

Contributors

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Chart 1

Canadian Jobs Break Down	
Province	m/m
Ontario	+55.8k
Alberta	+10.6k
Nova Scotia	+3.6k
Newfoundland & Labrador	+2.3k
Saskatchewan	+1.8k
Manitoba	+0.6k
New Brunswick	-1.5k
Prince Edward Island	-2.4k
British Columbia	-2.6k
Quebec	-8.4k
Employment Type	m/m
Full Time	+109.6k
Part Time	-49.8k
Public Sector	-3.6k
Private Sector	+82.5k
Self Employed	-19.1k

Sources: Scotiabank Economics, Statistics Canada.

## Canadian Jobs Reinforce Forecast for Another Bank of Canada Hike

- Job growth exceeded expectations with strong details
- The gain in labour force participation is back to pre-pandemic levels
- Wage growth decelerated...
- ...but trend gains continue to outpace poor productivity
- The BoC is forecast to hike 25bps next week with a hawkish bias

**Canada jobs m/m 000s // UR %, June:**

Actual: 60 / 5.4  
 Scotia: 40 / 5.3  
 Consensus: 20 / 5.3  
 Prior: -17.3 / 5.2

Canada's jobs report offered enough to support my pre-existing call for a further Bank of Canada hike next week in the context of the full suite of evidence to date and a fuller preview will be offered in the Global Week Ahead later today. The details behind the impressive 60k gain in employment were robust and mildly dented by cooler wage growth following a strong prior month. Job growth exceeded consensus and my estimate that was nevertheless the second highest out there. Chart 1 provides several highlights.

The market reaction was somewhat dented by the softer than expected US payrolls figure albeit with stronger US wage growth, but Canada's shorter term yields rose a touch in absolute terms and more so in relation to a mild rally in US 2s. The C\$ strengthened by nearly three-quarters of a cent so far. Market pricing for next week's BoC decision edged up by 2-3bps to make it considerably better than even odds being priced for a hike.

My fear into these numbers had been that the only driver of a rebound in job growth after losing 17k jobs in May would be a reversal of temporary distortions while the rest of the report would be weak. Instead, there was much more underlying strength to the hiring activity that continues to signal that the labour market remains very strong and very tight.

Youth employment rebounded with a gain of 30k that reverses the 77k drop the prior month such that perhaps it's not as bad of a summer job market as it appeared to be in May. But it's not just youths that benefited here, as the 25+ age bracket also gained 30k jobs and this time entirely men.

Self-employed jobs fell another 19k to add to the 40k drop the prior month and so there was no stabilization effect here, but it was offset by a 79k surge in payroll jobs. Better yet, the torrent of public sector hiring since the start of the pandemic wasn't the prime factor for once, as private sector payrolls led the gains with a jump of 83k albeit with another 7k public administration jobs. The wealth creating part of the economy generally stepped up to the plate as the core driver.

All of the 60k additional jobs in June were in full-time positions (+110k) as part-time jobs fell by 50k and this adds to the quality of the readings.

Wages were up by just 0.4% m/m at a seasonally adjusted and annualized pace in June which was disappointing but recognize that this came on the heels of the strong 4.2% m/m SAAR gain the prior month. A high jumping-off effect made another strong gain difficult to achieve. Instead, focus upon the smoothed trend in chart 2. Gains have been trending in the roughly 2-3% range this year with some lumpy jumps along the way like May's 4.2% and February's 7%. The effects of big unionized wage gains upon average wage growth still

lie ahead. Furthermore, any wage gains with poor productivity since the start of the pandemic are contributing to inflationary pressures at the margin.

By sector (chart 3), services led the way with a 50k gain followed by a 10k gain in goods producing sectors' employment. Within goods, the gain was in manufacturing (+27k) as construction fell 14k while resources, utilities and agriculture were all little changed.

Within services, the gain was driven by a few sectors led by wholesale and retail trade (+33k), followed by health care and social assistance (+21k), and then 10k gains in each of the transportation/warehousing and FIRE sectors.

By province, most of the gain was in Ontario (+56k) followed by Alberta (11k) as other provinces were mostly flat and only Quebec posted a modest 8k drop.

Hours worked were a plus for GDP growth given that GDP is an identity defined as hours worked times labour productivity (itself defined as inflation-adjusted output per hour worked). Hours were up by 0.1% m/m in June and were up by 1.8% q/q SAAR in Q2 (chart 4). While we don't have any Q3 data, there is no growth in hours baked into Q3 based solely upon the way the quarter exited and the Q2 average. To get growth in Q3 will rest entirely upon monthly updates from July through September absent any momentum effect.

The unemployment rate edged up two-tenths to 5.4% despite the solid gain in jobs because more people entered the workforce in search of jobs than got them. The labour force expanded by 114k last month and not just due to population growth because the labour force participation rate moved up two-tenths to 65.7% (chart 5) which somewhat leans against interpreting the expansion of the pool of available labour as having been driven by immigration as opposed to expanded labour force entry by the existing population. That signals a labour market that is still able to take in new entrants and the participation rate is almost dead even with where it was before the pandemic struck. Perhaps the labour pool is expanding out of necessity as households adjust to various pressures. Most of the rise of the labour force was in Ontario (+69k) with smaller gains in BC, Alberta and Quebec. By age category, there were 62k more youths 15–24 searching for work and 52k more folks aged 25+ looking for work.

Chart 2

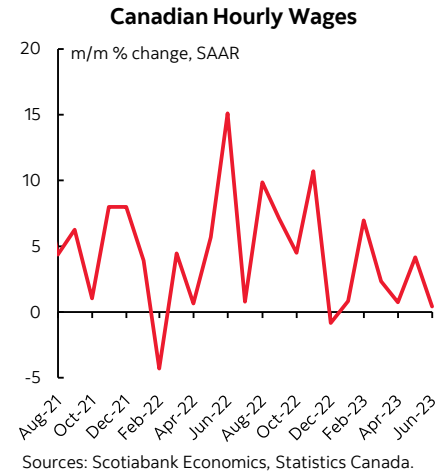


Chart 3

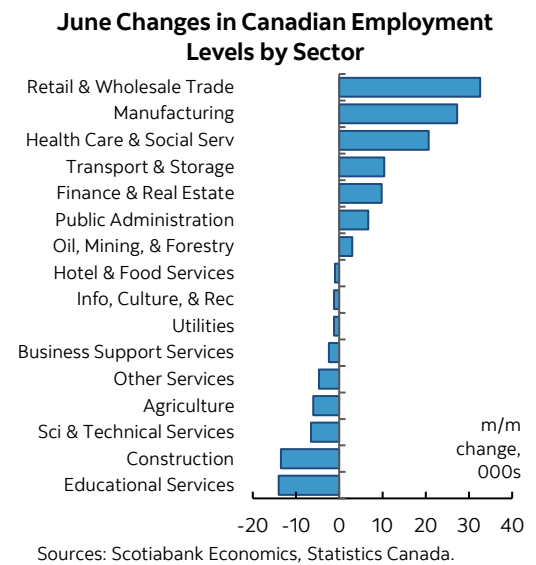


Chart 4

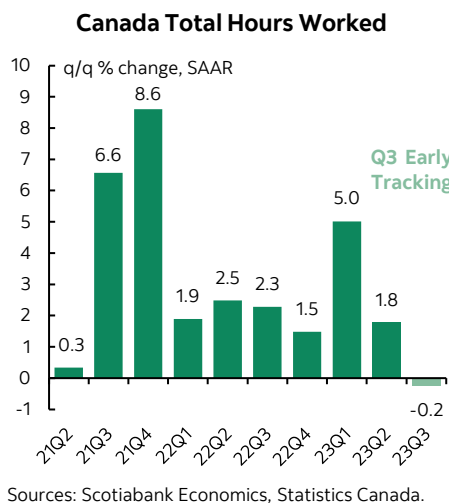
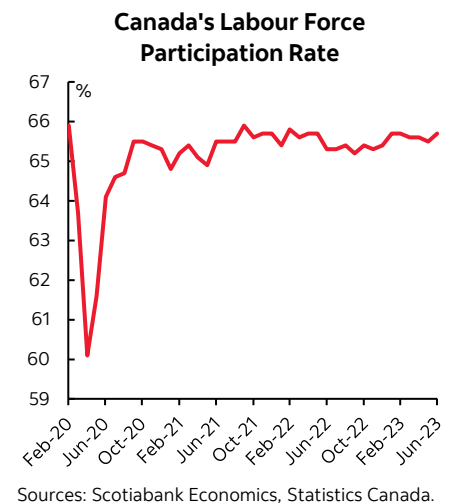


Chart 5



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