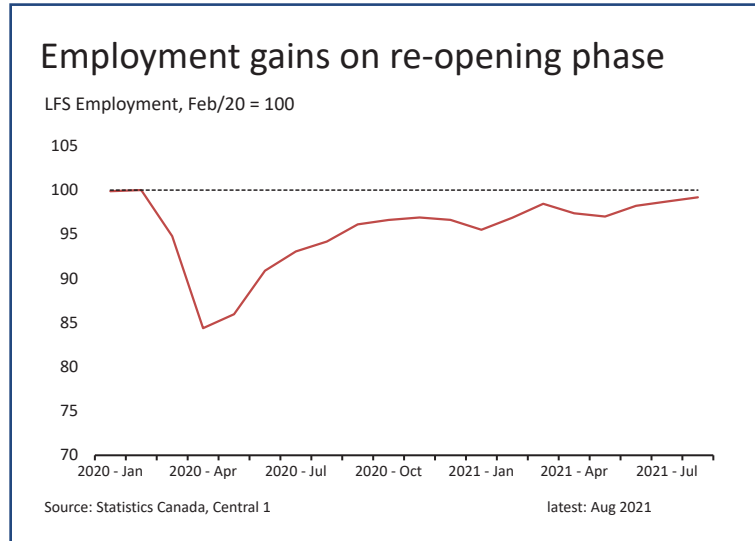




Recovery continues as re-openings lift labour market



Canada's labour market firmed in August signaling improved economic conditions following the softening of Q2 GDP. Labour Force Survey (LFS) employment rose by 90,200 persons (or 0.5 per cent) in August to mark a third straight monthly increase and narrowed the gap from February 2020 to 0.8 per cent. The unemployment rate declined from 7.5 per cent to 7.1 per cent.

Employment growth reflected maturing of re-opening activities across the country and were consistent, if not slightly below market consensus. This includes resumption of indoor activities with varying capacity constraints depending on province while border re-opening to vaccinated U.S. tourists

also supported hiring. Not surprisingly, growth was driven by accommodations/foodservices which jumped by 74,600 persons (7.5 per cent), and information/culture/recreation (23,900 persons or 3.4 per cent) boosted by similar issues, while construction increased 20,000 persons or 1.4 per cent. These gains were blunted by losses in finance/insurance/real estate as housing slowed, while business support services and private services also shed jobs. Ongoing supply chain disruptions have held back manufacturing activity.

Full-time employment rose 0.4 per cent or 68,500 persons, but remained 1.2 per cent below pre-pandemic levels, while part-time employment rose 0.6 per cent or 21,700 persons and were in line with February 2020. That said, hours worked were little changed from July.

Regionally, Ontario led the net increase with a 53,000 person (0.7 per cent) gain, albeit mostly part-time. Relative growth was generally stronger in the Prairie provinces (Alberta up 0.9 per cent, Saskatchewan up 1.8 per cent), while B.C. expanded 0.5 per cent, contrasting with generally weaker performance in Quebec and the Atlantic. B.C. is the only province to have exceeded pre-pandemic levels.

While numbers were positive, significant labour market slack still persists. The unemployment rate compares to 5.7 per cent pre-pandemic and employment rate (employment/population) is more than a full percentage lower at 60.5 per cent. Self-employment continues to lag. Further improvement is expected in the months ahead as re-openings continue to accrete hiring but pause in re-opening momentum due to the delta wave could temper growth. Vaccine progress and passports is expected to keep businesses open. Outside of key service sectors, growth has been a bit soft but ironing out of supply disruptions and return to offices will likely iron out some challenges.

On the monetary policy front, the latest numbers should allay fears of economic weakness and maintain the path towards a resumption of QE tapering in October, but a hike is still likely a year out.

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