

Economics

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July 11, 2025

Canadian employment (June): Bouncing back

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Labour force survey (monthly change, thousands, unless otherwise noted)	Feb	Mar	Apr	May	Jun
Employment	1.1	-32.6	7.4	8.8	83.1
• Full-time	-19.7	-62.0	31.5	57.7	13.5
• Part-time	20.8	29.5	-24.2	-48.8	69.5
• Paid workers	17.8	-50.6	-3.9	39.3	70.0
• Private	10.2	-47.8	-26.8	60.6	46.6
• Public	7.6	-2.8	22.9	-21.3	23.4
• Self-employed	-16.8	18.0	11.2	-30.4	13.1
Participation rate (%)	65.3	65.2	65.3	65.3	65.4
Unemployment rate (%)	6.6	6.7	6.9	7.0	6.9
Avg. hourly earnings, perm. workers (y/y %)	4.0%	3.5%	3.5%	3.5%	3.2%
Actual hours worked by industry (m/m %)	-1.3%	0.4%	0.4%	0.0%	0.5%

Source: Statistics Canada

- Canada's labour market showed its resilience in June, with employment jumping by 83K, and the unemployment rate falling by a tick to 6.9%. That was relative to the consensus for a flat employment reading and a tick up in the unemployment rate. That increase more than offsets the jobs lost back in March when tariffs began to take a toll on the economy. This report clearly gives the BoC a reason to pause again in July. But the unemployment rate is still elevated, and new tariff threats and the uncertainty over the USMCA renewal is lingering. Moreover, the LFS survey is volatile and could reverse these gains ahead, as the economy likely hasn't seen the full damage from tariffs in place yet. Wage growth softened to 3.2% y/y, and all of that suggests that policymakers could still opt to cut in September, and follow that with a final cut in December, leaving our terminal rate forecast of 2.25% unchanged.
- The detail of the report was encouraging, with the private sector accounting for the bulk of the job gains. By industry, wholesale/retail led the job gains, followed by healthcare/social assistance, professional services, and manufacturing. Employment in the manufacturing sector is still sitting 44K below pre trade-war levels, even after adding 11K jobs in June, and manufacturing employment fell slightly in Ontario, where the auto sector is still reeling from tariffs. The transportation services sector shed a modest 3K jobs, which leaves headcounts still 24K below pre-trade war levels.
- A tick up in participation facilitated the job gains, with the part-rate now at 65.4%, just a hair below last year's average. The population increased by 47K, with the annualized rate of change (1.6%) now closer to the cooler pace that's been seen in the quarterly count for a while.
- The fact that most of the jobs created (70K) were in part-time positions rather than full-time wasn't ideal, and suggests that the 0.5% m/m gain in hours worked will look more modest in GDP terms. Hours worked in higher-value added goods sectors were also flat, with a 0.6% m/m increase in services driving the headline gain.

Implications & actions

Re: Economic forecast — The Bank of Canada will use this report as a reason to pause again in July. However, this survey is volatile and could easily reverse June's strengths in the coming months, as we suspect that the full tariff damage hasn't fully been captured in the data yet. Renewed tariff threats lately are also adding to the uncertainty for businesses and households, along with the USMCA renewal. The softening in wages was something that the BoC had been looking for, and with the unemployment rate still a percentage point above a healthy level, we look for the BoC to cut in September and again in December, leaving our call for a 2.25% terminal rate in place.

Re: Markets — Bond yields were higher following today's data, as investors pared back BoC rate cut odds for July's meeting.

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