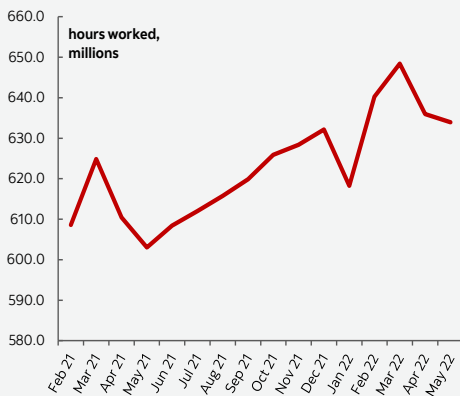


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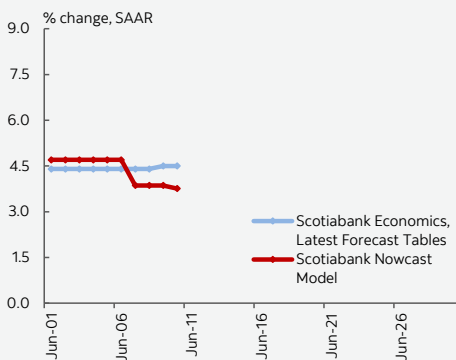
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Chart 1: Hours worked, Canada



Sources: Scotiabank Economics, Haver Analytics, Statistics Canada

Chart 2: The Evolution of the Scotiabank Economics Q2-2022 Nowcast



Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Scotiabank Nowcast: Declining Hours Worked Pulled Q2-2022 GDP Growth Slightly Lower to 3.76%

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](#).

- The Canadian economy gave rise to thousands of net new jobs in May, although some parts of the labour market underperformed. Even as the number of employed Canadians grew by a net +40K in May (+0.2% m/m), predominantly in full-time positions, and the unemployment rate ticked down by 0.1ppts to 5.1%, the hours worked economy-wide declined by -0.3% m/m. The latter failed to recover following an even larger fall of -1.9% m/m in April. On balance, the weakness in hours worked despite a relatively healthy growth in employment so far in Q2-2022 points to slightly lower overall GDP growth, leaving the nowcast at +3.76% Q/Q SAAR.
- On the employment side the picture was relatively healthy in May, with a gain of +135K net new full-time positions partly offset by a decline of -96K in part-time. The service sector was the main driver of the employment gains in May (+81K net new jobs added), mostly in wholesale and retail trade (+38K), education (+24K) and accommodation and food services (+20K). Firms in these industries benefited from the continuing recovery in consumer spending on high-contact services, as well as from higher in-person retail shopping which grew at the expense of e-commerce (see [here](#)).
- The weakness in jobs was concentrated in the goods industries, in particular manufacturing (-43K). There is a long list of factors weighing down growth in the manufacturing sector in the short to medium term, from the continuing shortages of input parts and broader supply chain disruptions, to high commodity prices, to the rotation of demand towards service spending by consumers.
- As the employment continued to rise and the unemployment rate fell to a new record low of 5.1% in May, the tightness in the labour market continued to push up average wages (+3.9% y/y), although this rate of increase is far outpaced by the rise in consumer prices (total CPI: +6.8% y/y in April).
- Overall, the mixed signals that the labour market is sending are not surprising given the strong global turbulence buffeting the world economy, and such volatility should be expected for the foreseeable future. Despite this, the Canadian economy continues to perform well, and a few disappointing indicators—be it hours worked or stumbling merchandise exports—should be seen in the context of the continuing strength in the Canadian domestic demand.

Table 1: Canadian GDP Nowcast, Q2-2022

	Nowcast Date	Q2-2022 GDP Growth, %
Previous Nowcast	07-Jun-22	3.86
Revisions and other data		0.00
Employment, Canada		+0.03
Hours worked, Canada		-0.13
Current Nowcast	10-Jun-22	3.76

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