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TD Economics

Data Release: Canadian economy loses jobs in a crummy July employment report

- Canada's economy shed 31K jobs in July. The increase in unemployment took the unemployment rate a tick higher to 6.9%.
- The details of the July report weren't much better than the headline. The economy lost 71k full-time jobs, which was only partially offset by 40k new part-time jobs. Over the past 12 months employment gains have been entirely due to part-time hiring
- Job losses were concentrated in the public sector (-42k), while the private sector gains were modest (+14k). Over the past 12 months, public sector employment is down 1.1%, while the number of private sector employees are up 0.9%. Self-employment has been essentially flat.
- Industry hiring can be volatile on a month-to-month basis, but trends over the past year tell the tale of Canada's slow-growth environment. The more cyclical goods sector has seen a 1.4% decline in employment, led by the resource sector (-12%). Stronger industries are on the services side, and include information, culture and recreation (+3.7%), health care and social assistance (+2.8%) and business, building and other support services (+2.7%).
- Ontario lost 36k jobs in July, however the unemployment rate remained unchanged. Employment also fell in Newfoundland, taking the unemployment rate higher to 12.8%. British Columbia saw job gains (+12k), continuing an uptrend that has been in place since September of last year. At 5.6%, B.C. now has the lowest unemployment in the country. Alberta's employment level was little changed in July, but an increase in the number of people searching for work took the unemployment rate to 8.6% -- the highest since September 1994. The unemployment rate in Alberta has now doubled since its post-recession low in 2013.
- Note that, data for the Wood Buffalo census agglomeration were again not collected through the May to July period, as a result of the Fort McMurray wildfires. The decision to resume collection for the LFS in Fort McMurray will be made in collaboration with provincial and local governments.
- Notably, Canada's labour force contracted for the fourth straight month in July (-13k), taking the participation rate down one more tick. The overall participation rate for the economy is expected to decline as the large baby boomer cohort moves into their retirement years, but in July the core working age participation rate ticked down once again. While at 77.7%, it's level is not unduly low relative to the post-recession period, it is a trend that bears watching.

Key Implications

- The July jobs report is the first data point for Q3, and the quarter has certainly got off to a crummy start. July's job losses disappointed markets expecting small job gains, and the Canadian dollar has dipped below 76 cents U.S.. Economists like to focus on the six-month moving average to smooth out volatility, and that number is now a very anemic 3K new jobs. As discussed in our recent report, Canadian Labour Markets: Looking Back, Looking Forward, job creation is expected to remain tepid, but should improve slightly from its current moribund pace. Job gains are not expected to be evenly distributed across provinces, with the bulk of gains in B.C., Ontario and Quebec.

- Mitigating the somber start to the quarter was a healthy employment gain south of the border. With exports expected to help lift Canada's growth in the coming quarters it is good news that the U.S. is proving resilient to global headwinds. Still, Canada's disappointing labour market performance is consistent with an economy that stalled in the first half of the year. We continue to expect Canada's growth backdrop to pick up in the second half of the year, helped by the new Canada Child Benefits that were deposited on July 20th.

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