



Labour market churns out big jobs number in June but unemployment rate climbs

The Canadian labour market more than reversed May job losses in June in a sign that economic conditions remain resilient with no recession in clear view. At the same time, the data from the Labour Force Survey will provide some minor relief for the Bank of Canada. The numbers suggest further inflation progress with another increase in the unemployment rate and significant wage deceleration.

June employment jumped by 59,900 persons (0.3 per cent) in June following a 17,300 person decline in May. Year-over-year, employment growth accelerated from 1.8 per cent to 2.4 per cent. Full-time hiring ballooned by 109,600 persons (0.7 per cent) in a clear sign of hiring strength which offset a near 50,000 person decline in part-time work. Surprisingly however, growth in hours worked was negligible at 0.1 per cent from May but up two per cent from a year ago. Net employment gains were observed across youth and prime-working (25-54) age cohorts, while employment among those 55 and over declined.

Private-sector hiring accounted for the entirety of June's gain with an 82,500 persons (0.6 per cent) advance, as public-sector and self-employed work declined. That said, growth was concentrated among few industries. Net gains were led by wholesale and retail trade (up 32,600 persons or 1.1 per cent) which aligns with strength in consumer spending and retail trends. Preliminary retail sales growth for May pointed to a strong gain of 0.5 per cent sales growth. Meanwhile, healthcare and social assistance employment increased by 20,700 persons (0.8 per cent), and manufacturing employment also jumped (27,300 persons or 1.5 per cent). In contrast, significant declines were observed in construction (0.8 per cent) and education (0.9 per cent).

While employment moved up, labour market conditions moderated as robust population growth and an uptick in workforce participation expanded the labour force by 0.5 per cent. Labour force participation increased from 65.5 to 65.7 per cent to contribute 0.2 pp to labour force growth and was the highest since January. Rising labour force participation could reflect strength in hiring, but also financial stress as individuals choose to work to offset inflation and interest rate pressures.

The swelling labour supply moderated some of the excess tightness in the market. The unemployment rate rose for a second straight month to reach 5.4 per cent, up from 5.2 per cent in May. While the highest since February 2022 this remains below pre-pandemic February 2020 (5.7 per cent). Wage growth also subsided freefalling from a year-over-year pace of 5.1 per cent in May to 4.1 per cent in June. For permanent employees, this fell from 5.1 to 3.9 per cent. This is still high, but the magnitude of decline is surprising and may reflect shifts in employee composition.

On the whole, the June labour market report still points to a solid economy and robust hiring, but expansion of the labour supply is slowing wage growth. Nonetheless, the Bank of Canada is likely hike again in July given the hiring figures.

Provincial highlights

Among provinces, employment growth was mixed. Ontario led the increase, reversing May's loss of 23,800 persons with a 55,800 (0.7 per cent) increase in June. This accounted for nearly all of national increase. Newfoundland and Labrador recorded a 1.0 per cent increase. Alberta (0.4 per cent) and Saskatchewan (0.3 per cent) also saw notable increases. In contrast, employment in Quebec and New Brunswick edged lower. Unemployment rates were broadly higher relative to May with the largest monthly increases observed in PEI (up 1.0 per cent to 8.2 per cent), and British Columbia (up from 5.0 to 5.6 per cent). The highest unemployment rate is currently observed in Newfoundland and Labrador (8.8 per cent), with the lowest in Manitoba at 4.3 per cent.

Canada Labour Force Survey Summary

	2023M02	2023M03	2023M04	2023M05	2023M06
Employed, m/m	21.8	34.7	41.4	-17.3	59.9
Employed, m/m %	0.1	0.2	0.2	-0.1	0.3
Employed, y/y %	2.1	2.2	2.1	1.8	2.4
Unemployment Rate, %	5.0	5.0	5.0	5.2	5.4
Participation Rate, %	65.7	65.6	65.6	65.5	65.7
Employment Rate, %	62.4	62.4	62.4	62.1	62.2
Hourly Wage, y/y %	5.4	5.3	5.2	5.1	4.2
Employed, 3m % ch	1.2	1.0	0.5	0.3	0.4
LFS Employed, m/m ch. by select NAICS industry, persons					
Goods	17.5	-40.9	6.3	22.8	9.8
Resources	5.0	-10.6	1.8	2.1	3.0
Construction	-1.5	-18.8	7.0	0.6	-13.5
Manufacturing	6.8	-6.1	2.8	12.9	27.3
Services	4.2	75.5	35.2	-40.1	50.0
Trade	-2.5	-2.4	24.4	-12.9	32.6
FIREL	-8.0	18.5	-8.8	-3.3	9.8
PST	-2.2	5.0	-6.1	-13.4	-6.5
Accom. and Foodservices	3.1	4.5	-5.1	10.6	-1.0
Public Admin	10.0	1.8	0.2	0.6	6.7

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