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## TD Economics

### Data Release: Unemployment rate fell for all the wrong reasons in June

- Canadian employment was effectively unchanged in June, as 700 net positions were lost. With fewer people looking for work, the unemployment rate fell 0.1 percentage points to reach 6.8%.
- The details of the June report were not encouraging, as a drop of 40.1K net full-time positions was offset by a 39.4K net gain in part-time work. What's more, the overall decline can be attributed to a drop in employees (-38.4K) in both the public (-27.9K) and private (-10.5K) sectors, offset by self-employment (+37.7K).
- The goods-producing industries saw a sizeable decline in employment, with particular weakness in construction (-28.7K) and manufacturing (-12.9K) – erasing last month's gains in both cases. Service industries were more resilient, with notable net employment gains in accommodation and food services (+20.2K) and information, culture and recreation (+14.1K).
- British Columbia was the only province to record net employment gains in June (+16K), leaving the unemployment rate at 5.9%, the lowest in the country. Most other provinces saw little change in employment in June. Note that, as in May, data for the Wood Buffalo census agglomeration were again not collected as a result of the Fort McMurray wildfires. This had minimal impacts on the provincial data, and a negligible effect on a national basis.
- With employment down slightly on the month, the drop in the unemployment rate resulted from a third straight monthly drop in the size of the Canadian labour force, down 20.9K individuals in June (-47.K since March). The drop was concentrated among those in the 'core working age' of 25-54.

### Key Implications

- It is typically considered a good thing when a country's unemployment rate falls, but that is not the case for Canada in June. Beneath the effectively zero change in hiring lies weaker details, with a sizeable decline in full-time work leading to a -0.4% move in overall hours worked. Moreover, the number of employees, both public and private, was down, with an offset provided by gains in self-employment. At the same time, the participation rate continued to decline, with the size of the labour force dropping for a third straight month. While caution is always warranted when discussing such a volatile report, none of these details suggest a healthy labour market.
- That said, on a six-month trend basis, employment growth looks healthier at +7K jobs. What may be more concerning are the signals being sent by falling participation rates, which may point to discouraged individuals, particularly within the core age 25-54 demographic.
- All told, while today's report may be concerning, it is too early to draw any firm conclusions regarding the trend in the Canadian labour market. Accordingly, we expect that today's report will likely have little impact on the Bank of Canada's decision this coming Wednesday (July 13<sup>th</sup>), where we expect that the Bank of Canada to maintain its policy interest rate at 0.5%.

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