



Labour market churns out 40k jobs in May despite uneven gains

Canada's economy remained on the upswing in May according to the latest Labour Force Survey (LFS) data. Employment rose at a strong pace while the unemployment rate retreated to another record low. That said, patterns were broadly uneven with Alberta leading the charge and net gains driven by the public- sector.

Total employment rose by 39.8k persons (0.2 per cent) from April, with a y/y gain of 2.5 per cent led by hiring of women. This was led by a huge upswing in full-time work (+135.4k or 0.9 per cent) in a sign that employers are both adding jobs and lengthening scheduled hours amidst labour shortages and growing demand. Surprisingly, total hours worked in the economy shrank 0.3 per cent adjusted for seasonal factors but accelerated on a y/y basis to 5.1 per cent.

Headline strength masked unevenness in May's performance. Alberta contributed to more than half of the net national increase with a gain of 27.5k persons (1.2 per cent) to add to a robust ascent in the past year. Strong commodity prices and incomes have likely propelled these gains. Employment growth was negligible among large provinces with gains in Ontario (+1.9k), Quebec (+5.1k), and B.C. (+5.1k) statistically insignificant. Newfoundland and Labrador (+4.1k) recorded a notable increase for its population size but had modest impact on national figures.

For the most part, May gains were driven in the public sector (+108.2k or 2.6 per cent), the second strongest gain on record, and extended the upward observed through the pandemic. Public-sector employment is up 10 per cent since February 2020, albeit unsustainable. Private sector work fell by 94.5k in May or 0.7 per cent and up 2.2 per cent during the pandemic and close to headline of 2.6 per cent growth. Self-employment is trending higher but still 6.5 per cent lower than pre- pandemic levels.

By industry, growth was driven in the services sectors, aligning with re-opening and recovery trends. Accommodations/foodservices (+19.8k or 1.9 per cent) was a key contributor alongside higher wholesale/retail trade (+37.8k or 1.3 per cent). Education (+24k or 1.6 per cent) and professional/scientific/technical services (+20.5k or 1.2 per cent) were principal drivers. In contrast, there were heavy losses in transportation/warehousing (-24.7k), finance/insurance/real estate (-18.5k) and manufacturing (-43.2k) which offset much of the increase.

Despite the mixed hiring data, the labour market remains tight. The unemployment rate slipped to another record low of 5.1 per cent. Alberta's unemployment fell 0.6 points to 5.3 per cent, with B.C. dropping nearly a full point to 4.5 per cent, and Ontario essentially unchanged at 5.5 per cent. In line with recent Statistics Canada business surveys, wage pressures are rising. Average hourly wages rose 3.9 per cent, accelerating from 3.3 per cent in April, despite the decline in higher-wage manufacturing employment. Tight conditions and inflation will likely feed through wage negotiations pushing growth higher in coming quarters.

May's solid employment gain and tightening job market will keep the Bank of Canada firmly focused on moving the policy rate back to normal at a rapid pace.

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