

Employment surges in May

Latest (monthly change): +55K (Actual); +15K (expected) Previous: +3 K

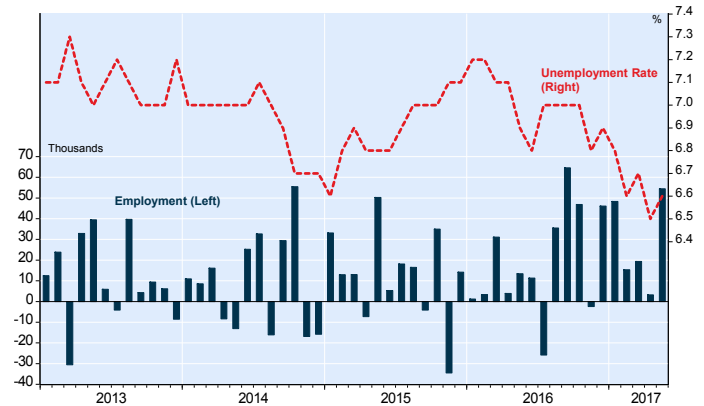
FACTS: Canadian employment increased 55K in May according to the Labour Force Survey, well above consensus which was looking for a rise of only 15K. Despite this strong gain, the jobless rate rose one tick to 6.6% (top chart) with the participation rate increasing to 65.8% from 65.6%. The increase in May employment was mostly due to paid jobs (+69K) while self-employed were down (-14K). Among paid jobs, the private sector posted a massive 59K gain while government showed a decent increase as well (+9K). The goods sector rose by 23K as gains in manufacturing (+25K) and resources (+3K) more than offset declines in agriculture (-4K), utilities (-1K) and construction (-0.4K). The service sector rose by 31K as gains in trade (+15K), transportation & warehousing (+17K), professional services (+26K) and health care (+15K) among others more than offset by declines in finance (-19K), information/culture (-16K) and public administration (-12K). Full-time employment surged 77K while part-time employment dropped 22K. Total hours worked were down 0.2% in May after increasing 0.3% in April. On a regional basis, employment was driven by gains in Ontario (+20K), Quebec (+15K) and British Columbia (+12K) while Newfoundland & Labrador (-2K) was down.

OPINION: Not only is the headline number impressive, the details of the report are stunning. Private jobs recovered more than last month's losses, registering its strongest gain in 2 years. Moreover, after declining in April, full-time jobs bounced back strongly. Over the last 7 months, 196K full-time jobs were added for prime-age workers, the largest increase in 20 years (middle chart). Such a gain for a group with high propensity to take credit is good news for consumption and the housing market going forward. We also note that employment gains are widespread across Canada with all provinces except Newfoundland & Labrador reporting higher headcounts in May. The hourly wage rate also bounced back from a multi-year low of 0.7% to 1.3% (y/y). The latter remains low on an historical basis but that could change fast as this indicator is highly volatile and sometime inconsistent with labor market slack indicators (bottom chart). While we expect a moderation in job creation over the next few months, the fact that small-business confidence is at a 31-month high still bodes well for the hiring cycle. In light of this morning's report, the probability of a rate hike this year is increasing.

Matthieu Arseneau

Canada: Perspective on labor market

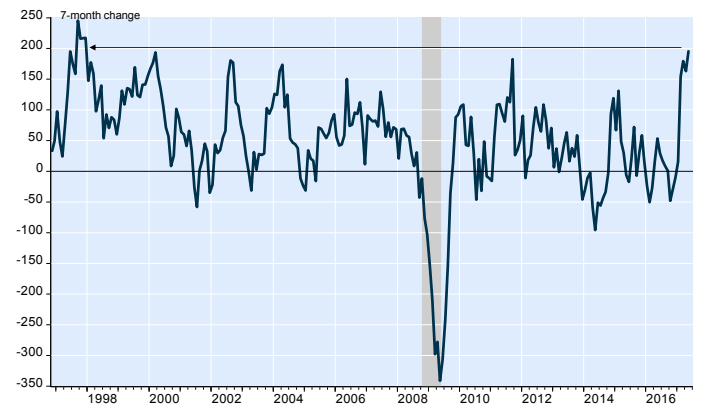
Canada Employment and Unemployment Rate



NBF Economics and Strategy (data via Statistics Canada)

Canada: Full-time prime-age workers are surging

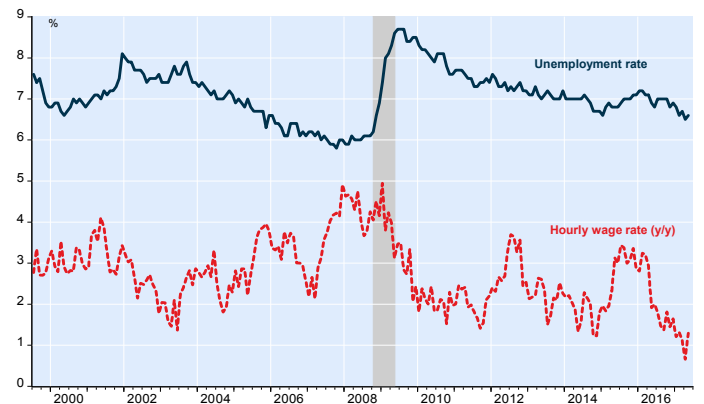
Full-time employment for 25-54 population



NBF Economics and Strategy (data via Statistics Canada)

Canada: LFS hourly wage rate is highly volatile

Unemployment rate and hourly wage rate



NBF Economics and Strategy (data via Statistics Canada)

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