

Economics

ECONOMIC FLASH!

economics.cibccm.com

May 10, 2024

Canadian employment (Apr): A surge, but not just in employment

by **Andrew Grantham** andrew.grantham@cibc.com

Labour force survey (monthly change, thousands, unless otherwise noted)	Dec	Jan	Feb	Mar	Apr
Employment	6.8	37.3	40.7	-2.2	90.4
• Full-time	-7.5	-11.6	70.6	-0.7	40.1
• Part-time	14.4	48.9	-29.9	-1.6	50.3
• Paid workers	17.8	55.0	2.4	27.1	75.9
• Private	9.0	7.4	-16.4	15.2	50.4
• Public	8.8	47.6	18.8	11.9	25.5
• Self-employed	-11.1	-17.7	38.3	-29.3	14.5
Participation rate (%)	65.5	65.3	65.3	65.3	65.4
Unemployment rate (%)	5.8	5.7	5.8	6.1	6.1
Avg. hourly earnings, perm. workers (y/y %)	5.7%	5.3%	4.9%	5.0%	4.8%
Actual hours worked by industry (m/m %)	0.3%	0.6%	0.3%	-0.3%	0.8%

Source: Statistics Canada

- After stalling in the prior month, employment growth returned and easily beat consensus expectations in April. The 90K increase was well above the 20K expected by the consensus, although further strong population growth and a tick up in labour force participation meant that the unemployment rate only held steady at 6.1%. While today's data were certainly better than expected, the underlying trend remains one of loosening labour conditions with the unemployment rate still higher than it was at the start of the year and wage pressures beginning to ease.
- Despite the very strong headline increase in employment, the gain once again fell short (albeit only slightly) of a 112K increase in the base population during April. A tick up in participation meant that the size of the active labour force also rose by slightly more than the monthly gain in employment (+107K vs +90K), although that wasn't enough to impact the unemployment rate which held steady at 6.1%. After having trailed the quarterly population estimates since 2022, the year-over-year increase in population within the labour force survey has now caught up and was actually slightly above the latest (Q1) quarterly figure.
- Job growth during April was led by professional & scientific, food & accommodation and health care, and overall employment gains were split fairly evenly between part-time (+50K) and full time (+40K). However, the increase in food & accommodation jobs only offset a similar sized decline seen in the prior month, and employment in that area remains below its recent peak in September 2023 and also below its pre-pandemic level. The 50K increase in private paid employees, an area which had shown fairly tepid growth on average in prior months, showed that employment growth wasn't as reliant on the public sector as it had been previously.
- A 0.8% increase in hours worked, following a decline in March, suggests a potential bounce-back in monthly GDP in April. However, even with this strong rebound, hours worked were only 1.2% higher on a year-over-year basis which is consistent with the modest underlying growth rate in the economy during that period.
- Wage growth for permanent workers eased broadly as expected to 4.8%, from 5.0% in the prior month (consensus 4.7%). New public sector agreements are keeping wage pressures strong in areas such as public administration and

health care, while wage growth has eased notably in goods-producing sectors relative to the peaks seen during the middle of last year.

Implications & actions

Re: Economic forecast — While today's increase in employment was much better than expected, this strength appears to largely reflect a further surge in the base population as the labour force count catches up with the quarterly population tally. With the unemployment rate remaining higher than it was at the start of the year and wage pressures easing slightly, the data is still consistent with a gradual loosening of labour market conditions. We continue to forecast a first interest rate cut at the next meeting in June, although after today's data that call relies even more heavily on core measures of inflation remaining subdued within the next CPI print.

Re: Markets — Financial markets pared back expectations for Bank of Canada easing following today's data, which saw bond yields rise and the Canadian dollar appreciate.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2024 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

The CIBC logo and "CIBC Capital Markets" are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC