

ECONOMIC NEWS

Canada: April Jobs Data Misses the Big Labour Market Events

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HIGHLIGHTS

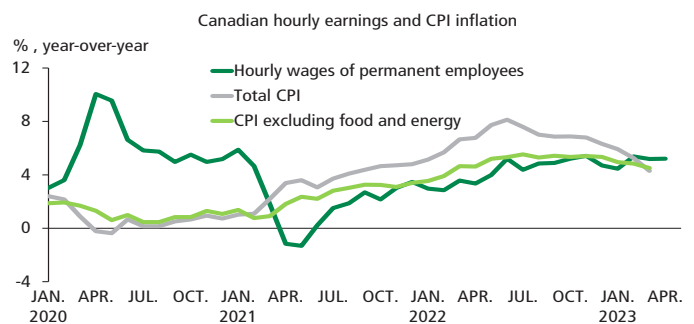
- ▶ Net employment rose by 41K in Canada in April, besting the consensus of economists (+20K) by a wide margin. April's gain was entirely due to more part-time positions (+48K).
- ▶ Services-producing sectors (+35K) dominated the employment gains in April, led by wholesale and retail trade (+24K), transportation and warehousing (+17K), information, culture and recreation (+16K), and educational services (+15K).
- ▶ The unemployment rate was 5.0% in April, unchanged since December 2022. The participation rate also held steady in the month, at 65.6%, as strong labour force growth matched the sustained strength in population gains.
- ▶ Total hours worked rose at a monthly pace of 0.2% m/m in April, roughly half the pace observed in March but still solid. On a year-over-year basis, the 3.8% jump in April reflects weakness in the same month last year as opposed to strength in the month.
- ▶ Average hourly wages advanced by 5.2% y/y in April, modestly more slowly than the 5.3% pace in March. Looking at growth in average hourly wages of the permanent employees—a metric more relevant to decisionmakers at the Bank of Canada—April's gain of 5.2% was unchanged from March. However, on a three-month annualized basis, seasonally-adjusted hourly wages for all employees grew at 2.7%, which evidences the base-year effects influencing the wage growth data.
- ▶ At the provincial level, Ontario led the gains, adding 33K, largely due to gains in the services-producing sectors that drove the national advance.

COMMENTS

Another month, another consensus-beating job gain in the Canadian labour market. However, a look under the hood indicates these numbers aren't as positive as the headline

GRAPH

Wage Pressures Persist Even as Inflation Trends Lower



CPI: Consumer price index

Sources: Statistics Canada and Desjardins Economic Studies

suggests. First, the gains were entirely in part-time employment, as full-time jobs declined. Second, the April 2023 Labour Force Survey (LFS) was conducted on April 9 to 15, 2023. This excludes the ice storm on April 5 that downed power lines resulting in power outages in eastern Ontario and much of Quebec. It also missed the strike involving federal public servants that began on April 19 and ended on May 1. As such, the April LFS missed the two largest labour market events that occurred in the month.

IMPLICATIONS

Given everything that was overlooked in the April LFS, the survey should be taken with a healthy grain of salt as an indicator for economic activity in the month. However, while it might not tell us about the economic impact of the ice storm in Central Canada and federal public service strike, it may give a better indication of the underlying activity in the labour market. This suggests the momentum in full-time hiring could be slowing. And while wage growth remains strong on a year-over-year basis, the short-term pace is more subdued. Given the still strong labour supply, which is preventing the unemployment rate from falling (unlike in the US), we expect the Bank of Canada to look through the job creation numbers from the April LFS and focus on a variety of indicators for a more complete picture of Canadian labour market developments.