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Canadian employment (May): Back to life but maybe not reality

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Labour force survey (monthly change, thousands, unless otherwise noted)	Jan	Feb	Mar	Apr	**May**
Employment	-24.8	-83.9	14.1	-17.7	**87.8**
• Full-time	44.9	-108.4	-1.1	-46.7	**154.0**
• Part-time	-69.7	24.5	15.2	29.0	**-66.2**
• Paid workers	-38.7	-89.7	20.0	-12.1	**76.7**
• Private	-52.0	-72.6	15.4	-2.6	**56.3**
• Public	13.3	-17.1	4.6	-9.5	**20.4**
• Self-employed	14.0	5.6	-5.8	-5.7	**11.2**
Participation rate (%)	65.0	64.9	64.9	65.0	**65.0**
Unemployment rate (%)	6.5	6.7	6.7	6.9	**6.6**
Avg. hourly earnings, perm. workers (y/y %)	3.3%	4.2%	5.1%	4.8%	**3.2%**
Actual hours worked by industry (m/m %)	0.6%	-1.1%	0.2%	0.0%	**0.6%**

Source: Statistics Canada

- The Canadian labour market sparked back to life in May, but it is too early to tell if this is a new reality. After all, even following the much better than expected 88K gain in jobs this month, employment is still slightly down (-5K) year-to-date in 2026 thanks to earlier weakness. The 6.6% unemployment rate is still a tick higher than the recent low in January, and high enough to put downward pressure on inflation. Because of that we still think that the Bank of Canada will stay on hold this year, and further evidence of tightening within the labour market and an acceleration in core inflation would be needed for us to change that view.
- The 88K gain in headline employment was well above the consensus forecast (10K) and was driven entirely by full time positions (154K) with part time actually down in the month. Private sector paid employment (56K) drove most of the gain by class of employment, although there was also a 20K increase in the public sector as well. That may reflect temporary census hiring, although curiously that didn't show up in the sector breakdown as public administration positions surprisingly fell by 8K.
- By sector, three of the four largest increases (construction, info, culture & recreation and food & accommodation) were in sectors that may have been temporarily impacted by world cup preparations. A possible impact from these preparations is also highlighted by the provincial breakdown as Ontario (+42K) and BC (+25K) drove most of the increase. Employment in Quebec was also shown to have picked up modestly, albeit only offsetting a small proportion of the weakness seen in prior months.
- Young people appear to be seeing a better start to the summer job season than in recent years, as the number of youth working full time rose by almost 100K in May to more than offset a decline in the proportion working part time. The unemployment rate for 15-24 year olds fell by almost 1% to 13.4%, and StatsCan noted that the 18% unemployment rate for students who will be returning to their studies after the summer was down from 20% during the

same period of 2025. The prime-aged unemployment rate also fell (from 6% to 5.6%) and the employment rate for prime aged workers (83.5%) was the highest since February 2025.

- Hourly wage growth for permanent employees was weaker than expected at 3.2%, suggesting that many of the new jobs picked up this month may have been lower paying. Actual hours worked increased by a solid 0.6%, as would be expected given the strength in hiring during the month.

Implications & actions

Re: Economic forecast — Today's data is further evidence that the economy is set for a solid rebound in Q2 following a tough start to the year. However, for the Bank of Canada, today's release shouldn't change the current on-hold stance, even with the large headline beat. Today's strength has simply brought us back to where we stood earlier in the year, and further tightening in the labour market will need to be seen (alongside an acceleration in core inflation) to bring the Bank of Canada off the sidelines.

Re: Markets — Markets had been reducing the odds of Bank of Canada interest rate hikes in recent weeks due to a poor run of economic data, but that trend reversed following today's better-than-expected report. However, due to the US also reporting strong payrolls growth during the month, the loonie was little changed relative to the greenback.