



Economic Flash!

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Canadian Labour Market: More Room at the Inn

M/M chg, 000s	Feb	Mar	Apr	May	Jun
Employment	15.4	32.3	-1.1	-7.5	31.8
Full-time	-39.3	68.3	28.8	-31.0	9.1
Part-time	54.7	-35.9	-30.0	23.6	22.7
Paid workers	58.7	12.6	14.4	8.1	9.8
Private	8.4	-7.0	28.0	-4.8	-2.0
Public	50.3	19.6	-13.6	12.9	11.8
Self-employed	-43.3	19.8	-15.6	-15.6	22.0
Part. Rate (%)	65.5	65.5	65.4	65.3	65.5
Unemp. Rate (%)	5.8	5.8	5.8	5.8	6.0
Avg. Hourly Earnings, perm. workers (y/y %)	3.1%	3.1%	3.3%	3.9%	3.5%
Actual Hours Worked by Industry	0.6%	0.0%	-0.1%	0.0%	-0.2%

- Canada's job market managed to find more room at the inn, with June registering a nice employment gain while also finding more people willing to work at the same time. After a couple of soft months, the survey estimated that there were 32K more Canadians working in June, but a two-tick rise in labour force participation meant that the unemployment rate jumped to 6.0%. That came after a few months of softness in participation that threatened to crimp economic activity earlier than hoped, so if this bounce-back can be sustained, it opens up a hair more room for non-inflationary growth.
- We always caution that these one-month survey data are not particularly accurate representations of the economy as a whole, given the limitations of the sample size. Stepping back from this month's jobs bounce, the trend this year looks relatively flat, with the average employment level in Q2 still below December's level.
- Moreover, the details in June's job mix, which we again treat cautiously given the standard error in the survey, were not what we would like to see as a trend. Job gains were tilted to part time, self-employed positions. For all the bravado in the Bank of Canada's latest outlook survey of large businesses, the private sector hasn't added any workers through the first half of the year. The reliance on part-time jobs meant that hours worked fell 0.2% on the month, and are still down slightly since February.

- June's survey pointed to a bounce back in construction employment in June, alongside gains in manufacturing. Note that the factory sector employment is only flat over the last year, and most of that was before the trade war talk with the US really heated up. In the other key trade-oriented sector, natural resources, both the 13K gain in June, and the trend over the last two years, has been more encouraging. Wholesale/retail trade shed jobs in both June and over the past year, perhaps capturing on-line competition for retailers.
- We're not big fans of the self-reported wage figure in this survey, favouring the numbers that come from employers in the SEPH data. Average hourly earnings gains for permanent workers eased back to 3.5% (from 3.9% in May), on the combination of what looked to be a softer seasonally adjusted June. As in May, the June figure is still based on a suspiciously weak June 2017 pace (of 1.0%), so don't be surprised if, in the next few months, we see the year-on-year wage figure decelerate further as we move past the period in which this series was implausibly low in 2017.
- Ontario, Saskatchewan and Manitoba were the winners in the one-month jobs gain, but 12-month changes have a bit more reliability. On that basis, PEI (+2.4%) and Ontario (+2.2) have seen materially faster job gains than the national picture, while BC (-0.8%) and Newfoundland (-0.3%) are the only regions with fewer working today than a year ago.

Implications & Actions

Re: Economic Forecast— Even after June's gains, the jobs trend this year isn't looking that promising. But if the Bank of Canada seemed poised to raise rates in July before these numbers, there wasn't anything to dissuade them in the jobs data, and May export softness was also not weak enough to be a game changer. We'll stick to our call for a July rate hike, but mediocrity in the data is also in line with our view that a July hike will be the last for 2018.

Re: Markets— Financial markets yawned in the face of a deluge of data from both the US and Canada. So for now, minds seem to be made up on both central banks and economic activity ahead.

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