Canada’s labour market recovery continues in July

- Canadian employment increased by 94k in July, still 1.3% below pre-shock levels
- Unemployment rate fell from 7.8% to 7.5% in July
- Service-sector jobs recovery to continue but supply chain disruptions may limit future jobs growth in the industrial sector

Despite falling shy of expectations, today’s labour market report was still constructive on many levels. Canadian employment jumped by 94K in July and the unemployment rate dropped to 7.5% after climbing as high as 8.2% during the spring wave of virus spread/restrictions in May. Similar to last month, much of the employment lift came from a recovery in the hard hit hospitality and travel sectors as more businesses reopened. The hospitality sector added 39K jobs in July (42% of the total monthly increase) though still stands with a 356k shortfall relative to pre-shock (Feb/2020) levels. We expect the easing of virus containment measures over the summer will further support the recovery in those hardest-hit sectors. The lion’s share of the jobs were full time positions and hours worked moved substantially higher after being sluggish over the last few months. Total hours worked rose 1.3% in July.

Employment bounced back more quickly outside of the hospitality sector, but further growth may be limited by supply chain disruptions and production capacity limits. Employment in the manufacturing sector was up 9k in July, albeit still down 2.2% from April after declines in May and June that were probably related to chip shortages limiting production in the motor vehicle sector. And other sectors where the employment bounce-back has been stronger have already reported shortages of workers available. As competition for talent builds up, we’ll continue to watch for signs of emerging wage pressures.

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