

Canada: Employment reignites ahead of a defining summer

By Matthieu Arseneau and Alexandra Ducharme

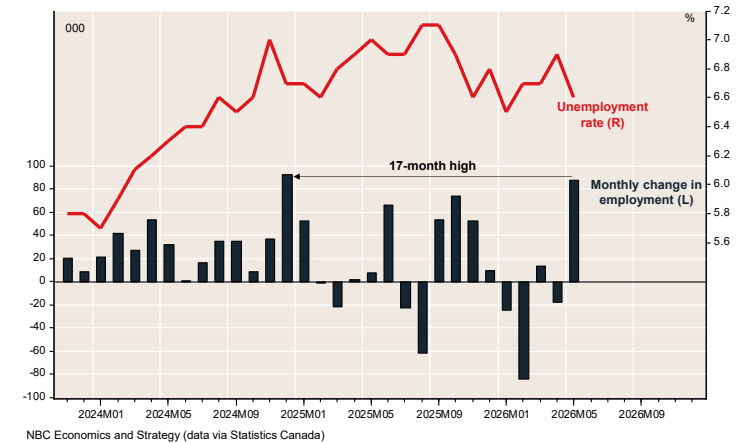
Highlights:

- Canadian employment rose by 87.8K in May, blowing past consensus expectations for a 10K increase. The participation rate, meanwhile, was unchanged at 65.0%. As a result, the unemployment rate decreased from 6.9% to 6.6%, three ticks below consensus. The employment rate, meanwhile, rose two ticks from 60.5% to 60.7%.
- Full-time employment increased by 154.0K, while part-time employment decreased by 66.2K.
- Private sector employment rose by 56.3K, while public-sector jobs grew by 20.4K. Self-employment rose by 11.2K.
- By age group, employment rose by 22.3K among youth (15–24), by 56.0K among core-aged workers (25–54), and by 9.6K for those aged 55 and over.
- Employment in the goods-producing sector increased by 38.7K, reflecting gains in construction (+26.8K), manufacturing (+14.7K) and agriculture (+1.3K), partially offset by declines in utilities (-2.3K) and forestry (-1.8K).
- Employment in the services-producing sector increased by 49.1K, with notable gains in information, culture and recreation (+19.3K), transportation and warehousing (+18.7K) and accommodation and food services (+17.0K) partially offset by declines in trade (-35.0K), public administration (-8.2K) and finance, insurance, real estate and leasing (-7.3K).
- Provincially, employment increased in Ontario (+41.8K), British Columbia (+25.2K), Alberta (+13.9K) and Quebec (+13.2K), while Saskatchewan (-6.1K) posted a decline. Employment in Manitoba (+0.3K), meanwhile, was virtually unchanged.
- Total hours worked increased 0.6% in May and rose 0.3% on a year-over-year basis.
- Average hourly wages of permanent employees increased 3.2% year over year, down from 4.8% in April.

Canada's labour market regained momentum in May, posting its strongest job growth in 17 months, thanks in part to a rebound in private-sector employment. This comes as a relief after a difficult start to the year, marked by private-sector weakness and a sharp decline in full-time jobs. In May, no fewer than 11 out of 16 sectors posted gains, including the manufacturing and transportation sectors, which we are keeping a close eye on due to the potential impact of trade tensions with the United States. Full-time employment recorded in May its strongest increase since September 2021, erasing all the losses accumulated since January. As a result, the unemployment rate fell by 0.3 percentage points and now stands at 6.6%, at the lower end of the 6.5% to 7.0% range it has been in for the past two years (top chart). The significant drop in the national unemployment rate is attributable to improvements in the country's two largest manufacturing provinces. Quebec saw its unemployment rate fall by 0.6 percentage points after rising by 0.8 percentage points last month, while Ontario saw an improvement of 0.5 percentage points. Overall, this morning's data is reassuring in that the labour market in Canada is not deteriorating rapidly, as was the case in the first few months of the year. This does not mean that economic conditions are conducive to May's improvement continuing in the short term, as trade relations still appear strained amid the process of renewing the free trade agreement. Businesses are likely to remain cautious regarding hiring and investment until a de-escalation provides clarity regarding Canadian companies' access to the U.S. market. In this context, which remains uncertain, we continue to believe that second-round effects (wage-push inflation) are less likely here than elsewhere and that the central bank should exercise caution before raising rates in response to rising inflation. Annual wage inflation moderated significantly in May according to just released data, with the indicator controlling for compositional shift in the labour market showing its weakest increase since 2021 (bottom chart). This development is consistent with the low core inflation in the country.

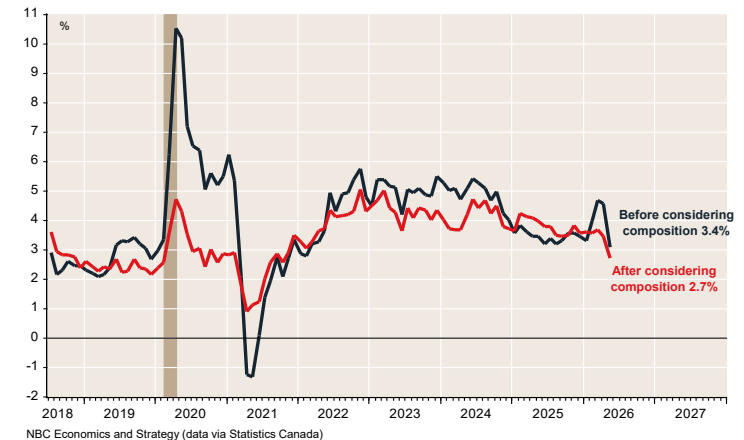
Canada: Employment rebounds in May

Monthly job creation and unemployment rate



Canada: Wage growth falls to a multi-year low

Annual growth in wages for all employees, with and without taking into account composition





| | May-26 | Apr-26 | 1-Month | 1-Month | 1-year change | Current Level | 1-Month Change (000s) | |
|---|----------------|-----------------|-------------|----------------|---------------|---------------|-----------------------|--------------|
| | % | % | Change (pp) | Trend | (pp) | | (000s) | May-26 |
| Unemployment Rate | 6.6 | 6.9 | -0.3 | ▼ | -0.4 | | | |
| Participation Rate | 65.0 | 65.0 | 0.0 | ► | -0.3 | | | |
| Employment Rate | 60.7 | 60.5 | 0.2 | ▲ | 0.0 | | | |
| | Current Level* | 1-Month Change* | | 1-year change* | | | | |
| | | May-26 | Apr-26 | | | | | |
| Employment | 21,122 | 87.8 | ▲ | -17.7 | 147.1 | | | |
| Total Hours Worked, % | - | 0.6 | ▲ | 0.0 | 0.3 | | | |
| Average Hourly Wage NSA, % | - | -0.28 | ▼ | 0.2 | 3.2 | | | |
| Provinces | | | | | | | | |
| Ontario | 8,290 | 41.8 | ▲ | 42.4 | 91.6 | | | |
| Quebec | 4,592 | 13.2 | ▲ | -43.3 | -37.1 | | | |
| British Columbia | 2,929 | 25.2 | ▲ | -4.3 | -29.6 | | | |
| Alberta | 2,671 | 13.9 | ▲ | 1 | 104.4 | | | |
| Manitoba | 750 | 0.3 | ▲ | -1.6 | 18.8 | | | |
| Saskatchewan | 614 | -6.1 | ▼ | -4 | -4.1 | | | |
| Nova Scotia | 529 | -0.2 | ▼ | 0.7 | 2.3 | | | |
| New Brunswick | 408 | -0.5 | ▼ | -2.7 | 0.2 | | | |
| Newfoundland and Labrador | 243 | -1.2 | ▼ | -5.2 | -4.2 | | | |
| Prince Edward Island | 97 | 1.2 | ▲ | -0.5 | 4.7 | | | |
| Employment Type | | | | | | | | |
| Full-Time | 17,322 | 154 | ▲ | -46.7 | 147.9 | | | |
| Part-Time | 3,799 | -66.2 | ▼ | 29 | -0.7 | | | |
| Public Sector | 4,595 | 20.4 | ▲ | -9.5 | 66.6 | | | |
| Private Sector | 13,825 | 56.3 | ▲ | -2.6 | 96.5 | | | |
| Self Employed | 2,701 | 11.2 | ▲ | -5.7 | -16.0 | | | |
| Industries | | | | | | | | |
| High-Paid | 11,473 | 37.6 | ▲ | | | | | 6.1 |
| Low-Paid | 9,649 | 50.1 | ▲ | | | | | -23.9 |
| Goods-producing sector | 4,221 | 38.7 | ▲ | | | | | -26.8 |
| Agriculture | 233 | 1.3 | ▲ | | | | | -0.6 |
| Forestry, fishing, mining, quarrying, O&G | 343 | -1.8 | ▼ | | | | | -5.5 |
| Utilities | 171 | -2.3 | ▼ | | | | | -3.5 |
| Construction | 1,643 | 26.8 | ▲ | | | | | -15.7 |
| Manufacturing | 1,831 | 14.7 | ▲ | | | | | -1.5 |
| Services-producing sector | 16,901 | 49.1 | ▲ | | | | | 9.1 |
| Trade | 2,927 | -35 | ▼ | | | | | -8.3 |
| Transportation and warehousing | 1,108 | 18.7 | ▲ | | | | | -10.5 |
| Finance, insurance, real estate and leasing | 1,470 | -7.3 | ▼ | | | | | 4.9 |
| Professional, scientific and technical svc. | 2,009 | 10 | ▲ | | | | | -0.3 |
| Business, building and other support svc. | 695 | 1.6 | ▲ | | | | | 21.5 |
| Educational services | 1,584 | 7.3 | ▲ | | | | | 6 |
| Health care and social assistance | 3,002 | 13.1 | ▲ | | | | | 17.5 |
| Information, culture and recreation | 874 | 19.3 | ▲ | | | | | -24.8 |
| Accommodation and food services | 1,189 | 17 | ▲ | | | | | 13 |
| Other services | 792 | 12.5 | ▲ | | | | | -12.7 |
| Public administration | 1,251 | -8.2 | ▼ | | | | | 2.7 |
| Age | | | | | | | | |
| 15 to 24 | 97 | 22.3 | ▲ | | | | | -10.8 |
| 25 to 54 | 529 | 56 | ▲ | | | | | 1.9 |
| 55 and over | 408 | 9.6 | ▲ | | | | | -8.7 |

*Thousands unless otherwise stated

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