

Canada adds close to 1m jobs without even capturing Toronto's reopening

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Canada added 952,900 jobs in June, with the survey period resting between June 14th and June 20th meaning Toronto's re-opening on the 24th, suggesting the job gains could have been even more.

As pointed out in this morning's note, however, the headline beat in net employment gains failed to stimulate the official unemployment rate as much, namely due to the number of workers participating in the labour market rising by 786,000. The unemployment rate fell from 13.7% to 12.3%, compared to expectations of 12.1%.

The loonie's reaction to the data release was muted, with the Canadian dollar still sitting in the red against the US dollar in what was a broad risk-off market today. However, since the release the loonie has regained some ground as the dollar is broadly sold across the G10 space - USDCAD now sits flat on the day.

“ While the labour market print was positive, we expect employment gains to slow as re-opening measures face greater resistance. The fiscal and monetary support measures will now be tested, especially the CEWS scheme aimed at subsidising workers wages to keep job retention high. ”

Most of the employment gain was in the private sector, with 347,000 workers who were temporarily laid off returning to employment. This shows the quality of the job gains and how important it is to keep lockdown measures loose with financial conditions supportive in order for the labour market to heal.

Additional points:

- The sluggish reaction in the unemployment rate (12.3% vs expectations of 12.1%) to the positive surprise in the net employment change (952.9k vs expectations of 700k) is mainly due to the increase in the participation rate which rose from 61.4% to 63.8% in June.
- Employment now sits at 9.2% lower than pre-virus levels. Temporary layoffs declined after holding steady in May, falling by 29.1% in June. The 347,000 person decline in temporary layoffs is likely due to both the relaxation in lockdown measures, allowing smaller retailing and hospitality businesses to

re-open, while the wage subsidy (CEWS) scheme aided the retention of workers. It isn't yet clear how many people are on the job retention scheme, but given the treasuries latest boost to the programme by nearly C\$40bn we expect it to play a key role in propping up job gains.

- The number of job seekers not actively seeking work fell by 32.1%. The adjusted unemployment rate, which includes those not actively seeking employment, would be 16.3%. This is a decline of 3.3% from May's adjusted rate.
- In the accommodation and food service industry, jobs were the hardest hit. Both industries recorded large employment gains for the second consecutive month with employment rising 164,000 in accommodation and food services, with 184,000 jobs added in retail trade.
- Employment in June grew stronger among lower-wage workers (+19.3% or +414,000) than among other employees (+6.0% or +699,000), but notably, the recovery rate among low-wage workers was substantially below the rate among other employees (78.8% of the February level vs 96.7% for higher-paid employees).

Loonie reaction was limited to the positive labour market release, but now sits flat on the day as the dollar is sold across the G10 currency board

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