

Economics

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## Canadian employment (Apr): Still holding strong

by **Andrew Grantham** [andrew.grantham@cibc.com](mailto:andrew.grantham@cibc.com)

Labour force survey (monthly change, thousands, unless otherwise noted)	Dec	Jan	Feb	Mar	Apr
Employment	69.2	150.0	21.8	34.7	41.4
• Full-time	70.9	121.1	31.1	18.8	-6.2
• Part-time	-1.7	28.9	-9.3	15.9	47.6
• Paid workers	69.4	146.2	30.6	38.0	22.5
• Private	99.2	114.7	38.5	34.8	9.2
• Public	-29.8	31.5	-7.9	3.2	13.3
• Self-employed	-0.1	3.7	-8.9	-3.3	19.1
Participation rate (%)	65.4	65.7	65.7	65.6	65.6
Unemployment rate (%)	5.0	5.0	5.0	5.0	5.0
Avg. hourly earnings, perm. workers (y/y %)	4.7%	4.5%	5.4%	5.2%	5.2%
Actual hours worked by industry (m/m %)	-0.1%	0.8%	0.6%	0.4%	0.2%

Source: Statistics Canada

- The Canadian labour market remained strong in April, with employment rising by more than expected, the unemployment rate remaining near all time lows and wage inflation failing to decelerate. The still-strong wage inflation will be particularly worrisome for the Bank of Canada, as policymakers have expressed concern regarding a pass through to services inflation which could see headline inflation failing to fall all the way back to the 2% target, suggesting that a hawkish tone will remain in upcoming communications.
- The 41K gain in jobs during April was double the 20K expected by the consensus, although the quality wasn't quite as good as in prior months with all of the gain coming in part-time work (+48K). The 0.2% increase in hours worked kept pace with the percentage increase in employment during the month.
- The gain in employment was fairly narrowly based and driven primarily by four industries. Wholesale & retail (+24K), transport & warehousing (+17K), information & recreation (+16K) and education (+15K) reported particularly strong gains during the month. After languishing well below pre-pandemic levels up until the end of 2022, strong gains during the past three months now leaves employment in the transportation & warehousing sector back in line with its February 2020 level. Seven of the sixteen broad sectors covered posted declines in employment during April, with the largest pull backs seen in business & support services (-14K) and finance (-9K).
- Population growth remained strong, with the 72K monthly increase only slightly slower than the record 81K gain in the prior month. With the participation rate remaining unchanged at 65.6%, the size of the labour force increased by 47K. That was broadly matched by the gain in employment, keeping the jobless rate steady at 5.0% for a fifth consecutive month, which is just a tick higher than the record low seen last summer.
- Wage growth was 5.2% year-over-year in April, which was unchanged from the prior month and well above the 4.8% expected by the consensus. Wage inflation remains particularly strong in services which typically see the largest pass-through to prices, such as accommodation & food (+7.1% y/y) and other services (+6.7%), which will be a

concern for the Bank of Canada. Wage growth in public administration remained muted in April (+3% y/y), but that will accelerate in the months ahead.

## Implications & actions

**Re: Economic forecast** — Employment growth may not be able to match that of the working population for much longer, with job vacancies down from their peaks and service industries that have been hiring recently now closer to fully staffed relative to pre-pandemic norms. That should see the unemployment rate rise modestly in the second half of the year, easing some of the wage pressures that remain in place and enabling the Bank of Canada to gradually cut interest rates in 2024.

**Re: Markets** — Bond yields rose after the release, with markets pricing in a slightly greater chance of another 25bp rate hike from the Bank of Canada before July. The Canadian dollar also continued to strengthen against the US\$, despite the fact that employment and wage growth south of the border also came in above consensus expectations.

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