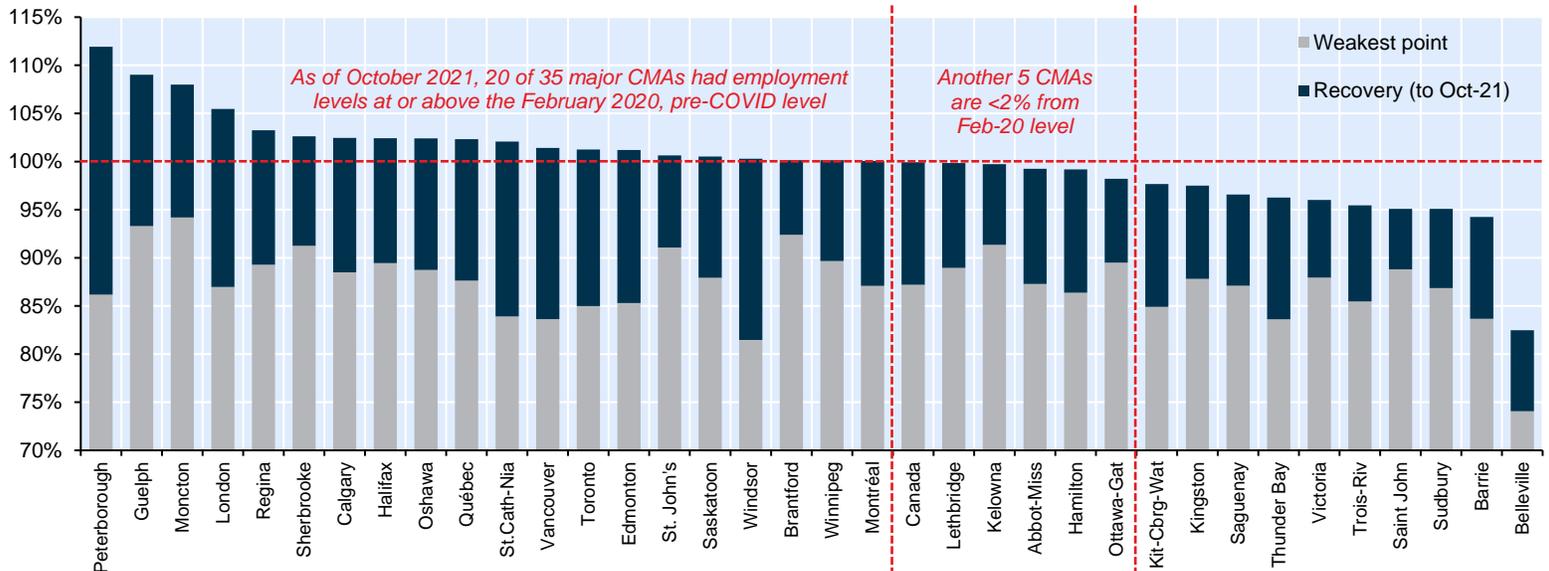
By Warren Lovely

As far as economic releases go, Canada's LFS is something of a gold mine, providing particularly useful regional colour. Regular readers will know that we view employment and associated unemployment rates as viable indicators of where provincial credit spreads should trade. Labour market stats may not appear to have as much bearing on municipal credit spreads, since local governments do not directly tax personal income or consumption. Nonetheless, if you want to get a sense of fundamental economic health across Canada's large cities—officially dubbed census metropolitan areas or CMAs for short—the LFS certainly does the trick.

Today's release shows employment back to, or surpassing, the pre-COVID level in nearly two-thirds of Canada's CMAs (technically it's 20 out of 35, as per Chart 1). The blue ribbon goes to Peterborough, where trend employment is 12% above pre-pandemic levels. Bravo. Importantly, employment in each of our country's three largest cities has found its way back. To be fair, there'd be less of a recovery (or more of a gap) if you controlled for population growth and the resulting level of 'potential' employment. But come on, this is a pretty solid and increasingly broad-based jobs recovery, consistent not only rate normalization but supportive of credit spread valuations too... for provis and munis alike.

**Chart 1: The majority of Canada's CMAs have staged a full employment recovery, relative to pre-COVID employment levels**

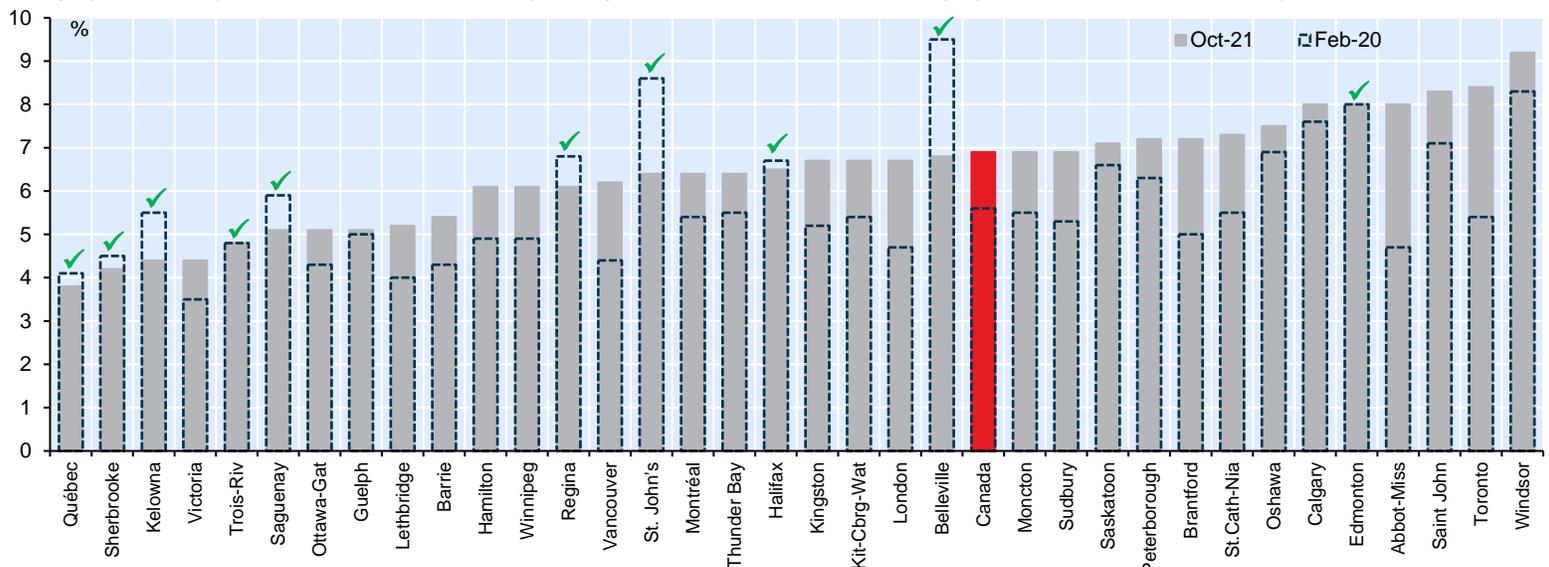
Ratio of current employment level by CMA: October 2021 vs. February 2020, with weakest level included for context | 100%+ implies full employment recovery



Source: NBF, StatCan | Note: Based on seasonally adjusted three-month moving average; interpret with caution given sample size & statistical volatility

**Chart 2: Unemployment rates down, but not all the way back given labour force growth**

Unemployment rate by CMA: October 2021 vs. February 2020 | Green check marks denote unemployment rate at or below February 2020 level



Source: NBF, StatCan | Note: Based on seasonally adjusted three-month moving average; interpret with caution given sample size & statistical volatility



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