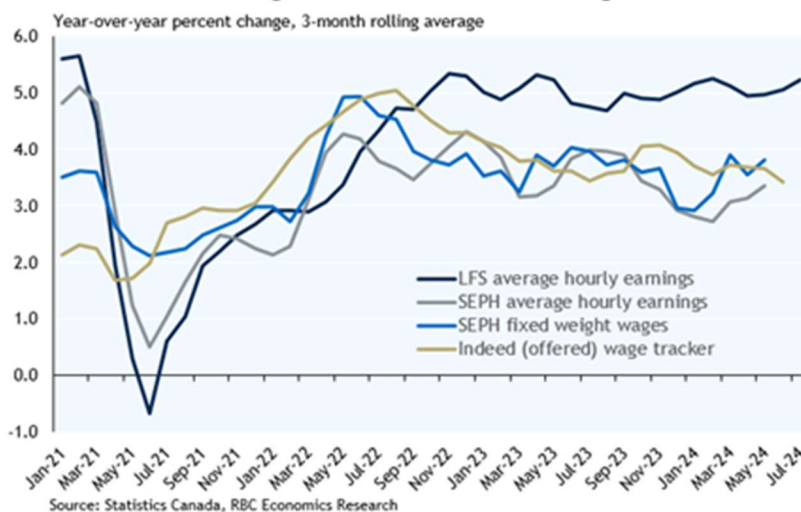


August 9, 2024

Canadian labour markets continued to cool in July

- Employment was little changed in July - edging slightly lower (-3k) for a second consecutive month after the 1k dip in June.
- The unemployment rate held steady at 6.4% - still up almost a full percentage point from a year ago and 1.6 percentage points from post-pandemic lows.
- The steady unemployment rate alongside a weak employment reading was because of a sharp pull-back in the labour force participation rate to 65.0% from 65.3% in June, and down 0.6 percentage points from a year ago. The population surged by another 125k in July but the labour force (those working or actively looking for work) declined by 11k.
- Statistics Canada noted the drop in labour force participation over the last year was concentrated among younger workers, who may have stopped looking for work after being disproportionately impacted by the slowdown in hiring. The share of younger workers aged 15-24 who were out of the labour force, that reported wanting to work but not actively looking (which would include for reasons like discouragement) rose 2.6 percentage points from a year ago.
- Wage growth remains higher in the Labour Force Survey data than in other Canadian wage measures. But average hourly earnings growth slowed to 5.2% from a year ago in July from 5.4% in June. Further signs of softening in labour markets - and slower growth in other measures, including those from business payrolls - argue that wage growth will continue to slow.
- Details behind the small outright decline in the job count were mixed. Full-time jobs rose by 62k with offsetting losses from part-time jobs, and hours worked jumped 1.0%. But that was despite a

Most Canadian wage measures are slowing



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42k drop in private sector employment. Public sector jobs jumped 41k, including a 20k surge in public administration.

Bottom line: There was nothing in the July Canadian labour force data to say that the ongoing cooling in labour markets has run its course. The unemployment rate is still up almost a percentage point from a year ago, and would have increased further in July without a large drop in the labour force participation rate. Wage growth in the Labour Force Survey data remains higher than in other measures in Canada and will continue to edge lower as job openings slow and unemployment edges higher. Interest rates still look high relative to a softening economic growth (and inflation) backdrop, and we continue to expect the BoC to cut the overnight rate for a third consecutive decision point next month.

Canada employment summary				
	May-24	Jun-24	Jul-24	Jul-24
	m/m change (thousands)			y/y change (thousands)
Employment	27	-1	-3	346
Full-time	-36	-3	62	224
Part-time	62	2	-64	122
Public	-8	-15	41	205
Private	18	5	-42	86
Self-employed	17	8	-2	55
Hours worked (% change)	0.0	-0.4	1.0	1.9
	%			Ppt change
Unemployment rate	6.2	6.4	6.4	0.9
'R8' (SA by RBC)	8.3	8.5	8.6	1.0
Participation rate	65.4	65.3	65.0	-0.6
ages 25-54	88.6	88.4	88.2	-0.6
Avg hrly wages (y/y %)	5.1	5.4	5.2	

Source: Statistics Canada, RBC Economics