

ECONOMIC RESEARCH AND STRATEGY



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Sébastien Lavoie,
Chief Economist
LavoieS@vmbi.ca
514 350-2931

Salim Zanzana,
Economist
ZanzanaSK@lb-securities.ca
437 219-3304

LFS Canadian Labour Market — A Reassuring April Reading

The Spring thaw brought reassuring developments for Canada's labour market following the sub-performance of last Winter. The encouraging Labour Force Survey (LFS) April report marks a pause in the firmly established trend, namely cooling job market conditions. It should not be interpreted as a major green shoot, or the beginning of an outperforming, above-trend period. With a solid 90K net employment gain in April led by part-time occupations in the private sector, the 6-month moving average of monthly job gains (+33K) is back on its usual trend. The employment rate of 61.4% is 1 full pp lower than a year ago and has been taking brief pauses from its downtrend on a few occasions including this April. Unemployment (6.1%) was also stable in April after promptly rising by a cumulative 0.4pp during February and March. We expect the unemployment rate figure to move on its uptrend established since the Spring of 2023 (5.1%) as new entrants unfortunately have a more challenging task to find a first job. Unemployment could peak slightly north of 6.5% during 2024H2 without surpassing the more critical threshold of 7%.

Various developments contributed to the blockbuster addition of 90K jobs during the month of April. First, Quebec companies exposed to activities in services sectors hired several part-timers after a quiet Winter. Full-time employment has been stable since early 2023 and April did not bring encouraging news on that front. Despite rising by a cumulative 0.6pp during the last three months, Quebec's unemployment rate figure of 5.1% remains unambiguously low as the labour force grows at about half the pace observed in the ROC. In Ontario, private sector businesses added full-time positions, a welcomed breather after the soft patch of early 2024. However, the year-over-year pace shows below-trend improvement in full-time jobs. In turns out Ontario is the province where job postings on Indeed.ca fell the most so far this year. Accordingly, Ontario is the only province where job postings is back to pre-pandemic levels according to Indeed.ca. Combined with solid immigration keeping labour force in the fast lane, at 3% year-over-year, unemployment in Ontario has risen more than elsewhere during the last year (6.8% in April). Meanwhile, Alberta, magnet of job seekers, experiences labour force growth (+5% year-over-year) unseen in 17 years. Even if stunning employment growth is on track to surpass the 2024 Alberta budget assumption of a 3.1% gain, such a massive increase in the pool of labour force cannot be fully absorbed quickly. As a result, unemployment jumped by 0.7pp in a single month to 7%, the highest figure since late 2021 when the economy was reopening after multiple COVID waves. At the other end of the spectrum, Saskatchewan and Manitoba's labour force are mildly declining, a surprising development given above-average job postings on Indeed.ca and lower housing costs. These two provinces have at least experienced solid full-time job gains lately, a positive development for taxation revenues. After a rocky first half in 2023 due to consolidation in the forestry sector, BC's labour market conditions have materially improved. BC's unemployment rate of 5% is the lowest registered in about a year, led by full-time job creation as new jobs in services-oriented sectors more than offset losses in goods-related industries.



BoC watchers will notice slower growth in average hourly earnings of permanent workers at 4.8%, the lowest figure since mid-2023. This moderation fits with the signs of softening wage growth cited in the April *Monetary Policy Report*. Still, there is a long way to go in terms of wage disinflation requiring productivity gains. Total hours worked also rebounded by 0.8% m-o-m following the 0.3% dip of March. In summary, the reassuring LFS report prevents financial markets from thinking the rebalancing of labour market conditions will become deeply concerning. The probability surrounding our call of a 25bps policy rate cut in June declined somewhat with this LFS report. However, the key Canadian April CPI report on May 21st and real GDP 24Q1 report at the end of May are due before the June 5th BoC meeting and could re-shift the balance in favour of a June BoC cut rather than a July or September move.

Sébastien Lavoie | Chief Economist
514 213-4571 | LavoieS@vmbi.ca

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