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August 7, 2026

Canadian employment (Jul): A summer surge

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Labour force survey (monthly change, thousands, unless otherwise noted)	Mar	Apr	May	Jun	Jul
Employment	14.1	-17.7	87.8	18.2	**75.1**
• Full-time	-1.1	-46.7	154.0	0.6	**38.6**
• Part-time	15.2	29.0	-66.2	17.5	**36.6**
• Paid workers	20.0	-12.1	76.7	1.1	**30.9**
• Private	15.4	-2.6	56.3	31.6	**57.9**
• Public	4.6	-9.5	20.4	-30.5	**-27.0**
• Self-employed	-5.8	-5.7	11.2	17.0	**44.4**
Participation rate (%)	64.9	65.0	65.0	65.0	**65.1**
Unemployment rate (%)	6.7	6.9	6.6	6.5	**6.4**
Avg. hourly earnings, perm. workers (y/y %)	5.1%	4.8%	3.2%	3.7%	**3.0%**
Actual hours worked by industry (m/m %)	0.2%	0.0%	0.6%	0.2%	**0.6%**

Source: Statistics Canada

- The Canadian labour market saw a summer surge in hiring, although with more people looking for work the unemployment rate only edged down slightly and remains higher than levels we believe are consistent with a balanced labour market. Because of that we still see little pressure for the Bank of Canada to raise interest rates this year, particularly if oil and gasoline prices remain below prior peaks.
- The 75K increase in employment was well above consensus forecasts (20K). While any single LFS release can be volatile on a month-to-month basis, the 3 and 6-month averages for job gains (60K and 16K) have also picked up relative to trends seen earlier in the year.
- For July, job growth was pretty evenly split between full and part time roles, and by sector was led by wholesale & retail, finance, professional services and construction. While private sector hiring was strong, the public sector pulled back for a second consecutive month. A surge in self-employment (+44K) is a little suspicious and in percentage terms was close to the highest monthly change recorded for that segment of worker, and so could reverse next month.
- The unemployment rate edged down further to 6.4%, which is the lowest level since July 2024. The jobless rate for young workers (aged 15-24) was the lowest since early 2024, with this summer's student job market stronger than those see in the prior two years. That appears to have led to an upturn in participation for young people as well, although there is plenty of room for more workers to be drawn back into the labour market. While participation for young people was roughly a percent higher than at the start of the year (63.4% vs 62.5%) it remains 1-2% below average levels that persisted in the prior cycle. The jobless rate for prime-aged workers (25-54) edged down again but so far only matches the low seen earlier in the year.

- Wage growth for permanent employees eased a little more than expected to 3.0%, from 3.7%, although that could be due to compositional factors that the Bank of Canada's preferred LFS-micro series adjusts for. Consistent with the surge in employment, hours worked rose by 0.6%, which suggests that the momentum seen within the economy as a whole in Q2 may have carried forward into the start of the third quarter.

Implications & actions

Re: Economic forecast — Today's report suggests that growth momentum seen in the second quarter may have carried on into the start of Q3. However, at 6.4% the unemployment rate is still roughly half a percent higher than where we estimate full employment lies, and therefore not yet at a level that will fuel domestically-driven inflation. As a result we continue to see the Bank of Canada remaining on hold this year and into the start of 2027.

Re: Markets — Bond yields struggled for direction immediately after the release, as the better than expected Canadian data contrasted with a much weaker than anticipated US payrolls report. The Canadian dollar appreciated against the greenback.