



# Economic Flash!

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## Canadian Jobs: Hanging Up the Shingle

M/M chg, 000s	Dec	Jan	Feb	Mar	Apr
Employment	-2.9	46.4	43.3	14.6	<b>19.2</b>
Full-time	4.3	64.3	49.5	-19.6	<b>20.6</b>
Part-time	-7.1	-17.9	-6.2	34.2	<b>-1.4</b>
Paid workers	-29.9	72.8	42.9	23.2	<b>0.8</b>
Private	-39.2	76.6	30.8	20.3	<b>-8.3</b>
Public	9.3	-3.8	12.1	2.9	<b>9.1</b>
Self-employed	27.0	-26.4	0.5	-8.6	<b>18.3</b>
Part. Rate (%)	67.7	67.7	67.8	68.0	<b>68.0</b>
Unemp. Rate (%)	6.0	5.8	5.8	6.0	<b>6.1</b>
Avg. Hourly Earnings, perm. workers (y/y %)	4.9	4.9	4.7	4.7	<b>4.2</b>
<i>CIBC WM Employment Quality Index (94:Q1=100)</i>	97.8	98.2	99.3	99.8	<b>99.3</b>

- The April jobs report provided yet another sign of a cooling Canadian economy. The better than expected headline gain of 19K looks impressive at first glance, with March's loss of full-time positions being reversed in April. But a closer inspection reveals some cracks in an otherwise healthy labour market.
- Private-paid employment was actually down from the prior month. On a net basis, all of the job creation was attributed to Canadians hanging up a shingle as "self employed" workers. While some such positions are highly paid, on average, they entail fewer hours per week and lower compensation, and self-employment is sometimes the last resort for those losing their paid jobs. Much of the private sector jobs creation was also in the generally lower-paying hospitality sector. As a result, the *CIBC WM Employment Quality Index* fell for the first time this year. The unemployment rate also edged up one tick to 6.1% as new entrants to the labour market failed to find enough work.
- The temperature readings on the business cycle were also less than stellar. The business cycle is typically led by the goods sector, and while construction boomed, its hiring couldn't offset the continuous bleeding in manufacturing, and overall the goods sector headcount was down almost 4K. Factories have now lost jobs in seven of the last eight months, a trend that is likely to continue as high commodity prices support the loonie at elevated levels. Construction will have a tough time maintaining its pace, at least on the residential side, with housing starts now declining. The job gains in services had a strong contribution from education, which is not a particularly important cyclical signpost.
- On the positive side for consumer spending, average hourly wages continue to grow at a generous pace, rising 4.3% y/y. While that's down a bit from earlier peaks, it is handily outpacing inflation, unlike the US where many workers are seeing their paycheques falling behind prices. At this point, any inflationary implications will take a back seat in Bank of Canada thinking, which is much more focused on fending off the impacts of a US recession.

- The April jobs report was a pleasant surprise for Ontario which saw 12K additions, mostly in full-time positions, and where the more accurately measured 12-month jobs pace remains in line with the national average. Quebec's loss of 20K positions was more in line with the expected impacts of manufacturing weakness on central Canada. Labour markets remain very tight in the West, with unemployment rates in the 3.3-4.3% range.

## Implications & Actions

**Re: Economic Forecast** — Canada's labour market is still tight overall, but there are some indications that slack is starting to develop. Still, the trend looks better than in the US, particularly in terms of average real wage growth. Domestic spending should be a counterweight to trade weakness in the coming quarters.

**Re: Markets** — The jobs report, in its details rather than the headline employment count, was in line with the prevailing view that the Canadian economy is at this point growing only at a snail's pace. There's no shocker in that for financial markets, which are more keyed into the commodities and credit crunch stories and their stagflation risks for the US.

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