

Economics

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July 7, 2023

## Canadian employment (June): A mixed bag

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Labour force survey (monthly change, thousands, unless otherwise noted)	Feb	Mar	Apr	May	Jun
Employment	21.8	34.7	41.4	-17.3	59.9
• Full-time	31.1	18.8	-6.2	-32.7	109.6
• Part-time	-9.3	15.9	47.6	15.5	-49.8
• Paid workers	30.6	38.0	22.5	22.2	78.9
• Private	38.5	34.8	9.2	12.5	82.5
• Public	-7.9	3.2	13.3	9.7	-3.6
• Self-employed	-8.9	-3.3	19.1	-39.6	-19.1
Participation rate (%)	65.7	65.6	65.6	65.5	65.7
Unemployment rate (%)	5.0	5.0	5.0	5.2	5.4
Avg. hourly earnings, perm. workers (y/y %)	5.4%	5.2%	5.2%	5.1%	3.9%
Actual hours worked by industry (m/m %)	0.6%	0.4%	0.2%	-0.4%	0.1%

Source: Statistics Canada

- Today's labour force data provided a mixed bag of indicators. Employment growth was brisk in June, with the 60K gain well above the consensus expectation of 20K. However, rapid population growth and a rise in participation meant that the unemployment rate rose two ticks to 5.4%, while wage growth decelerated by more than anticipated. Overall though today's release is probably just strong enough for the Bank of Canada to raise interest rates by a further 25bp next week, rather than waiting until September as we had previously anticipated.
- The detail underlying today's employment gain was generally strong, with full time positions accounting for all of the increase as part-time declined relative to May. Private sector paid employment drove the overall increase, with public sector headcount and self employment both down on the month. By sector, there were strong job gains in wholesale & retail, manufacturing and transportation. By age, there was a partial rebound in youth employment following May's large drop, although that wasn't the only source of employment growth. Employment within the prime 25-54 year-old group also increased by 42K.
- However, despite the sizeable gain in employment, the unemployment rate rose two ticks to 5.4% due to an increase in participation and brisk population growth. That's the highest unemployment rate in over a year (since February 2022) and a sign that despite strong job growth the labour market is starting to loosen. There was also a greater-than-expected deceleration in wage growth, to 3.9% year-over-year from 5.1% in the prior month, while hours worked (+0.1%) once again failed to match the growth rate in employment.

### Implications & actions

**Re: Economic forecast** — This morning's data release was no slam dunk for the Bank of Canada, with a rise in the unemployment rate and slowing wage growth suggesting that labour market conditions are loosening. However, the data are probably just strong enough to see policymakers pull the trigger on another 25bp interest rate hike next week, rather

than wait until September as we had previously forecast. We still think that the rate of 5.0% reached at the time of the next hike will prove to be the peak, as evidence that the economy is slowing appears to be mounting.

**Re: Markets** — Bond yields and the Canadian dollar appeared to trade mainly on the stronger than anticipated headline gain in employment, as both rose following the data release.

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