Dusting off the History Books on Unemployment

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Bracing for Friday’s brutal jobs data, expected to print high double-digit unemployment rates, we reached way back to make some really long-term comparisons. The text below is from a report we published in 2017 on Canada’s 150 years of economic history:

“As the labour force has changed dramatically over the decades, long-term comparisons of the unemployment rate become less meaningful. Dispensing with that troublesome reality, by most accounts, unemployment soared to over 25% during the worst of the Great Depression (as high as 30% by some measures), a sad episode that has not come close to being matched in the 150-year history of Canada. The official annual statistics that are available report a record high of 19.3% in 1933 and then a low of 1.4% near the end of WWII. In more modern times, the all-time high was reached at the end of the 1982 recession at 13.1% in December, while the lowest was hit in June 1966 at 2.9%.”
Many are asking whether the pandemic and the resulting unique economic downturn will lead to deflation or higher inflation, and we tackle the issue full bore in this week’s Focus publication. One thing that likely won’t lead to higher inflation is the recent record increase in the money supply, with M2 up nearly 19% y/y in the April 20 week. As shown in the chart, the link between the money supply and inflation was likely severed by the 1990s when central banks began to formally target inflation to better anchor expectations.

Of course, the debate doesn’t end there, as the one thing we know for certain about this crisis is that it has magnified the range of uncertainty around the outlook for almost everything.

Sources: BMO Economics, Haver Analytics

1 advanced 10 quarters; 2 latest weekly value
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AM Charts | AM Charts for May 8, 2020

May 7, 2020 | Page 3 of 3