

Cdn. Employment Report (May)

Cdn Wage Growth Still Accelerating

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Canadian employment dipped by 7,500 in May, well below expectations. Smoothing out the heightened volatility at the turn of the year, six-month average job growth is now running at just 2.7k per month. But, keep in mind that the same metric was pushing near 40k as recently as December, so the bigger picture (12-month average is at 20k) is still consistent with an economy settling in around potential.

The details of the report were not good overall, with one caveat. **Full-time** jobs fell by 31k, while the **private sector** lost 5k. The **unemployment rate** held steady at 5.8%, as expected, but only alongside a dip in the participation rate. The caveat is that **average hourly wage growth** accelerated more than expected, to 3.9% y/y, which is the fastest clip in 9 years. All in our, **grading system gives this report a 38.4** out of 100 (where 50 is neutral)—again, not good. But, note that the six-month average grade sits at 52, or consistent with trend-like conditions in the labour market.

A few more details...

By industry... Weakness was most pronounced in **health care, construction and manufacturing** in May, while **professional services, finance and transportation & warehousing** posted solid gains. Both goods- and service-sector employment are now running at 1.3% y/y.

By region... Six of 10 provinces saw job growth in May, with most notching very small changes. **British Columbia** was the lone outlier, with employment falling by 12.4k on relatively broad-based weakness. While the province still maintains the lowest jobless rate in Canada (4.8%), employment growth has quickly fallen from the top of the leaderboard to just +0.1% y/y. **Ontario** is now the job growth leader (+1.8% y/y), with **Quebec** and **Alberta** close behind at 1.6% y/y. The convergence theme continues to play out.

In a separate release, note that **capacity utilization** rose again in Q1, to 86.1%. That's the highest level since early 2006, when the Bank of Canada was firmly in tightening mode.

The Bottom Line: The May employment report was a bit of stinker, but stepping back shows a labour market that is pretty tight, with some upward wage pressure. Add in some other strong indicators this week, and the Bank of Canada should be on track to raise rates next month barring more fallout on the trade front.



Employment

Canada (change in thousands)	May	Apr	Mar	(average change)	
				3-mo.	12-mo.
Total	-7.5	-1.1	32.3	7.9	19.9
(month/month % change)	0.0	0.0	0.2	0.5 ¹	1.3 ²
Full-Time	-31.0	28.8	68.3	22.0	24.1
Part-Time	23.6	-30.0	-35.9	-14.1	-4.3
Goods Producing	-29.0	-15.9	21.7	-7.7	4.1
Manufacturing	-18.3	-0.8	-8.3	-9.1	0.2
Construction	-13.0	-18.9	18.3	-4.5	2.0
Service Producing	21.5	14.8	10.6	15.6	15.7
Trade	3.1	-22.1	-5.9	-8.3	-1.1
Unemployment Rate (%)	5.8	5.8	5.8	5.8 ³	6.5 ⁴
Avg. Hourly Wages (y/y % chng)	3.9	3.6	3.3	3.1 ³	1.3 ⁴

¹ (3-mo. % change : a.r.) ² (y/y % change) ³ (3 mo. ago) ⁴ (12 mo. ago)

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