



Daily Economic Update

August 4, 2017

Canada's economy continued to create jobs in July

Canadian employment rose consistently over the first half of the year and last month was no different with 11k jobs added in July. The average monthly increase of 28k year-to-date is well above the pace needed to absorb new entrants into the labour force, pushing the unemployment rate down to 6.3% in July from 6.9% at the end of last year. Strong job gains are consistent with above-trend growth in the economy. We are monitoring a 3.7% increase in Q2 GDP, which would match the previous quarter's gain and make Canada the growth leader among its G7 peers. And low unemployment at the national level supports the Bank of Canada's expectation that slack in the economy will be absorbed later this year. That should keep the central bank in tightening mode. We expect they will follow up on July's rate increase with another hike in October. Inflation developments will be important in dictating the pace of rate increases thereafter. Today's employment report showed that wage growth remains subdued despite tight labour market conditions. Lack of inflationary pressure will likely prevent the BoC from acting aggressively to remove accommodation.

Highlights:

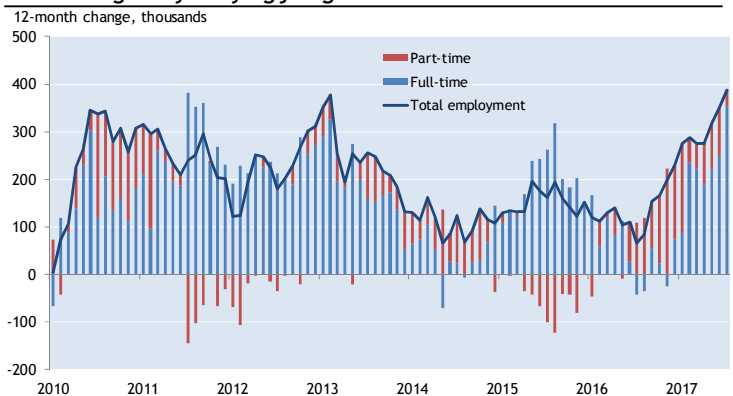
- Employment growth met expectations with an 11k gain July following an impressive 100k increase over the previous two months.
- July's increase entirely reflected higher full-time employment while part-time jobs fell. Of the 388k jobs added over the last year, more than 90% have been full-time positions.
- Manufacturing jobs rose 14k with employment in the industry now up 3% from a year ago, the best pace since 2012. Gains in the service sector were led by wholesale and retail employment,
- Ontario led the provinces with employment up 26k in July.
- The unemployment rate fell 0.2 percentage points to a cycle-low of 6.3%. Broader measure of unemployment that include discouraged workers also declined.
- Wage growth remained weak but edged up to 1.2% from 1.0% in the previous month. Wage measures from other surveys are showing year-over-year growth above 2%.

Canada employment summary

	May-17	Jun-17	Jul-17	Jul-17
	m/m change (thousands)			12 mth avg
Employment	55	45	11	32
Full-time	77	8	35	29
Part-time	-22	37	-24	3
Public	9	6	1	11
Private	59	18	-3	18
Self-employed	-14	21	13	3
	%			y/y ppts
Unemployment rate	6.6	6.5	6.3	-0.7
'R8'	9.3	8.7	9.7	-0.7
Participation rate	65.8	65.9	65.7	0.2
ages 25-54	87.1	87.1	87.2	0.8

Source: Statistics Canada, RBC Economics

Canada's gravity-defying job growth



Source: Statistics Canada, RBC Economics Research

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