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Canadian employment (Jul): In a stall

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Labour force survey (monthly change, thousands, unless otherwise noted)	Mar	Apr	May	Jun	Jul
Employment	-2.2	90.4	26.7	-1.4	-2.8
• Full-time	-0.7	40.1	-35.6	-3.4	61.6
• Part-time	-1.6	50.3	62.4	1.9	-64.4
• Paid workers	27.1	75.9	10.1	-9.2	-1.1
• Private	15.2	50.4	17.6	5.4	-41.9
• Public	11.9	25.5	-7.5	-14.6	40.8
• Self-employed	-29.3	14.5	16.6	7.7	-1.6
Participation rate (%)	65.3	65.4	65.4	65.3	65.0
Unemployment rate (%)	6.1	6.1	6.2	6.4	6.4
Avg. hourly earnings, perm. workers (y/y %)	5.0%	4.8%	5.2%	5.6%	5.2%
Actual hours worked by industry (m/m %)	-0.3%	0.8%	0.0%	-0.4%	1.0%

Source: Statistics Canada

- Canadian employment remained in a stall during July, with the slight 3K decline in jobs coming in weaker than the consensus expectation (+25K) and following a similar result in June. While the unemployment rate held steady at 6.4%, that was only because of a sharp drop in labour force participation which reached its lowest since 1998 (excluding the 2020 pandemic). As a result, today's data will do little to ease the Bank of Canada's growing concern regarding the state of the labour market, and we see policymakers cutting interest rates by 25bp in each of the three remaining policy decisions this year.
- The details of the jobs count were largely mixed, with a favourable split between full time (+62K) and part-time (-64K), but a sharp decline in private sector employees. The leaning of jobs towards full time meant that hours worked (+1.0%) rose sharply in a positive sign for July GDP. By sector, the sharpest decline in employment came in wholesale & retail (-44K), while public administration (+20K) saw the largest increase.
- Labour force participation fell from 65.3% in June to 65.0%, which excluding the pandemic year of 2020 is the lowest since 1998. While a declining participation rate should be expected in an aging population, the recent downtrend beginning in 2023 has gone beyond what can be explained by demographic factors alone. The participation rate for young people (aged 15-24) fell from 63.4% to 62.9% in July, which is a full 2% lower than it was a year ago. The participation rate for prime aged (25-54) workers fell by 0.2%-pts in July and was 0.6%-pts lower than during the same period of 2023. It therefore appears that some potential workers have been discouraged from looking for work due to weaker job prospects.
- There was a further sharp increase in the base population in July (+125K or 0.4%), although the decline in participation meant that the size of the labour force was slightly down relative to the prior month (-11K). Because of that, the unemployment rate held steady at 6.4%, although the employment rate fell further to its lowest since August 2021. While new immigrants into Canada have seen the largest rise in unemployment over the past year, the jobless

rates for persons born in the country (5.6% vs 5.1% in July 2023) and immigrants of 10 year or more (5.6% vs 4.9%) have also risen quite notably.

- Wage growth for permanent employees decelerated from 5.6% to 5.2% year-over-year, although this was not as much as had been anticipated (consensus 4.8%) and largely reflected base effects. The monthly change in wages could, however, have been biased higher by job losses in lower wage areas such as retail & wholesale, and we continue to think that there is enough slack in the labour market to bring further deceleration in wage growth ahead.

Implications & actions

Re: Economic forecast — Employment will likely continue to lag population growth in the near-term, and with participation unlikely to keep falling as quickly as it did this month the unemployment rate could rise further. The impact of interest rate cuts boosting demand, alongside an easing in population growth, should then see the jobless rate ease back towards 6% in 2025. The minutes from last month's Bank of Canada policy decision highlighted growing concern regarding the state of the labour market, and today's data will do little to ease those concerns even with the jobless rate holding steady. We see the Bank of Canada cutting interest rates by 25bp in each of the three remaining policy decisions this year.

Re: Markets — Financial markets were already pricing in three 25bp cuts from the Bank of Canada between now and the end of the year, and today's data didn't change that narrative. As a result, market reaction was limited.