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## Canadian employment (May): Loosening a little further

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| Labour force survey (monthly change, thousands, unless otherwise noted) | Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|
| Employment | 37.3 | 40.7 | -2.2 | 90.4 | 26.7 |
| • Full-time | -11.6 | 70.6 | -0.7 | 40.1 | -35.6 |
| • Part-time | 48.9 | -29.9 | -1.6 | 50.3 | 62.4 |
| • Paid workers | 55.0 | 2.4 | 27.1 | 75.9 | 10.1 |
| • Private | 7.4 | -16.4 | 15.2 | 50.4 | 17.6 |
| • Public | 47.6 | 18.8 | 11.9 | 25.5 | -7.5 |
| • Self-employed | -17.7 | 38.3 | -29.3 | 14.5 | 16.6 |
| Participation rate (%) | 65.3 | 65.3 | 65.3 | 65.4 | 65.4 |
| Unemployment rate (%) | 5.7 | 5.8 | 6.1 | 6.1 | 6.2 |
| Avg. hourly earnings, perm. workers (y/y %) | 5.3% | 4.9% | 5.0% | 4.8% | 5.2% |
| Actual hours worked by industry (m/m %) | 0.6% | 0.3% | -0.3% | 0.8% | 0.0% |

Source: Statistics Canada

- Employment growth eased off in Canada in May following a surge in the prior month. The 27K employment gain was roughly in line with expectations, and that left the unemployment rate a tick higher at 6.2%, as expected. Job gains were concentrated in part-time positions (+62K), while full-time employment decreased by 36K. Total hours worked were unchanged, an indication that GDP eased off following a bounce in April. Overall, the softness of the data reinforces the theme of BoC monetary policy divergence from the Fed.
- Another surge in population growth (+98K) was recorded in May. The pace of population growth over the past year has averaged 90K per month, as Statistics Canada is still playing catchup to the quarterly population figures and the surge in non-permanent residents.
- Wages for permanent employees accelerated to 5.2% y/y from 4.8%, but that still leaves the pace of the volatile series below what was seen in January. Wages in goods-producing sectors are well off their 2023 peaks, but service sector wages are propping up the aggregate figure, partly reflecting pressure from public sector wage agreements. From the BoC's perspective, the ability of firms to pass on higher wages into the CPI is limited given the weak demand climate.
- There were lots of weak signals in the detail of the data. The involuntary part-time rate stood at 18.2%, above 15.4% a year ago, evidence of weak economic conditions. Employment rates for students showed that the summer jobs market deteriorated over the past year, with the employment rate of students aged 20-24 falling by 2.9%-points relative to a year ago, leaving the rate below pre-pandemic norms. Summer jobs tend to be concentrated in discretionary sectors including retail trade, accommodation/food services, and information/culture/recreation, where employment has deteriorated faster than other industries, with employment in those sectors collectively 2.4% below year-ago levels.
- At the industry level, performances were mixed, with job losses concentrated in construction (-30K), and transportation/warehousing (-21K), while job gains were driven by health care/social assistance (+30K), and

finance/insurance/real estate (+29K). Employment in health care is 6.5% above year-ago levels, reflecting higher health care needs within the context of strong population growth, although health care employees per capita are now above 2019 levels.

## Implications & actions

**Re: Economic forecast** — The increase in the unemployment rate leaves it 1.5%-points above its 2022 low, and shows that ample labour market slack has opened up. Moreover, the bounce in GDP in April appears have been a one-off, which will likely leave the BoC on track for a rate cut in July.

**Re: Markets** — Bond yields increased following the data, reflecting the upside surprise in the wages figure. The loonie was little changed, however, as any upside was negated by a stronger USD following the release of the payrolls data at the same time, which showed better-than-expected job growth.



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