Canada: Employment Is on the Upswing, but the Trade Balance Has Had Some Hiccups

**HIGHLIGHTS**

- The labour market benefited from the creation of 10,900 jobs in July after gains of 54,500 in May and 45,300 in June.
- The unemployment rate dropped to 6.3% in July.
- Quebec gained 4,700 jobs in July, mainly due to an increase in manufacturing, and its unemployment rate declined from 6.0% to 5.8%, which is a new historic low.
- Ontario posted 25,500 new jobs in July. The unemployment rate fell to 6.1%.
- The June figures for Canada’s international merchandise trade were also revealed this morning. The balance deteriorated significantly during the month, due to a decline in exports (-4.3%) combined with a hike in imports (+0.3%).

**COMMENTS**

Employment trends remain noticeably good, despite the slowdown compared with the exceptional increases in recent months. Expressed in real terms, the international trade balance also fell significantly in June. This decline will wipe out practically all the gains of the two previous months, meaning the second quarter balance sheet shows only a slight increase in the trade balance.

**IMPLICATIONS**

The contribution of international trade to the spring’s economic growth may be weaker than we originally thought. Real GDP growth in June may also be negatively affected by the drop in exports. That said, the overall picture of the Canadian economy is very positive and we expect another sustained increase in real GDP for the second quarter. The very good employment trend is also a positive indicator.

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