

ECONOMIC NEWS

Canada: Employment Cooling, But Still Red Hot

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HIGHLIGHTS

- ▶ Canada's labour market added 15,000 jobs in April following a gain of 72,500 in March.
- ▶ Job creation was led by services sectors, which posted a 31,000 gain, while goods-producing sectors saw a decline of 16,000 jobs.
- ▶ The unemployment rate declined from 5.3 percent in March to 5.2 percent in April as labour force participation declined.
- ▶ The YoY change in hourly wage rate for permanent workers decelerated from 3.7% in March to 3.4%, although that was likely due to compositional changes in employment.

IMPLICATIONS

The slightly weaker-than-anticipated employment reading shouldn't alter market pricing for a 50bp hike since the economy is still by most measures overheating. However, today's data might be an early indication that rate hikes are creating more pain for the Canadian economy than they are south of the border in the US.

COMMENTS

The Canadian labour market remains drum tight despite talk of a cooling economy. Employers added 15K new workers in April, which was less than half the consensus forecast. While that was a material miss versus expectations, the unemployment rate still fell to a new record low of 5.2%, as labour force participation also ticked lower.

Job creation in April was led by services sectors, which continue to feel the tailwind from businesses reopening and expanding capacity across the country. That said, goods-producing sectors saw a decline in employment during the month of April. Although employment in these sectors remains elevated, the recent print could mark an important turning point for some of these employers.

While hours worked were down significantly on the month, that was largely driven by absences related to illness, potentially a reflection of the latest Covid wave beginning to take hold. Wages also didn't make progress, with year-over-year growth in the hourly rate for permanent workers falling three ticks to 3.4%. Still, given how tight the labour market is in Canada, we expect that metric to heat up in the months to come, as employers face a dearth of idle labour to hire.

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