Canada: The labour market remains resilient despite a loss of momentum

By Kyle Dahms/Alexandra Ducharme

Canada lost 31K jobs in July, a second consecutive monthly decline. Despite this development, Canada’s labour market is not in disarray. July’s losses were concentrated in public sector jobs (left chart). This sector indeed suffered its worst lost outside of a pandemic since 1976 (~51K), a perplexing development considering the state of public finances at both the federal and provincial levels. Private sector employment, while also down in July, is still up 110K year-to-date with continued contribution from construction and manufacturing during the month. Despite the July decline, the unemployment rate remained unchanged at its lowest level since 1970 due to a 0.2 pp drop in the participation rate, a third decline in four months. With the unemployment rate remaining historically low, we still see resilience in the Canadian domestic economy. This robustness is also confirmed by the evolution of the wages of permanent employees, which grew 5.4% over the last twelve months, down from June’s 5.6% print but still historically high. At this juncture, the Bank of Canada is still on track to hike at its next meeting on the 7th of September with labour shortages continuing to persist according to the latest figures by the CFIB (right chart).

HIGHLIGHTS:

- Canadian employment registered a 31K loss in July, marking a second consecutive decline. This loss comes as a surprise as consensus was expecting a 15K increase. Despite July’s job loss, the unemployment rate remained at 4.9% as the participation rate pulled back 2 ticks (64.7%). This continues to be the lowest jobless rate since 1970.
- The decline in employment stemmed from both part-time jobs (~17.5K) and full-time jobs (~13.1K). The self-employed category (+34.2K) posted a significant increase while the private sector fell by 13.8K and the public sector posted a substantial decline (~51K). The services sector posted a significant deterioration (~53.2K) in July. Trade (~27K) posted major losses but other sector also registered drops: healthcare (~22K), educational services (~18K) and business/building services (~12K). On the flip side, FIRE (+11K) and transportation/warehousing (+9K) posted increases in the month.
- Meanwhile, employment in the goods-producing sector (+22.6K) posted an increase on good diffusion with construction (+7.7K) and manufacturing (+7.1K) leading the increase.
- Regionally, Ontario saw the largest pullback (~27K) while Quebec declined to a lesser extent (~4.5K). Employment was barely up in BC (+0.5K) and Alberta (+0.3K).
- Hours worked edged back 0.5% in the month, but this follows an increase of 1.3% in June and they remain up 4.3% from twelve months ago.
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