

Scotiabank Nowcast: Strong Rebound in Canadian Jobs and Hours Lifts Q2-2020 GDP to -40.45%

This note is part of a series that will be published after important data releases, documenting mechanical updates of the nowcast for Canadian GDP coming from the Scotiabank nowcasting model. The evolution of this nowcast will inform Scotiabank Economics' official macroeconomic outlook.

The model is described in a related note [here](#).

- Coming on the heels of a strong rise in May, Canadian employment and hours worked registered robust gains in June, as the pace of economic re-opening accelerated. The data further support our view of relatively strong growth resuming in May and June, with the Canadian GDP nowcast improving to -40.45% Q/Q SAAR.
- The Canadian employment increased by 953k jobs, bringing the total net gain since April to over 1.2 million. However, even such strong gains imply that only just over 40% of job losses during the months of economic lockdowns have been recouped (see chart 1).
- Employment in goods- and service-producing industries rebounded (+4.6% m/m and +6.1% m/m, respectively), with manufacturing and construction each adding over 80K jobs in the month, while employment in wholesale and retail trade rose by 222K. Accommodation and food services, hit hard by travel restrictions, had 164k more jobs in June, although total employment is still 31.5% below last-year's levels.
- Hours worked, a measure of economy-wide labour use, grew by 9.8% m/m. The overall level was 15.6% below that of February, compared to the 27.7% cumulative decline in April.
- Overall, the report underscores that the initial phase of the re-opening is proceeding roughly as expected, with May and June likely registering a strong bounce-back in GDP, which should encourage policy-makers. However, growth beyond June is likely to slow as further improvement depends on a complex combination of policy choices, the virus evolution in Canada and developments at our trading partners, among other factors.

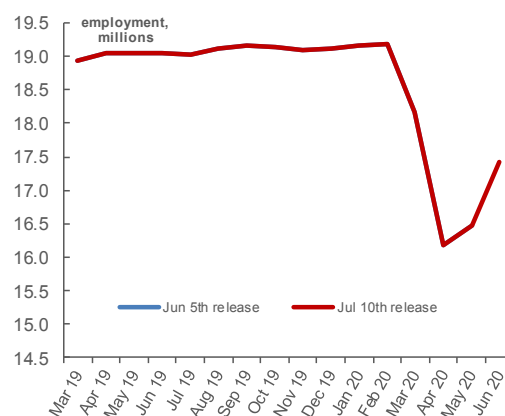
Table 1: Canadian GDP Nowcast, Q2-2020

	Nowcast Date	Q2-2020 GDP Growth, %
Current Nowcast	02-Jul-20	-42.27
Revisions, other data		+0.00
Employment, Canada		+0.72
Hours worked, Canada		+1.10
Current Nowcast	10-Jul-20	-40.45

CONTACTS

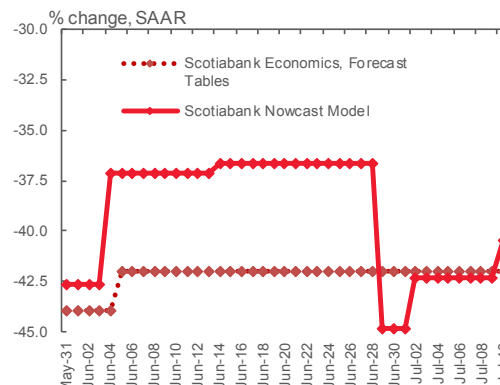
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Chart 1: Employment, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2020 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

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