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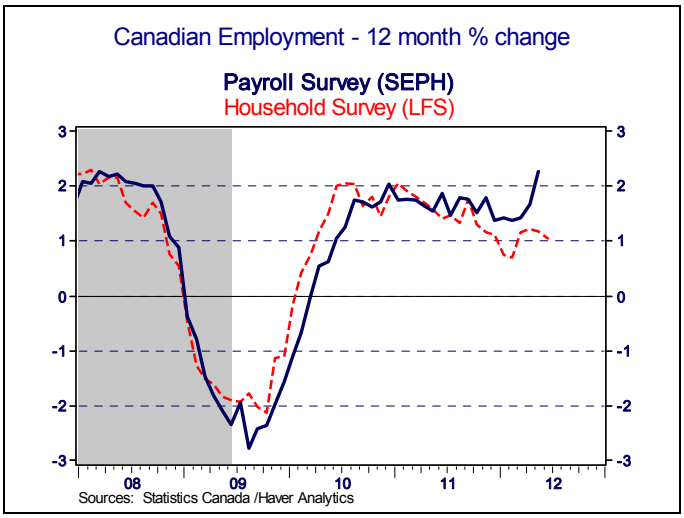
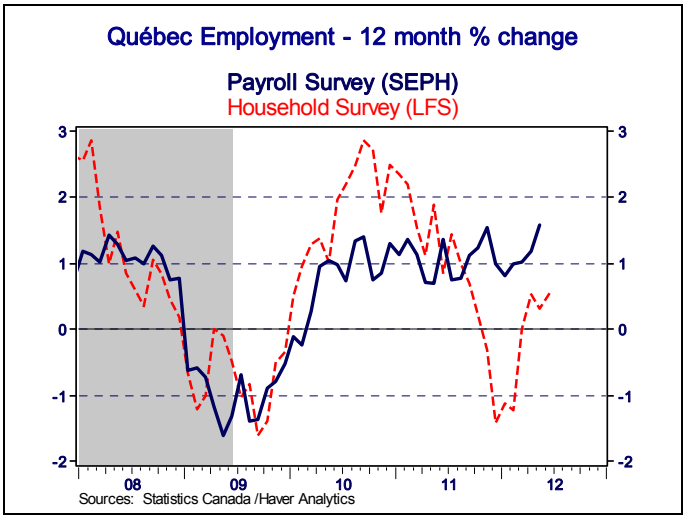
Canada's Payroll Employment earnings and hours

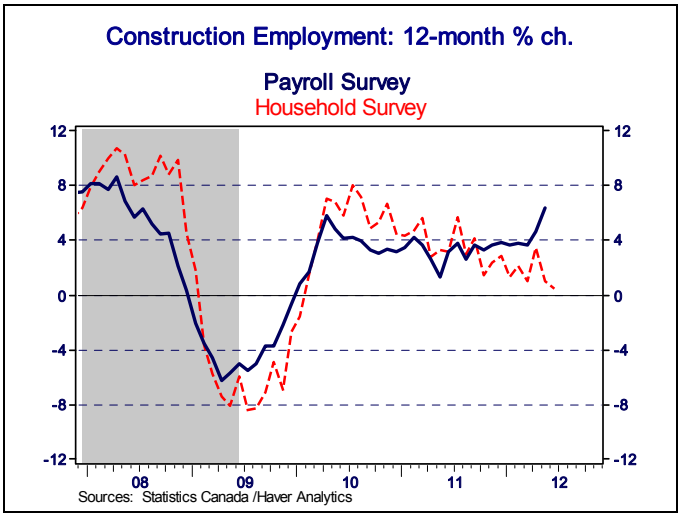
In May Canada's non-farm payroll employment increased by 76.9K (m/m). This translates into a 2.3% year-over-year increase or 338K jobs, a significantly more robust number than that revealed by the Labour Force Survey. Mining, construction and accommodation & food services posted the strongest gains. While the payroll survey is a more reliable indicator of the true state of the labour market, it is, unfortunately, published with a two month lag on the LFS.



A good recent example of the usefulness of the payroll survey was the situation in Québec where there was there was a sudden and inexplicable plunge in LFS employment in the 4th quarter of 2011; inexplicable in the sense that it was not *"confirmed"* by the payroll survey. True to form, this plunge was followed by an equally impressive rebound in LFS employment in the first half of 2012. We suspect that much the same phenomenon will likely occur this summer at the national level. The relative weakness in Canada's LFS employment in the first 6 months of 2012 does not appear to be "confirmed" by the payroll survey, at least through the month of May.



Looking at the Payroll survey in more detail, we find the greatest divergence in the construction industry. Payroll employment in construction has not only remained relatively robust over the past 12 months, it has actually accelerated since February, something not picked-up by the household survey. Looking further into the details, that acceleration has occurred in the "Heavy Construction & Civil Engineering" segment which includes utilities, highways and bridges and makes sense intuitively.



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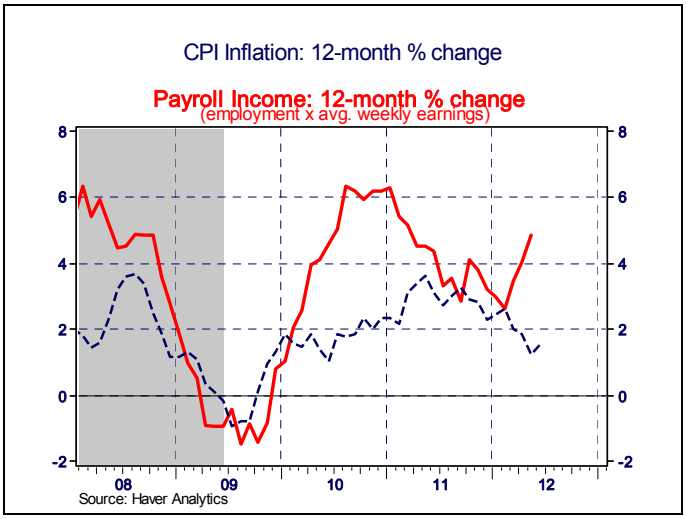
Finally, looking at payroll income, the product of average weekly earnings and the number of people at work, the recent trend is also more constructive than simply looking at the LFS numbers. Payroll income growth has accelerated since February and is now close to 5% while inflation is easing – 1.5% in June – meaning that real labour income is growing at about 3 ½ percent which augurs well for Q2 GDP growth.



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