



Labour market momentum slows in May

Just as the Bank of Canada moved again this week to curb excesses of demand in the economy and inflation pressures from earlier this year, Canadian labour market momentum showed signs of wilting heading into the summer months. Employment fell by 17.3k persons (-0.1 per cent) in May and while an insignificant change, all this loss was driven by full-time employment. This was enough to cut hours worked by 0.4 per cent, which was the sharpest decline in 12 months. The unemployment rate rose 0.2 point to 5.2 per cent, which was lifted in part by the immigration induced lift in the working age population and labour supply.

While headline indicators softened, the details did not show clear cut patterns of weakness. Canada's job loss was concentrated among youth with those aged 15-24 recording a loss of 77.3k which offset growth in the prime-age group (25 to 54) which reported growth of 62.6k. Young employees may be taking the brunt of any company right-sizing while the summer job may not be off to a rollicking start. This could reflect some caution among businesses although it is still early in the season. Interestingly though, losses were in the self-employed segment of the labour force.

Given the demographics of employment performance, it is not surprising that services-sectors endured most of the job loss which fell 40.k persons or 0.3 per cent. But even here, the main losses were observed in business support services (-31k or 4.4 per cent), professional/scientific/technical services (-13.4k or 0.7 per cent), and transportation/warehousing (-9.7k or 0.9 per cent). In contrast, the hospitality sector (+10.6k or 0.9 per cent), where one would expect a hit in youth employment to show up, maintained upward momentum. Manufacturing also added jobs.

For rate watchers, there were signs that the labour market may be loosening. With the uptick in unemployment rate to the highest level since October, average wage growth slowed to 5.1 per cent year-over-year, down from 5.2 per cent in April and 5.3 per cent in March. That said, this remains high and the monthly trend, adjusted for seasonal factors, rose by our calculations.

Among provinces, employment declines were led by Ontario (-23.9k or 0.3 per cent), while the maritime provinces of Nova Scotia (-1.0 per cent), Prince Edward Island (-0.6 per cent) and Newfoundland and Labrador (-1.8 per cent) recorded deeper relative declines. Job gains were recorded in Manitoba (1.2 per cent). Unemployment rates were mixed. Ontario saw its shoot higher from 4.9 per cent to 5.5 per cent which drove the national increase, while levels edged lower in Alberta, Saskatchewan, and Nova Scotia.

Going forward, we anticipate moderation as the economy cools from tighter monetary policy and raging wildfires also impact economies in eastern Canada. As the Bank has already shifted gears back into a hiking mentality, May's moderation is unlikely to shift the Bank away from another July move. That said, there is still incoming Consumer Price Index inflation data and another labour market report that will inform that decision.

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Canada Labour Force Survey Summary

	2023M01	2023M02	2023M03	2023M04	2023M05
Employed, m/m	150.0	21.8	34.7	41.4	-17.3
Employed, m/m %	0.8	0.1	0.2	0.2	-0.1
Employed, y/y %	3.9	2.1	2.2	2.1	1.8
Unemployment Rate, %	5.0	5.0	5.0	5.0	5.2
Participation Rate, %	65.7	65.7	65.6	65.6	65.5
Employment Rate, %	62.5	62.4	62.4	62.4	62.1
Hourly Wage, y/y %	4.5	5.4	5.3	5.2	5.1
Employed, 3m % ch	1.2	1.2	1.0	0.5	0.3

LFS Employed, m/m ch. by select NAICS industry, persons

	2023M01	2023M02	2023M03	2023M04	2023M05
Goods	25.4	17.5	-40.9	6.3	22.8
Resources	1.3	5.0	-10.6	1.8	2.1
Construction	15.8	-1.5	-18.8	7.0	0.6
Manufacturing	7.3	6.8	-6.1	2.8	12.9
Services	124.7	4.2	75.5	35.2	-40.1
Trade	58.7	-2.5	-2.4	24.4	-12.9
FIREL	-3.0	-8.0	18.5	-8.8	-3.3
PST	-0.5	-2.2	5.0	-6.1	-13.4
Accom. and Food services	12.4	3.1	4.5	-5.1	10.6
Public Admin	-3.8	10.0	1.8	0.2	0.6

Provincial Summary

	Employment					Unemployment Rate		
	m/m ch. Persons		m/m % ch.		y/y % ch	Per Cent		
	2023M05	2023M04	2023M05	2023M04	2023M05	2023M05	2023M04	2023M05
British Columbia	2,780.8	2.1	1.4	0.1	0.1	1.0	5.0	5.0
Alberta	2,447.0	-1.9	3.9	-0.1	0.2	2.8	5.9	5.7
Saskatchewan	587.7	0.3	0.2	0.1	0.0	0.6	4.8	4.4
Manitoba	695.6	-4.0	8.2	-0.6	1.2	2.9	4.8	4.8
Ontario	7,895.5	32.7	-23.9	0.4	-0.3	1.7	4.9	5.5
Quebec	4,506.6	10.5	1.6	0.2	0.0	2.1	4.1	4.0
New Brunswick	384.8	-1.9	1.2	-0.5	0.3	3.2	6.1	6.1
Nova Scotia	492.1	1.3	-5.2	0.3	-1.0	1.6	6.3	5.7
Prince Edward Island	89.0	2.2	-0.5	2.5	-0.6	4.0	7.1	7.2
Newfoundland & Labrador	233.8	0.2	-4.2	0.1	-1.8	-0.3	10.1	10.2