

## Daily Economic Update

July 6, 2018

### Canadian employment rose in June, but so did the unemployment rate

On the surface June's jobs data was a mixed bag with employment posting a solid increase but the unemployment rate rising. The latter reflected more Canadians looking for work as a strong labour market is likely boosting their confidence in finding a job. Wage growth slowed a touch but is still running at an impressive rate. Minimum wage hikes continue to skew the picture—BC raised theirs more than 10% in June—with the BoC's 'wage common' suggesting pay growth was closer to 2.5% year-over-year in Q2. Looking at the first half of the year, job growth has clearly slowed relative to 2017's impressive pace. That might be more a reflection of tight labour market conditions than lack of demand, though as today's data showed there are still some Canadians that can be drawn into the job market. At this point we see little reason for the BoC to change their assessment that the economy is operating close to potential.

Today's employment and international trade data are the last major releases ahead of next Wednesday's Bank of Canada meeting. We don't think either impressed or disappointed enough to move the needle for the Governing Council. GDP data and the BoC's Business Outlook survey hold more sway, with the former coming in about as expected while the latter impressed in last week's release. We continue to expect a rate hike next week, which won't come as a surprise to markets following generally solid data flow and relatively upbeat commentary from Governor Poloz.

#### Highlights:

- Employment rose 32k in June to more than retrace modest declines in the prior two months. Employment has been little changed on average this year following robust gains in 2017.
- June's job gains were concentrated in goods-producing industries with construction and manufacturing employment paring back earlier declines. Services employment fell after four months of solid gains.
- The participation rate rose 0.2 ppts, pushing the unemployment rate higher. But at 6.0% in June unemployment is near multi-decade lows and is consistent with most estimates of full employment.
- Wages were up 3.5% year-over-year with the strongest gains in Ontario and BC. Both provinces raised minimum wages this year though their labour markets are also among the tightest in the country.

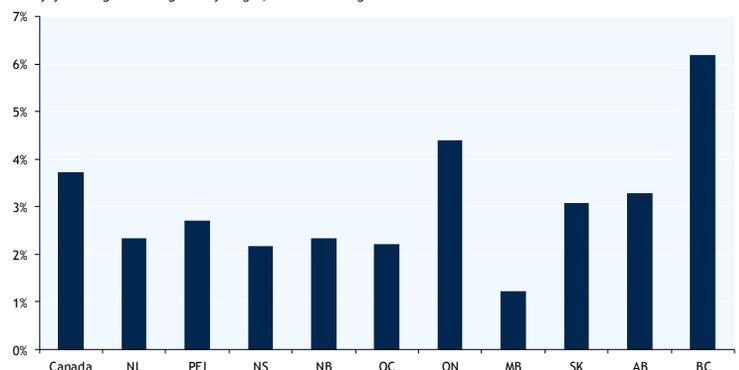
#### Canada employment summary

	Apr-18	May-18	Jun-18	Jun-18
	m/m change (thousands)			12 mth avg
Employment	-1	-8	32	18
Full-time	29	-31	9	24
Part-time	-30	24	23	-6
Public	-14	13	12	7
Private	28	-5	-2	7
Self-employed	-16	-16	22	4
				y/y ppts change
Unemployment rate	5.8	5.8	6.0	-0.5
'R8' (SA by RBC)	8.2	8.3	8.6	-0.6
Participation rate	65.4	65.3	65.5	-0.4
ages 25-54	86.9	86.6	86.8	-0.3

Source: Statistics Canada, RBC Economics

#### Canadian wage growth by province

y/y % change in average hourly wages, 3-month average



Source: Statistics Canada, RBC Economics Research

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