



# Economic Flash!

May 11, 2018

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## *Canadian Employment Makes Subtle Improvement in April*

M/M chg, 000s	Dec	Jan	Feb	Mar	Apr
Employment	64.8	-88.0	15.4	32.3	-1.1
Full-time	23.2	49.0	-39.3	68.3	28.8
Part-time	41.6	-137.0	54.7	-35.9	-30.0
Paid workers	42.3	-111.9	58.7	12.6	14.4
Private	25.2	-70.7	8.4	-7.0	28.0
Public	17.1	-41.2	50.3	19.6	-13.6
Self-employed	22.5	23.9	-43.3	19.8	-15.6
Part. Rate (%)	65.8	65.5	65.5	65.5	65.4
Unemp. Rate (%)	5.8	5.9	5.8	5.8	5.8
Avg. Hourly Earnings, perm. workers (y/y %)	2.9%	3.3%	3.1%	3.1%	3.3%
Actual Hours Worked by Industry	1.2%	-0.6%	0.6%	0.0%	-0.1%

- The Canadian labour market is starting the second quarter on an understated positive note. The headline number was dulled by a loss in part-time positions, but gains were made in full-time jobs, indicating that the quality of the labour market is improving. That bodes well for wages which advanced by a hearty 3.3% annual pace in April, something that should support momentum in household spending this quarter. In our view, the Bank of Canada would have needed a spectacular report to hike later this month, so we are sticking to our call for a July hike.
- The 1K job loss in April owes to a fall in part-time positions (-30K), fully erasing the full-time employment gain (+28K). Still, the jobless rate remains at a tight 5.8%, and the prime-age employment-to-population ratio remains on an upward trajectory, indicating a healthy labour market. That said, year-to-date employment is still reflecting January's large decline that owed partially to minimum wage hikes, sitting at a net loss of 41K jobs so far this year.
- In terms of the sectoral breakdown, a 19K loss in construction employment held the headline back, something that we anticipated on account of poor weather conditions in April. While a rebound is likely in the cards as temperatures warm in May, homebuilding will eventually feel the impacts of the new B20 rules as housing markets cool later on in the year.

- With the labour market now around full employment, wages are growing briskly. However, we aren't reading too much into the robust 3.3% annual wage gain in April given the impact of January's minimum wage hikes and the volatility of the wage series. Indeed, other quarterly indicators point to more tame growth in average hourly earnings.
- Ontario's labour market appears to be digesting the minimum wage hikes in a healthy manner after a rough start to the year. Part-time jobs were shed in April (-10K) but full-time hiring advanced (+20K), shrinking the net loss in jobs this year to 15K. New regulations in Ontario that require employers to compensate part-time and seasonal workers equally, relative to their full-time equivalents as of April may have played a role in this breakdown, with the bulk of minimum wage impacts likely felt at the start of the year.

## Implications & Actions

**Re: Economic Forecast**—While the headline was weaker than expected, it's not enough to change our forecasts for employment or household spending going forward, and we still expect a pickup in hiring over the rest of the quarter as underlying indicators remain healthy. That said, this report won't move the needle for the Bank of Canada as NAFTA uncertainty still looms large over the outlook, and we expect the next hike to occur in July as a result.

**Re: Markets**—The loonie and yields fell in the aftermath of this report, with the latter recovering some ground on account of the positive underlying tone of today's report.

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