

## ECONOMIC NEWS

# Canada: The Labour Market Takes a Breather, but Wages Climb

### HIGHLIGHTS

- ▶ After losing 2,200 jobs in June, the labour market continued to struggle in July, with 24,200 jobs lost.
- ▶ The unemployment rate rose from 5.5% to 5.7%.
- ▶ The annual variation in the average hourly wage rose to 4.5% in July, its highest level in a little more than ten years.

### COMMENTS

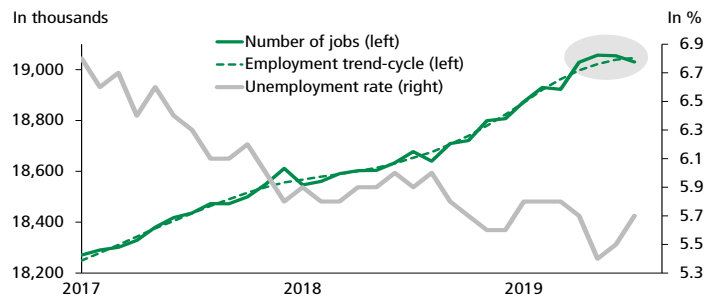
At first glance, the change in the labour market has been disappointing in the last two months, with a total of 26,400 jobs lost and the unemployment rate sitting at 5.7%, up from 5.4%. However, it is important to put these figures into perspective. The labour market has been growing steadily since the fall of 2018 and a period of consolidation at some point was inevitable. Given the declines in recent months, employment has returned to a level similar to its trend-cycle. The overall picture of the labour market remains positive.

Moreover, wage growth has continued to climb. While some sectors and regions are experiencing labour shortages, the annual variation in the average hourly wage hit a very high level in July, historically speaking. This is good news for households, which are seeing their purchasing power rise while inflation is holding near the median target (2%).

### IMPLICATIONS

Even if stable prices pose no problems for the moment, the rapid rise in wages will, without a doubt, force the monetary authorities to keep a much closer eye on the situation in the coming months. In all likelihood, this will not prompt the Bank of Canada to join the other central banks in easing monetary conditions.

**GRAPH 1**  
The change in employment nears its trend



Sources: Statistics Canada and Desjardins, Economic Studies

**GRAPH 2**  
Wage growth remains extremely high



Sources: Statistics Canada and Desjardins, Economic Studies

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