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TD Economics

Data Release: Canadian labour markets leapt forward in May

- Canada added a healthy 54.5k net jobs in May. The previous month's drop in the labour force more than reversed (+78.4k in May), enough to move the unemployment rate a notch higher to 6.6%.
- It was full-time work that led the gains, up 77k positions, while part-time employment fell 22.3k positions on net. Canada has added 185.1k net full-time positions so far this year, well ahead of the 27.9k net added at the same point in 2016.
- It was largely the private sector leading the way, adding 59.4k net jobs, more than reversing April's declines. The public sector remained a net job creator as well (+9.2k).
- Job creation was seen in both the goods-producing (+23.3k) and service-producing (+31.3k) sides of the economy. The goods side was largely a story of manufacturing (+25.3k) as the other major sectors turned in flat performances. Within services, professional services (+25.9k), transportation (+17.1k), trade (+15.2k), and health care (+15.1k) were the star performers. In contrast, finance, insurance, real estate and leasing saw a loss of 17.4k net positions, and a sizeable decline was also seen in information, cultural, and recreation (-15.8k).
- Regionally, it was Ontario (+19.9k), Quebec (+14.9k), and B.C. (+12.3k) that led the gains. Job growth in the other provinces was effectively flat. Notably, a shrinking labour force in Quebec led the unemployment rate down to 6.0% (from 6.5%), while in Ontario, it was the opposite story, as rising participation swamped job gains, leading to a 0.7 p.p. climb in the unemployment rate, to 6.5% (reversing the previous month's declines)
- Hours worked were up a modest 0.7% year-on-year (April: +1.1%), while the hourly wage rate gain 1.0% year-on-year, an improvement from the record slow pace recorded in the month prior.

Key Implications

- This is a report with a lot to like in it. May recorded the biggest monthly net jobs gain since September of last year (and the best performance year-on-year since February of 2013), largely on gains in full-time work. Moreover, gains were spread across most sectors, with solid private sector hiring activity. Even the modest uptick in the unemployment rate is a welcome development as it reflected a labour market that drew Canadians back in. Indeed, among Canadians aged 15 to 64 years, the participation rate remains near all-time highs.
- The soft spot in Canadian labour markets remains hours worked and wages. Growth in hours worked has improved in recent months, but remains somewhat soft, particularly given the healthy gains in full-time work. Similarly, wage growth may have recovered from last month's low, but at 1.0% year-on-year, remains soft by any measure.
- The May jobs report provides further indication that the Canadian economy is likely to remain fairly robust in the second quarter. Wage growth may remain a soft spot for now, but the healthy labour market, including strong core participation rates, should continue the upward pressure in wages, and prices more generally. We remain of the view that the pieces are falling in place to allow the Bank of Canada to begin tightening monetary policy early next year.

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