



Bent but not broken, Canadian labour market struggles in May

Canada's labour market showed some resilience May but continued to struggle in the face of trade headwinds. Employment growth outperformed expectations during the month with a mild uptick of 8.8k people working during the month, which was better than the consensus forecast for a 15k decline. Sturdy growth in full-time work (57.7k) outpaced part-time losses of 48.8k. That said, employment has been flat since January (but up 1.4 per cent y/y), and the unemployment rate nudging higher to 7.0 per cent from 6.9 per cent, which was the highest since September 2021 when the economy was exiting the pandemic shock. Outside the pandemic, this was the highest since September 2016. The higher unemployment rate reflected continued growth in the working age population base

While headline employment growth rose, there were obvious signs that the trade war is eroding economic activity, even if the impact was shallower than expected. As we saw this week, April international goods exports plunged 11 per cent, which is directly impacting the country's manufacturing base. While losses were shallower than expected at -12.2k (0.7 per cent), and less than the 30k drop in April, the sector continued to shed workers with levels down 1.4 per cent y/y. Meanwhile, transportation and warehousing employment ratcheted lower by 15.5k or 1.4 per cent. Accommodations/foodservices fell 16.4k or 1.4 per cent, which could reflect border frictions on tourism flows.

Employment growth was mixed in other sectors. As expected, public administration employment reversed April's election-driven surge and declined 32.2k or 2.5 per cent. In contrast, there was strong growth in wholesale/retail trade (42.8k or 1.5 per cent), information/culture/recreation (19.3k or 2.3 per cent), and finance/insurance/real estate (12.4k or 0.8 per cent). Broadly the labour market showed signs of mixed growth contingent on sector and exposure to the trade war.

The lack of job growth this year and rising unemployment rate points to ongoing struggles for those looking to find work or transition into new opportunities. Young people (aged 15-24) are particularly impacted with an unemployment rate of 14.2 per cent which has more than doubled the national average. Summer jobs for post-secondary students are in short supply, with the jobless rate for those planning to return to school in the fall of 20 per cent. The high unemployment rate in the economy (7.0 per cent) is tempering wage growth, which held at 3.4 per cent y/y in May.

Regionally, employment growth was led by B.C., which reported a 13k increase in employment (0.4 per cent) and was the only large province with job growth. In contrast, Ontario employment was flat, and Quebec fell 17k (0.4 per cent). Atlantic Canada outside PEI also reported job gains. Unemployment rates rose in six of ten provinces, with the highest currently observed in Newfoundland and Labrador (9.7 per cent) and Ontario (7.9 per cent). The lowest unemployment rate is found in Saskatchewan (4.2 per cent) and Quebec (5.8 per cent). Evidence of the tariff shock can be found in metro market data, with some of the highest rates in areas like Windsor (10.8 per cent) and Oshawa (9.1 per cent), which are exposed to auto tariffs and uncertainty.

The takeaway from the latest data is that the economy is bent but not broken. There is resilience as evident from steady employment levels despite the broad uncertainty but clear weakness in manufacturing and related sectors which will rage on with volatile US policy. Further weakness is ahead given the lagged impacts of weaker investment spending, and further adjustments by firms to trade sector headwinds. We expect moderate employment cuts and a higher unemployment rate through the third quarter which will support Bank of Canada rate cuts starting at the July meeting.

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May-2025	Canada Labour Force Survey (LFS) Summary							
Indicator	Latest	prior month	m/m person ch	m/m ch.	prior m/m ch	y/y ch.	prior y/y ch.	YTD ch.
	Persons, 000s			Per Cent				
Employed	20,978.1	20,969.3	8.8	0.0	0.0	1.4	1.3	1.6
Full-time	17,193.4	17,135.7	57.7	0.3	0.2	1.7	1.1	1.5
Part-time	3,784.8	3,833.6	-48.8	-1.3	-0.6	-0.1	2.3	2.2
Labour Force	22,552.7	22,517.4	35.3	0.2	0.2	2.1	2.1	2.4
Working age population	34,530.6	34,493.6	37.0	0.1	0.2	2.5	2.7	2.9
	Per Cent			Per Cent				
Unemployment Rate	7.0	6.9		0.1	0.2	0.7	0.7	0.7
Employment Rate	60.8	60.8		0.0	-0.1	-0.6	-0.8	-0.7
Participation Rate	65.3	65.3		0.0	0.1	-0.3	-0.4	-0.3
Average wage (\$)	36.1	36.1		0.0	0.2	3.4	3.4	3.6

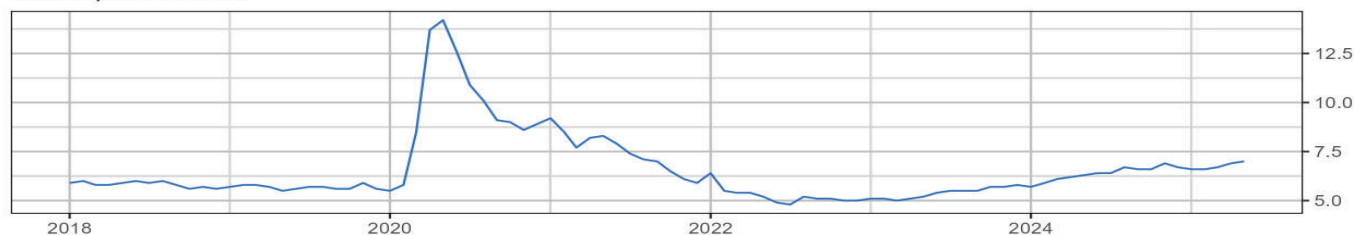
Canada Employment by Industry				
Industry	Employed, 000s	Monthly change	Monthly % change	12- month % change
Total	20,978.1	8.8	0.0	1.4
Goods	4,184.5	-13.0	-0.3	0.3
Agriculture	229.7	-2.5	-1.1	1.8
Primary resources	337.6	4.3	1.3	-5.2
Utilities	161.0	4.9	3.1	7.0
Construction	1,633.2	-7.4	-0.5	2.9
Manufacturing	1,823.1	-12.2	-0.7	-1.6
Services	16,793.6	21.8	0.1	1.6
Wholesale/Retail Trade	2,984.9	42.8	1.5	1.5
Transportation/Warehousing	1,071.7	-15.5	-1.4	-1.3
Finance/Insurance/RE	1,501.7	12.4	0.8	4.9
Professional/Scientific/Technical Service	2,011.8	9.9	0.5	2.2
Business Support	690.6	-14.5	-2.1	-3.3
Education	1,607.2	6.1	0.4	4.1
Healthcare/Social Assistance	2,880.7	10.3	0.4	2.2
Information/Culture/Recreation	867.3	19.3	2.3	3.8
Accommodation/Foodservices	1,153.4	-16.4	-1.4	0.8
Other Private Service	777.5	-0.3	0.0	-4.5
Public Administration	1,246.9	-32.2	-2.5	1.6
Employment by Class				
Private-Sector	13,730.9	60.6	0.4	1.1
Public-Sector	4,528.3	-21.3	-0.5	2.0
Self Employed	2,718.9	-30.4	-1.1	1.5

Labour Market Summary by Province					
Province	Employed, 000s	m/m % change	y/y % change	Unemployment Rate	Participation Rate
CAN	20,978.1	0.0	1.4	7.0	65.3
BC	2,963.9	0.4	1.2	6.4	65.6
AB	2,564.1	-0.1	2.7	7.4	68.5
SK	617.1	0.2	2.6	4.2	66.8
MB	730.8	-0.8	1.0	5.9	66.2
ON	8,198.6	0.0	0.7	7.9	65.0
QC	4,628.6	-0.4	1.8	5.8	64.9
NB	408.0	1.9	2.1	6.3	60.5
NS	527.0	2.1	1.4	6.5	61.8
PEI	91.6	-2.9	0.1	8.2	65.1
NL	248.5	0.2	1.6	9.7	58.4

Canada Labour Market Conditions

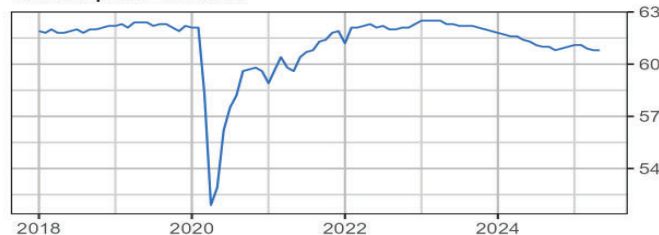
Unemployment Rate (%)

Last data point: 2025-05-01



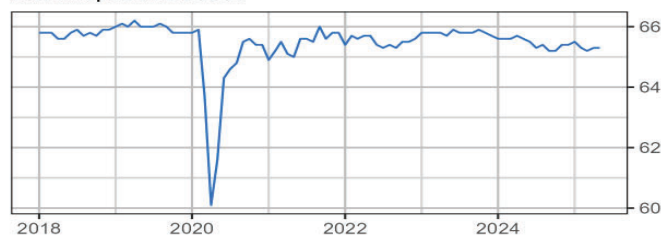
Employment Rate

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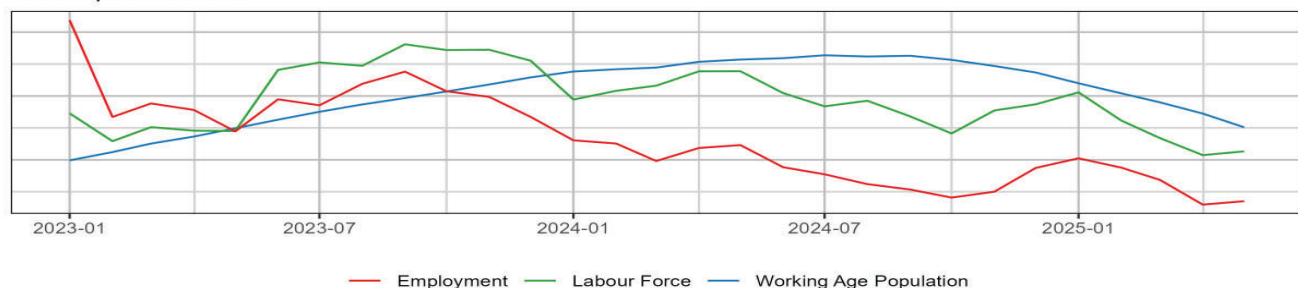
Participation Rate

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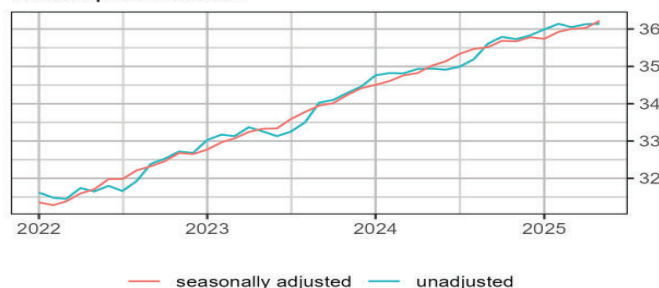
Labour Indicators, 12-month % ch

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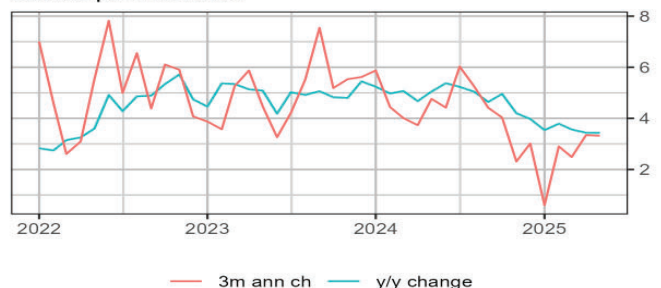
Average hourly wage

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Average hourly wage growth (%)

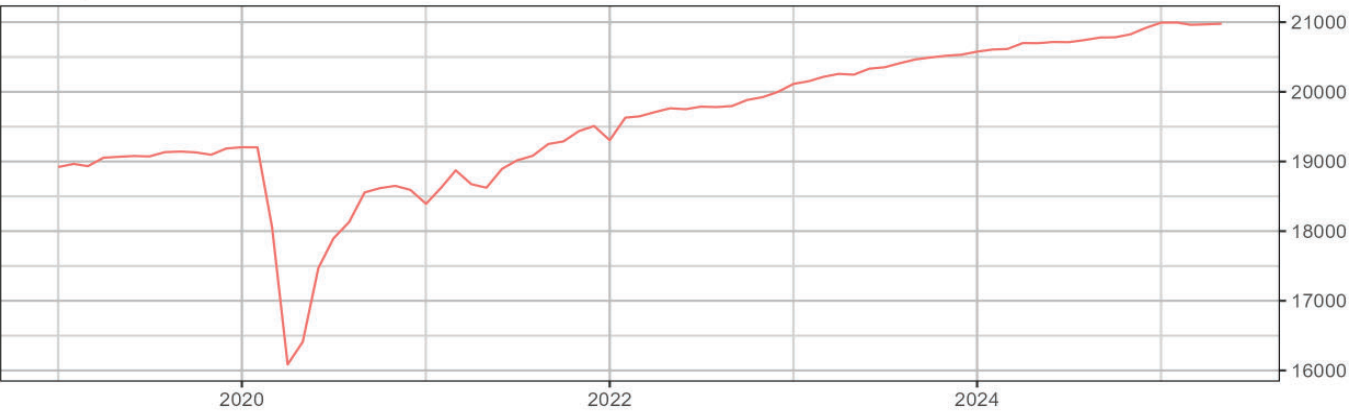
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Canada LFS Employment

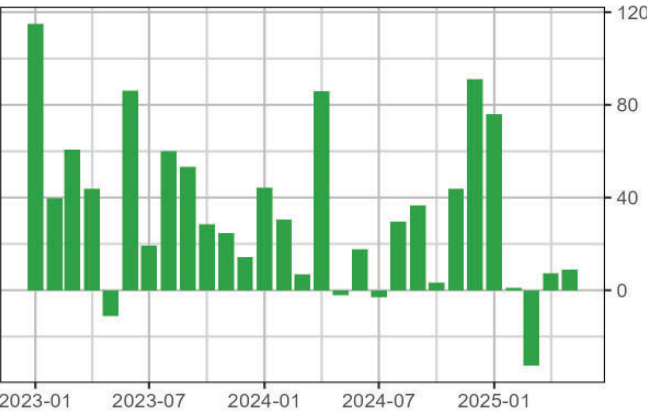
Employment, 000s

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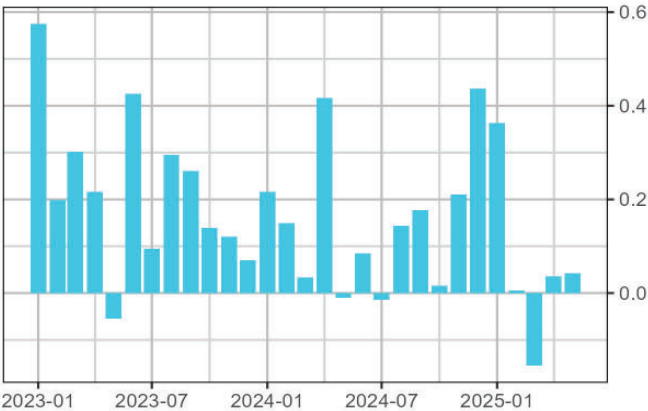
Monthly ch 000s

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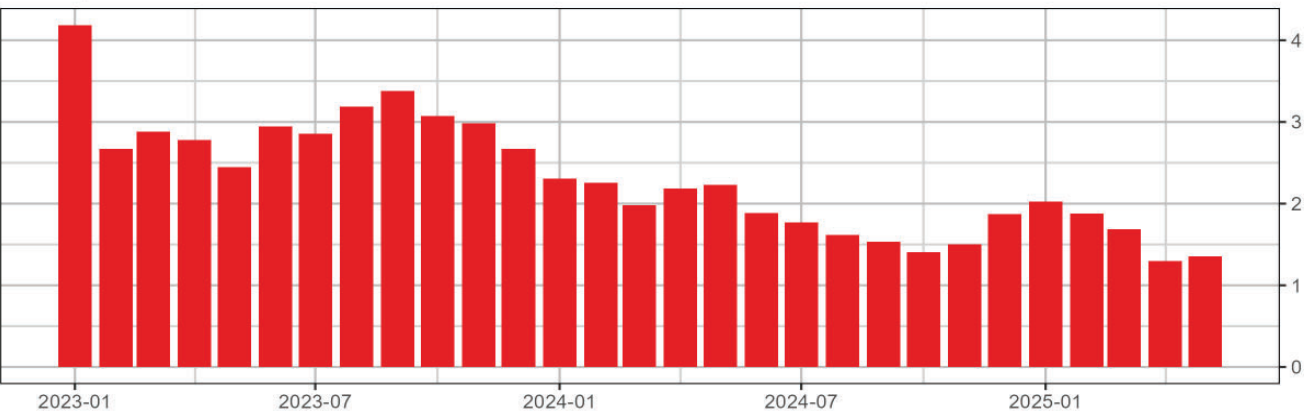
Monthly ch (%)

Last data point: 2025-05-01



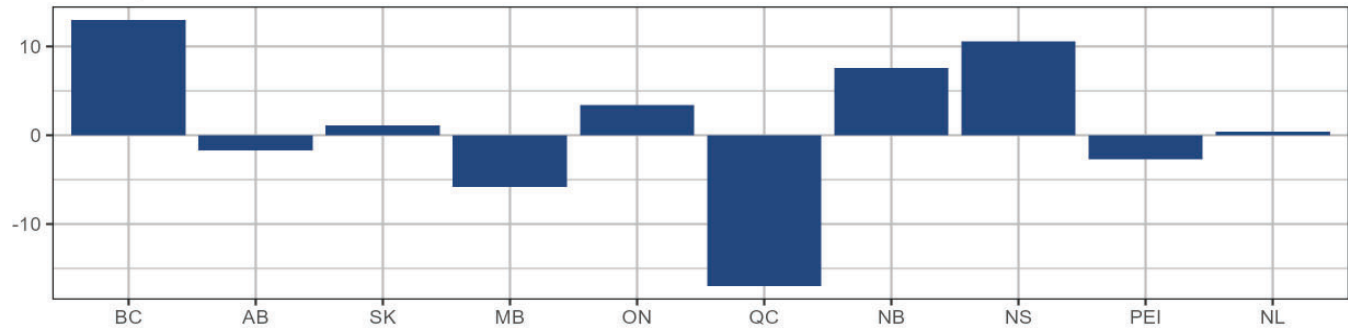
12- month ch (%)

Last data point: 2025-05-01

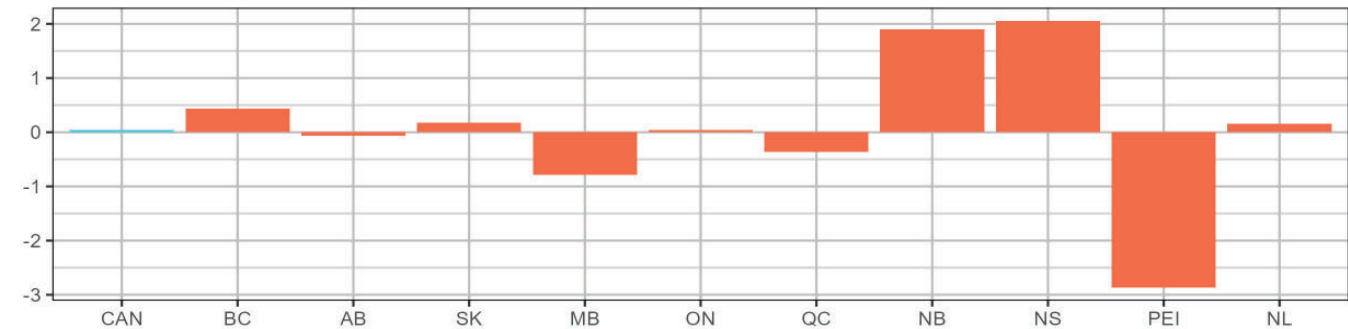


Provincial Labour Market Highlights

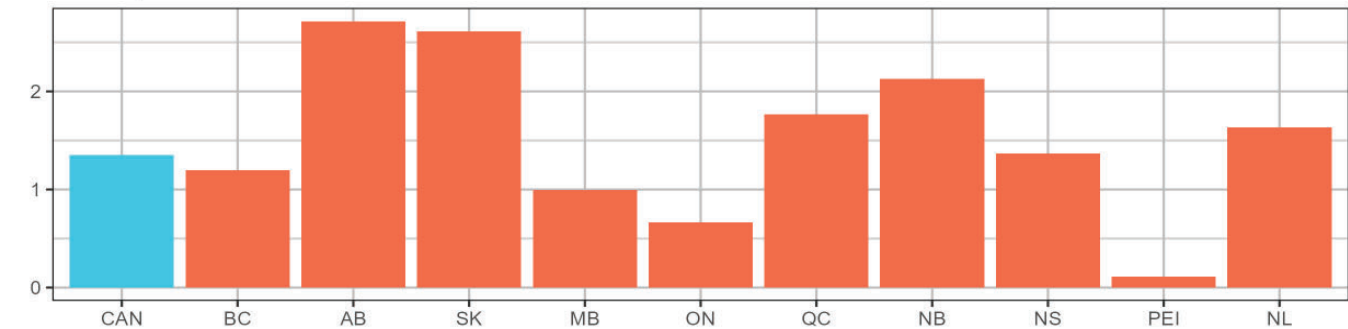
Employment by Province, m/m ch (000s)
Last data point: 2025-05-01



Employment by Province, m/m % ch
Last data point: 2025-05-01



Employment by Province, y/y % ch
Last data point: 2025-05-01



Unemployment Rate by Province, %
Last data point: 2025-05-01

