

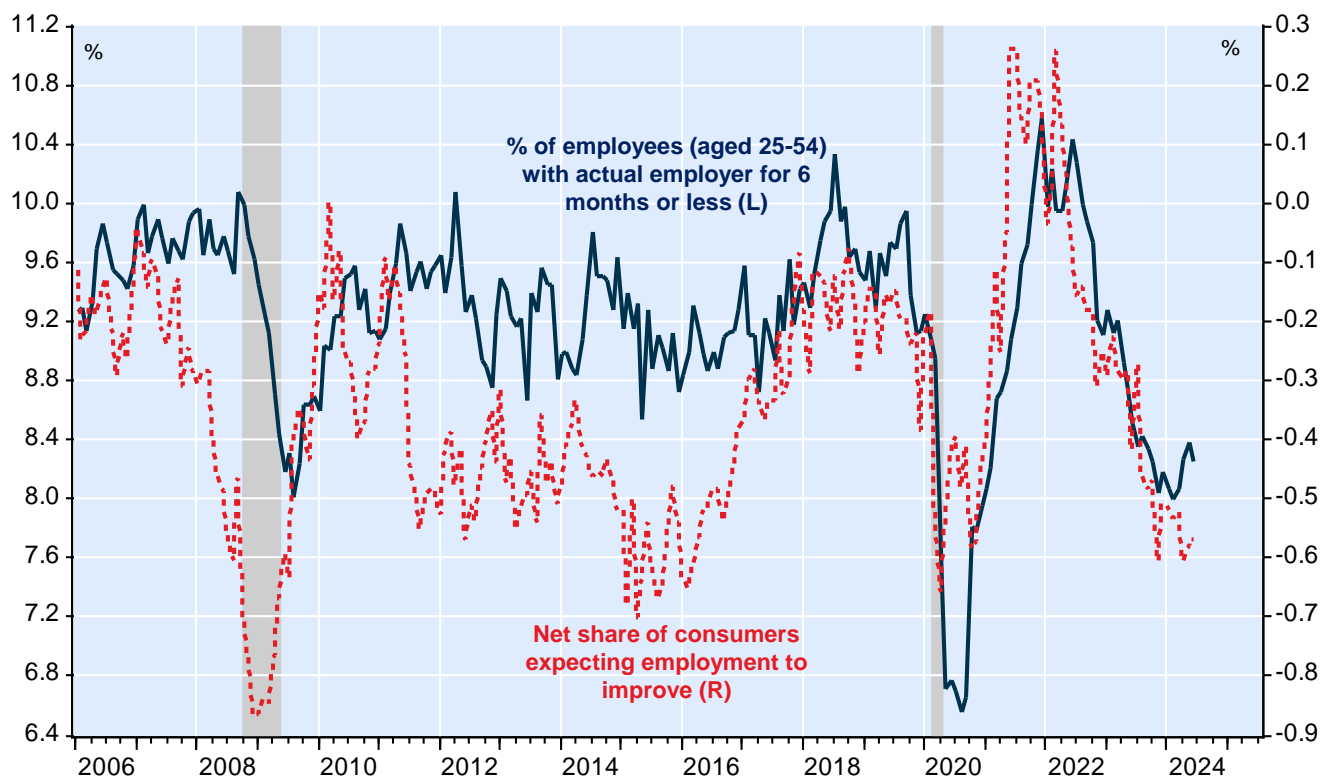
## Canada Watch

By **Matthieu Arseneau** and **Alexandra Ducharme**

Some pundits continue to be concerned about wage trends in Canada, which they claim are too high and jeopardizing the inflation target. We beg to differ. An analytical note by Bank of Canada staff published last April ([link](#)), to which we referred in our last Hot Chart ([link](#)), showed that the various measures of wage inflation generally have less impact on core inflation than other labor market indicators, which are currently deteriorating rapidly. Topping the list of 32 significant indicators is the unemployment rate for males aged 15 to 24, which currently stands at 14.7%, up 5 percentage points from its recent low, an unprecedented rise outside a recession. And what about the job changing rate, the second most important variable influencing inflation according to the Bank of Canada study? We have constructed a turnover rate indicator by calculating the proportion of prime-age workers (aged 25 to 54) who have been with their current employer for 6 months or less. By 2022, the job changing rate among prime-age workers had reached a record high, as a bidding war for workers contributed to the surge in inflation. However, those days are clearly over. As today's Hot Chart shows, turnover has fallen dramatically and is now at levels seen only in recent recessions. We have thus moved from the era of the "great resignation" to that of the "great retention". There is reason to believe that opportunities are currently limited, but also that workers concerned about prospects consider it safer to stay with their current employer. Against this backdrop, we expect annual inflation in Canada to hover around 2.0% in the second half of the year, despite the inflationary pressures that will persist in the shelter component. For further details, please consult our monthly economic monitor ([link](#)).

### Canada: From the "great resignation" to the "great retention"?

% of employees (aged 25-54) with actual employer for 6 months or less and consumer labour market opinion



NBF Economics and Strategy (data via Statistics Canada and Conference Board of Canada)



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