



Employment choppy in June but unemployment rate drops to record low

Canadian hiring stumbled in June with an unexpected decline in employment but another record low in the unemployment rate highlighted the difficulty in finding workers and upward wage pressure. May employment gains were reversed in June with a 43k person (or 0.2 per cent) decline, marking the first pullback since January's Omicron- driven slide. Employment slipped to 2.4 per cent above February 2020.

While edging lower, the entirety of net job declines again observed in part- time work (-39.1k persons or 1.1 per cent) as full- time employment was unchanged. Moreover, declines were entirely self-employed workers with a fair chunk transitioning into the paid private workforce and taking advantage of high demand for workers. The pullback in part- time work also points to more intensive use of the existing labour pool as talent remains scarce. High job vacancy rates mean employers are extending hours for some employees. Total hours worked rose 1.3 per cent during the month despite the drop.

Losses among those aged 55 and over accounted for the declines as prime-aged employment expanded. This may reflect voluntary withdrawals from the labour force as borders re-open and retirement/travel plans lead to a shift to leisure.

Industry performance was wildly mixed. Steep declines were seen in wholesale and retail trade (-58k persons or 2.5 per cent), while healthcare (20.2k persons) and education (-14.2k persons) both declined nearly a point. It is unclear what is driving this drop in people-facing sectors, although inflation could factor into a pullback in retail spending. Resource extraction industry employment fell 20k persons or 5.8 per cent. In contrast, expansion of 1.5 per cent was observed in both manufacturing (26.3k persons) and construction (23k persons). Public administration jobs also rose significantly by 14.9k persons or 1.3 per cent.

Among provinces, the performance was mixed. Job losses were concentrated in Quebec (-27k or 0.6 per cent) and Ontario (-24.7k or 0.3 per cent), alongside Newfoundland and Labrador (-4.3k or 1.9 per cent). B.C., Alberta, and Manitoba managed modest gains.

Labour market conditions remained exceptionally tight despite the employment slip. Canada's unemployment rate fell again to reach another record low of 4.9 per cent, breaching 5 per cent for the first time. More individuals dropped out of the labour force, specifically those aged 55 and over, they may not return. The employment rate and participation rate edged down but remained near pre-pandemic levels. Tight conditions and broader inflation are lifting wages. Average hourly wage growth came in at a strong 5.2 per cent y/y, and we could see further catch up as employment contracts build in these pressures. The Bank of Canada is likely to focus on wage growth and low unemployment rate at its next rate decision rather than the employment decline. Coupled with the most recent inflation print, we see a 75- basis point hike at next week's decision.

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