

Canada: The labour market deterioration continued in April

By Matthieu Arseneau & Kyle Dahms

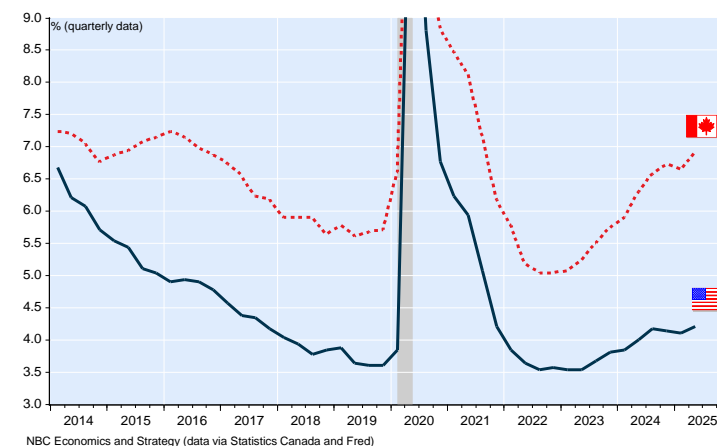
Highlights (see next page for details):

- Canadian employment edged up by 7K in April, a tad above consensus expectations for a 5K increase. The participation rate, meanwhile, rose by one tick to 65.3%. Together this produced a two-tick increase in the unemployment rate (6.9%), surpassing the consensus expectation for a one-tick increase (see top chart).
- The net employment gain was driven by full-time positions, which expanded by 31.5K in the month. That was more than enough to offset the part-time employment decrease (-24.2K).
- Meanwhile, the number of jobs in the private sector regressed by 26.8K, while the public sector posted a gain of 22.9K. Self-employment also contributed to the monthly gain as it rose by 11.2K. Gains for the public sector can be retraced to the election held in the month.
- Job gains were concentrated in services-producing industries (+40.3K), driven by public administration (+37.1K) and FIRE (+23.7K), which more than offset the decline in wholesale/retail trade (-26.8K). On the goods-producing front, employment fell by 33K, with losses mainly coming from manufacturing (-30.6K) and natural resources (-7.5K).
- Regionally, employment fell in Ontario (-34.6K, or -0.4%) while Nova Scotia posted an 8.5K loss. On the flip side, employment increased in Quebec (+18.3K) and Alberta (+15.0K) while B.C. employment rose by 6K.
- Hours worked rose 0.4% in April, matching the result in the previous month but still below the level reached in January. That said, total hours worked were up 0.9% on a YoY basis. Wages were up 3.4% on a year-over-year basis in April, following growth of 3.6% in March.

It didn't take long for economic data to be impacted by tariff uncertainty in Canada. For the second consecutive month, the unemployment rate is up, and the employment rate is down. This weakness is attributable to the private sector, which recorded a loss of 27K jobs in April, following a loss of 48K in March. A decline of this magnitude over two months (-75K) has only been seen during the lockdowns related to the pandemic or at the height of the 2008-2009 financial crisis. The manufacturing sector had a good start to the year due to orders placed ahead of the imposition of tariffs. However, the sector now appears to be hit hard by a decline in US demand, where corporations, having stocked up on inventory, are now waiting for a potential backdown by Washington. In this context, it is undeniable that some Canadian manufacturing companies are overstaffed and have begun to streamline their operations. Over the past two months, manufacturing employment has fallen by 38K jobs, the sharpest decline since the pandemic. Ontario appears to be paying the highest price for the current situation, with a decline of 62K jobs since February, including 30K in the manufacturing sector alone (bottom chart). The Bank of Canada decided to pause its monetary easing process in April amid a highly uncertain environment. One thing is now certain: the Canadian economy has been severely shaken by tariff uncertainty, a paralysis that risks impacting investment and hiring, with knock-on effects for consumption. It is important to note that the recent labour market weakness is now focalized among the prime-age worker cohort (25-54, -42K over two months) As such, the impact on consumption and the housing market could be even greater. In this environment, we see little reason why the central bank should remain insensitive to a labor market that is already considered to be in excess supply and is becoming increasingly fragile. We anticipate that rate cuts will resume next month, especially with an overvalued currency.

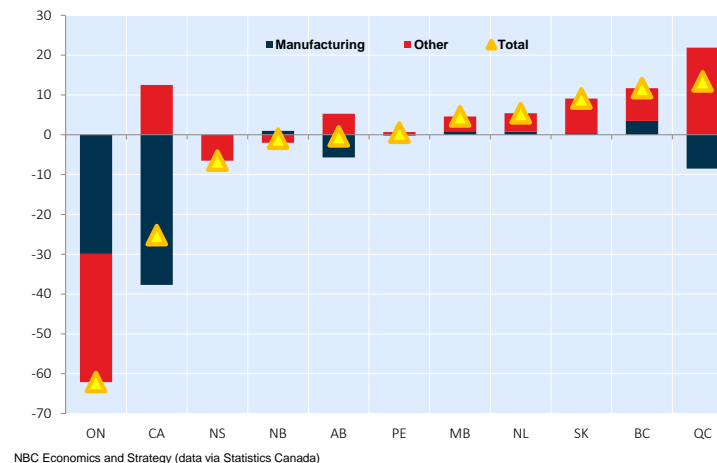
Canada: Job market weakens as unemployment nears 7%

Unemployment rate: Canada vs. the US



Canada: Perspective on employment by province

Two-month change in employment





	Apr-25	Mar-25	1-Month	1-Month	1-year change	Current Level (000s)	1-Month Change (000s)					
	%	%	Change (pp)	Trend	(pp)		Apr-25	Mar-25				
Unemployment Rate	6.9	6.7	0.2	▲	0.7	Industries						
Participation Rate	65.3	65.2	0.1	▲	-0.4	High-Paid	11,372	59.2	▲	22.9		
Employment Rate	60.8	60.9	-0.1	▼	-0.8	Low-Paid	9,598	-51.8	▼	-55.6		
	Current Level*	1-Month Change*		1-year change*	Goods-producing sector			4,198	-33.0	▼	-11.7	
		Apr-25	Mar-25		Agriculture	232	2.9	▲	-9.3			
Employment	20,969	7.4	▲	-32.6	268.8	Forestry, fishing, mining, quarrying, O&G	333	-7.5	▼	4.4		
Total Hours Worked, %	-	0.4	▲	0.4	0.9	Utilities	156	3.9	▲	4.2		
Average Hourly Wage NSA, %	-	0.2	▲	-0.4	3.5	Construction	1,641	-1.8	▼	-3.8		
Provinces						Manufacturing	1,835	-30.6	▼	-7.1		
Ontario	8,195	-34.6	▼	-27.5	77.1	Services-producing sector			16,772	40.3	▲	-20.9
Quebec	4,646	18.3	▲	-4.9	89.3	Trade	2,942	-26.8	▼	-28.5		
British Columbia	2,951	6.0	▲	5.7	14.3	Transportation and warehousing	1,087	8.2	▲	10.1		
Alberta	2,566	15	▲	-15.4	51.3	Finance, insurance, real estate and leasing	1,489	23.7	▲	6.3		
Manitoba	737	5.7	▲	-1.1	19.1	Professional, scientific and technical svc.	2,002	6.2	▲	9.6		
Saskatchewan	616	2.5	▲	6.6	19.9	Business, building and other support svc.	705	-14.5	▼	-10.3		
Nova Scotia	516	-8.5	▼	2	-5.8	Educational services	1,601	5.4	▲	-3.5		
New Brunswick	400	-1.2	▼	0.2	-0.3	Health care and social assistance	2,870	-7.8	▼	-0.6		
Newfoundland and Labrador	248	3.8	▲	1.6	2.0	Information, culture and recreation	848	12.6	▲	-20.3		
Prince Edward Island	94	0.4	▲	0.1	1.8	Accommodation and food services	1,170	-8.5	▼	-1.8		
Employment Type						Other services	778	4.9	▲	11.6		
Full-Time	17,136	31.5	▲	-62	181.8	Public administration	1,279	37.1	▲	6.3		
Part-Time	3,834	-24.2	▼	29.5	87.0	Age						
Public Sector	4,550	22.9	▲	-2.8	104.5	15 to 24	94	8.5	▲	-9.7		
Private Sector	13,670	-26.8	▼	-47.8	90.7	25 to 54	516	-36	▼	-5.9		
Self Employed	2,749	11.2	▲	18	73.5	55 and over	400	34.9	▲	-17.0		

*Thousands unless otherwise stated

NBC Economics and Strategy (data via Statistics Canada)



Subscribe to our publications: NBC.EconomicsStrategy@nbc.ca – To contact us: 514-879-2529

General

This Report was prepared by National Bank Financial, Inc. (NBF), (a Canadian investment dealer, member of CIRO), an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is a public company listed on the Toronto Stock Exchange.

The particulars contained herein were obtained from sources which we believe to be reliable but are not guaranteed by us and may be incomplete and may be subject to change without notice. The information is current as of the date of this document. Neither the author nor NBF assumes any obligation to update the information or advise on further developments relating to the topics or securities discussed. The opinions expressed are based upon the author(s) analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein, and nothing in this Report constitutes a representation that any investment strategy or recommendation contained herein is suitable or appropriate to a recipient's individual circumstances. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this Report. The Report alone is not intended to form the basis for an investment decision, or to replace any due diligence or analytical work required by you in making an investment decision.

This Report is for distribution only under such circumstances as may be permitted by applicable law. This Report is not directed at you if NBF or any affiliate distributing this Report is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that NBF is permitted to provide this Report to you under relevant legislation and regulations.

National Bank of Canada Financial Markets is a trade name used by National Bank Financial and National Bank of Canada Financial Inc.

Canadian Residents

NBF or its affiliates may engage in any trading strategies described herein for their own account or on a discretionary basis on behalf of certain clients and as market conditions change, may amend or change investment strategy including full and complete divestment. The trading interests of NBF and its affiliates may also be contrary to any opinions expressed in this Report.

NBF or its affiliates often act as financial advisor, agent or underwriter for certain issuers mentioned herein and may receive remuneration for its services. As well NBF and its affiliates and/or their officers, directors, representatives, associates, may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time in the open market or otherwise. NBF and its affiliates may make a market in securities mentioned in this Report. This Report may not be independent of the proprietary interests of NBF and its affiliates.

This Report is not considered a research product under Canadian law and regulation, and consequently is not governed by Canadian rules applicable to the publication and distribution of research Reports, including relevant restrictions or disclosures required to be included in research Reports.

UK Residents

This Report is a marketing document. This Report has not been prepared in accordance with EU legal requirements designed to promote the independence of investment research and it is not subject to any prohibition on dealing ahead of the dissemination of investment research. In respect of the distribution of this Report to UK residents, NBF has approved the contents (including, where necessary, for the purposes of Section 21(1) of the Financial Services and Markets Act 2000). This Report is for information purposes only and does not constitute a personal recommendation, or investment, legal or tax advice. NBF and/or its parent and/or any companies within or affiliates of the National Bank of Canada group and/or any of their directors, officers and employees may have or may have had interests or long or short positions in, and may at any time make purchases and/or sales as principal or agent, or may act or may have acted as market maker in the relevant investments or related investments discussed in this Report, or may act or have acted as investment and/or commercial banker with respect hereto. The value of investments, and the income derived from them, can go down as well as up and you may not get back the amount invested. Past performance is not a guide to future performance. If an investment is denominated in a foreign currency, rates of exchange may have an adverse effect on the value of the investment. Investments which are illiquid may be difficult to sell or realise; it may also be difficult to obtain reliable information about their value or the extent of the risks to which they are exposed. Certain transactions, including those involving futures, swaps, and other derivatives, give rise to substantial risk and are not suitable for all investors. The investments contained in this Report are not available to retail customers and this Report is not for distribution to retail clients (within the meaning of the rules of the Financial Conduct Authority). Persons who are retail clients should not act or rely upon the information in this Report. This Report does not constitute or form part of any offer for sale or subscription of or solicitation of any offer to buy or subscribe for the securities described herein nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever.

This information is only for distribution to Eligible Counterparties and Professional Clients in the United Kingdom within the meaning of the rules of the Financial Conduct Authority. NBF is authorised and regulated by the Financial Conduct Authority and has its registered office at 70 St. Mary Axe, London, EC3A 8BE. NBF is not authorised by the Prudential Regulation Authority and the Financial Conduct Authority to accept deposits in the United Kingdom.

EU Residents

With respect to the distribution of this report in the member states of the European Union ("EU") and the European Economic Area ("EEA") by NBC Paris, the contents of this report are for information purposes only and do not constitute investment advice, investment research, financial analysis or other forms of general recommendation relating to transactions in financial instruments within the meaning of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 ("MiFID 2"). This report is intended only for professional investors and eligible counterparties within the meaning of MiFID 2 and its contents have not been reviewed or approved by any EU/EEA authority. NBC Paris is an investment firm authorised by the French Prudential Control and Resolution Authority ("ACPR") to provide investment services in France and has passported its investment services throughout the EU/EEA under the freedom to provide services and has its registered office at 8 avenue Percier, 75008 Paris, France. "NBC Financial Markets, a subsidiary of National Bank of Canada" is a trade name used by NBC Paris S.A. NBF is not authorised to provide investment services in the EU/EEA.

U.S. Residents

With respect to the distribution of this report in the United States of America, National Bank of Canada Financial Inc. ("NBCFI") which is regulated by the Financial Industry Regulatory Authority (FINRA) and a member of the Securities Investor Protection Corporation (SIPC), an affiliate of NBF, accepts responsibility for its contents, subject to any terms set out above. To make further inquiry related to this report, or to effect any transaction, United States residents should contact their NBCFI registered representative. This report is not a research report and is intended for Major U.S. Institutional Investors only. This report is not subject to U.S. independence and disclosure standards applicable to research reports.

HK Residents

With respect to the distribution of this report in Hong Kong by NBC Financial Markets Asia Limited ("NBCFMA") which is licensed by the Securities and Futures Commission ("SFC") to conduct Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities, the contents of this report are solely for informational purposes. It has not been approved by, reviewed by, verified by or filed with any regulator in Hong Kong. Nothing herein is a recommendation, advice, offer or solicitation to buy or sell a product or service, nor an official confirmation of any transaction. None of the products issuers, NBCFMA or its affiliates or other persons or entities named herein are obliged to notify you of changes to any information and none of the foregoing assume any loss suffered by you in reliance of such information.

The content of this report may contain information about investment products which are not authorized by SFC for offering to the public in Hong Kong and such information will only be available to, those persons who are Professional Investors (as defined in the Securities and Futures Ordinance of Hong Kong ("SFO")). If you are in any doubt as to your status you should consult a financial adviser or contact us. This material is not meant to be marketing materials and is not intended for public distribution. Please note that neither this material nor the product referred to is authorized for sale by SFC. Please refer to product prospectus for full details.

There may be conflicts of interest relating to NBCFMA or its affiliates' businesses. These activities and interests include potential multiple advisory, transactional and financial and other interests in securities and instruments that may be purchased or sold by NBCFMA or its affiliates, or in other investment vehicles which are managed by NBCFMA or its affiliates that may purchase or sell such securities and instruments.

No other entity within the National Bank of Canada group, including National Bank of Canada and National Bank Financial Inc, is licensed or registered with the SFC. Accordingly, such entities and their employees are not permitted and do not intend to: (i) carry on a business in any regulated activity in Hong Kong; (ii) hold themselves out as carrying on a business in any regulated activity in Hong Kong; or (iii) actively market their services to the Hong Kong public.

Copyright

This Report may not be reproduced in whole or in part, or further distributed or published or referred to in any manner whatsoever, nor may the information, opinions or conclusions contained in it be referred to without in each case the prior express written consent of NBF.