RBC Economics

Daily Economic Update

June 10, 2022

Canadian employment (and wages) jumped higher in May

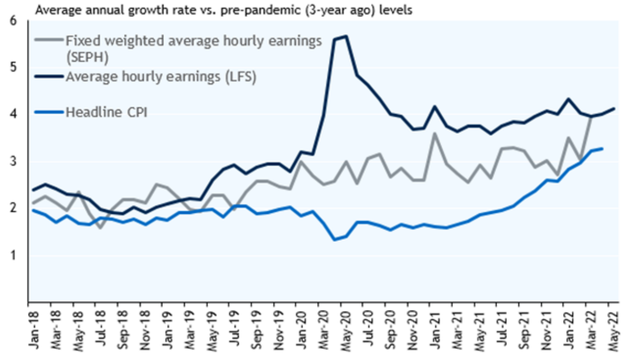
- Employment rose 40k in May, although hours worked edged lower.
- The unemployment rate dipped to a another multi-decade low at 5.1%
- Wage growth ticked up to 3.9% year-over-year, and 4.5% for permanent employees
- Labour market data continues to support aggressive Bank of Canada rate hikes near-term

The 40k increase in employment in June was despite an exceptionally limited supply of labour. The unemployment rate was already at its lowest level since at least 1976 in April (5.2%) and edged down further to 5.1% in May. Full-time employment surged by 135k in May, offsetting a 96k pull-back in part-time work - although hours still edged 0.3% lower.

Demand for labour is far stronger than employment growth, and that is putting upward pressure on wages. Job openings were still running more than 70% above pre-pandemic levels in May, but the number of available unemployed workers is down almost 9%. Wage growth has been slower to respond, but average hourly earnings growth climbed to 3.9% year-over-year in May - and a higher 4.5% for permanent employees.

Exceptionally tight labour markets and rising wages will only add to pressure for the Bank of Canada to move quickly to pull back on monetary policy support. There have been some signs of easing in global supply chain pressures in recent weeks, but surging inflation globally (U.S. May CPI growth also surprised on the upside this morning) is adding to domestic inflation. We look for another 50 basis point hike to the BoC's overnight rate in July.
Against that backdrop, a softer Q1 GDP reading isn't likely to do anything to deter the Federal Reserve from continuing to hike rates off of exceptionally low levels, and we continue to look for a 50 bp hike to the fed funds target range next week.

Canadian wage growth marching higher



Source: Statistics Canada, RBC Economics Research

Canada employment summary

	Mar-22	Apr-22	May-22	May-22 change from pre-pandemic
	m/m change (thousands)			
Employment	73	15	40	497
Full-time	93	-32	135	480
Part-time	-20	47	-96	17
Public	2	-5	108	418
Private	39	22	-95	268
Self-employed	31	-1	26	-189
	%			
Unemployment rate	5.3	5.2	5.1	-0.6
'R8' (SA by RBC)	7.6	6.5	5.8	-2.5
Participation rate	65.4	65.3	65.3	-0.3
ages 25-54	88.6	88.4	88.4	1.1
Avg hrly wages (y/y %)	3.4	3.3	3.9	

Source: Statistics Canada, RBC Economics

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