Economic Update

August 4, 2023

Canadian Labour market tightness eases into July

Canada employment summary

	May-23	Jun-23	Jul-23	Jul-23
	m/m change (thousands)			*y/y change (thousands)*
Employment	-17	60	-6	435
Full-time	-33	110	2	369
Part-time	16	-50	-8	66
Public	10	-4	17	63
Private	13	83	-18	414
Self-employed	-40	-19	-6	-41
Hours worked (% change)	0.0	0.0	0.0	0.0
	%			*Ppt change*
Unemployment rate	5.2	5.4	5.5	0.6
'R8' (SA by RBC)	6.6	7.0	7.4	0.9
Participation rate	65.5	65.7	65.6	0.3
ages 25-54	88.7	88.8	88.8	0.4
Avg hrly wages (y/y %)	0.1	0.0	0.1	

Source: Statistics Canada, RBC Economics

- July saw a 6,000 decline in new jobs after June's 60,000 job gains.
- While employment growth was largely flat, soaring population growth (+81.9K) meant not all new labour force entrants found work. The unemployment rate rose for a third consecutive month (to 5.5%).
- The unemployment rate has risen by half a percent since April. Total job postings have fallen significantly from their December peak and vacancy rates were back at early 2021 levels as of May.
- Wage growth has slowed in prior months but was much stronger than anticipated, up 5% year-over-year and 0.9% from the month prior- the largest increase since last summer. The Bank of Canada will closely monitor wages for signs of additional inflationary pressures, but higher unemployment rates mean broader underlying wage pressures are easing.
- Actual hours-worked were largely flat, up 0.1% for a second straight month.
- **Bottom line:** Job growth was largely flat in July, but controlling for a boost to the Canadian population, labour markets softened more significantly under the surface. The jobs report is one of a slew of indicators in advance of the BoC 's next interest rate decision on September 6th and the question remains whether interest rates are sufficiently restrictive to tame inflation. Today's jobs report is a point in favour of keeping the overnight rate at 5%, but the BoC will closely monitor additional indicators – particularly upcoming inflation and consumer spending reports – to determine whether an additional hike is needed.

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