

Economics

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Canadian employment (Jun): An early summer lull

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Labour force survey (monthly change, thousands, unless otherwise noted)	Feb	Mar	Apr	May	Jun
Employment	40.7	-2.2	90.4	26.7	-1.4
• Full-time	70.6	-0.7	40.1	-35.6	-3.4
• Part-time	-29.9	-1.6	50.3	62.4	1.9
• Paid workers	2.4	27.1	75.9	10.1	-9.2
• Private	-16.4	15.2	50.4	17.6	5.4
• Public	18.8	11.9	25.5	-7.5	-14.6
• Self-employed	38.3	-29.3	14.5	16.6	7.7
Participation rate (%)	65.3	65.3	65.4	65.4	65.3
Unemployment rate (%)	5.8	6.1	6.1	6.2	6.4
Avg. hourly earnings, perm. workers (y/y %)	4.9%	5.0%	4.8%	5.2%	5.6%
Actual hours worked by industry (m/m %)	0.3%	-0.3%	0.8%	0.0%	-0.4%

Source: Statistics Canada

- There was an early summer lull in the Canadian labour market, particularly for students looking for work before returning to their studies. The -1K change in employment contrasted to consensus expectations for a 25K gain, and with the population increasing by nearly 100K on the month the stall in employment meant that the jobless rate rose two ticks to 6.4% (consensus 6.3%). While core measures of inflation accelerated last month, the continued loosening of labour market conditions should give the Bank of Canada comfort that inflation will converge to its 2% target over time. We maintain our forecast for a second 25bp cut at the next meeting later this month, although upcoming CPI data remain important to that call.
- By sector, declines in transportation and public admin were broadly offset by gains in accommodation & food service and agriculture. Public sector paid employment fell for the second consecutive month (-15K), although the jobs count in this area remains 4.3% up on a year-over-year basis.
- By age, the decline in overall employment was driven by 15-24 year olds where on a seasonally adjusted basis the job count was down by 24K. That reflected a weaker gain in unadjusted employment than is typical during this month of the year. Statistics Canada noted that employment prospects for students who would be returning to studies in the fall were the weakest since June 1998 (not counting the pandemic year of 2020).
- Newcomers into Canada (both temporary and permanent residents in the country for less than 5 years) have seen the largest increases in their unemployment rates since the same period of last year and relative to 2019. However, unemployment rates for persons born in Canada and immigrants who entered the country more than 5 years ago have risen and are now also slightly above where they stood during the same period of 2019.
- Aggregate hours worked were down 0.4%, which is a negative first signal for June GDP. While wage growth accelerated to 5.6% for permanent workers (from 5.3%), that move was not entirely unexpected given base effects from a year ago, and we expect this measure of wages to decelerate in the second half of the year.

Implications & actions

Re: Economic forecast — With little evidence of a slowdown in population growth yet, and with job vacancies continuing to fall, the recent trend of job growth falling short of population is likely to continue for a few more months yet. As a result the peak in the jobless rate will likely be slightly higher than we previously anticipated. The slack that is opening up in the labour market should convince policymakers that inflation will ease towards their 2% target, even if there are short-term bumps in that path like that seen in last month's CPI reading.

Re: Markets — Bond yields fell following the release as investors placed a higher probability of a rate cut in July. However, the Canadian dollar was little changed against its US counterpart due to weaker than anticipated employment data for the US as well.

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