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Sujet traité : Le taux de chômage au Canada a atteint son plus haut niveau en sept ans en juin. Pire est à venir selon les économistes / Canadian unemployment at 7-year high in June, worse to come say economists

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Canadian unemployment at 7-year high in June, worse to come say economists

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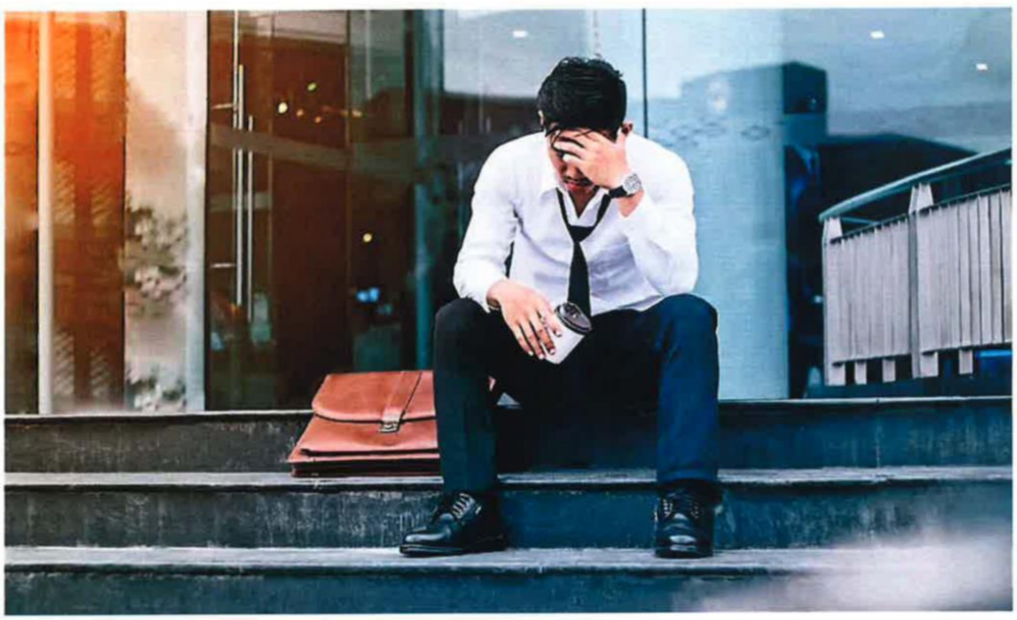
Steve Randall

Does the new data raise the chance of a rate cut in two weeks' time?



A higher share of Canadians were out of work in June and this is likely to continue according to economists.

Statistics Canada reported Friday that the unemployment rate increased to 6.4% last month, the highest rate since 2017 apart from during the pandemic shock. That means that 1.4 million Canadians were jobless, continuing an upward trend which began in April 2023. It's a

Just over one fifth of those who were unemployed transitioned into work and the rate (21.4%) was below historic averages, perhaps indicating tougher times finding jobs. Older people were more likely to be long-term unemployed (27 weeks or more) with 22% of over 55s in this position compared to 19.3% of those in the core-aged 25-54 group.

Employment was up by just 1,000 jobs in June with the employment rate down 0.2 percentage points to 61.1% and while average hours were up 1.1% year-over-year, average hourly wages among employees increased 5.4% in June on a year-over-year basis, following

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growth of 5.1% in May (not seasonally adjusted).

More core-aged women were in work (+19,000) in June but 13,000 fewer men aged 18-24 were employed.

What the stats mean for rates?

Some of Canada's leading economists have reacted to the data and are expecting the unemployment rate to increase further in the months ahead.

"As the restrictive monetary policy will continue to limit economic growth in the coming months, we expect the unemployment rate to maintain its upward trend towards 7% by the end of the year," opined Matthieu Arseneau and Alexandra Ducharme at National Bank. "Since its all-time low in July 2022, the unemployment rate has thus risen by 1.6 pp, the biggest increase ever seen outside a recession."

Nathan Janzen at RVC Economics says that the Bank of Canada will be closely watching the inflationary impact of continued wage gains, along with its Business Outlook Survey before making its rates decision on July 24, following the June cut.

"…with interest rates still at restrictive levels, the bar to at least easing off the monetary policy brakes further in the near-term is lower. The June labour market data increases the odds that the central bank will cut rates in July," he wrote in his analysis.

TD Economics' Leslie Preston also highlighted that further data will be the key to whether the BoC cuts rates this month or waits until September, while CIBC's Andrew Grantham says that "The slack that is opening up in the labour market should convince policymakers that inflation will ease towards their 2% target, even if there are short-term bumps in that path like that seen in last month's CPI reading."

Meanwhile, Scotiabank's Derek Holt believes the labour stats do not make much difference to the outlook for rates but "I think the details provide more cautions against easing rather than in favour," he wrote, reiterating his opinion that Governor Macklem and his team are "cherry picking" the data they choose to inform their decisions.