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Canadian employment (Jun): Continuing to recover

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Labour force survey (monthly change, thousands, unless otherwise noted)	Feb	Mar	Apr	May	Jun
Employment	-83.9	14.1	-17.7	87.8	**18.2**
• Full-time	-108.4	-1.1	-46.7	154.0	**0.6**
• Part-time	24.5	15.2	29.0	-66.2	**17.5**
• Paid workers	-89.7	20.0	-12.1	76.7	**1.1**
• Private	-72.6	15.4	-2.6	56.3	**31.6**
• Public	-17.1	4.6	-9.5	20.4	**-30.5**
• Self-employed	5.6	-5.8	-5.7	11.2	**17.0**
Participation rate (%)	64.9	64.9	65.0	65.0	**65.0**
Unemployment rate (%)	6.7	6.7	6.9	6.6	**6.5**
Avg. hourly earnings, perm. workers (y/y %)	4.2%	5.1%	4.8%	3.2%	**3.7%**
Actual hours worked by industry (m/m %)	-1.1%	0.2%	0.0%	0.6%	**0.2%**

Source: Statistics Canada

- The Canadian labour market continued to add jobs in June, putting the weakness seen over the first four months of the year further into the rearview mirror. However, even after the latest gain, the level of employment is still slightly lower than it was entering 2026, and the unemployment rate is only just back to its recent low of 6.5% in January. Moreover, with the breakdown of today's data suggesting that current employment may be partly flattered by FIFA World Cup related hiring, it is possible that employment growth will slow again and the recent decline in unemployment may stall as this boost fades.
- The 18K headline employment reading was slightly above expectations (consensus 10K) and, with the participation rate holding steady and population growth slower than in recent years, it was enough to see the unemployment rate edge down to 6.5%. By sector, job growth was led by wholesale & retail, food & accommodation and info & recreation, with the latter two possibly flattered by temporary hiring related to the FIFA World Cup. On aggregate, the increase in jobs was driven by part-time rather than full-time work, which could once again hint at a World Cup impact.
- In contrast, manufacturing employment fell by 17K to slightly more than offset the increase recorded in the previous month. There was once again little sign of census related hiring flattering the overall figure, with public administration jobs up only marginally and public sector employment as a whole actually falling by 30K.
- The summer job market for students continues to look better than it was last year, and the unemployment rate for young people (15-24) fell further in June. At 12.7% the youth unemployment rate is close to recent lows recorded around the turn of the year, but still elevated by historic standards. The jobless rate for core aged (25-54) workers held steady at 5.6%.
- Population growth accelerated in June but remained well below levels seen throughout much of 2024 and 2025. The aggregate employment ratio edged up, driven by youth and prime-aged workers. However, that ratio remains low by historic standards, with aging demographics alone unable to explain all of that weakness.

- Wage inflation for permanent employees reaccelerated in June to 3.7% (from 3.2%), but that could be partly compositional and the Bank of Canada's LFS-micro series (using detailed data to adjust for composition) has generally been tracking weaker than the headline figure recently.

Implications & actions

Re: Economic forecast — For the Bank of Canada, the further slight improvement in the employment ratio is encouraging, but we suspect that policymakers will want to see further strengthening before seriously considering the need for higher interest rates, particularly if inflationary pressures remain less concerning than earlier in the year with oil and gasoline prices lower then their spring peaks. Given some evidence that recent hiring was flattered by the FIFA World Cup, we suspect that any improvement in the second half of the year will be more gradual than that seen in the past two months, which would support our forecast for no change in the BoC overnight rate.

Re: Markets — Bond yields rose slightly on the stronger than expected headline figure.

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