

June 9, 2023

Canadian employment declined in May despite population surge

- Employment declined by 17k in May, the first monthly dip since August last year and retracing little of the almost 250k surge in the first four months of 2023.
- But the small drop in employment was also despite a record (83k) population increase. The unemployment rate rose to 5.2% as labour markets had more trouble absorbing new job seekers.
- The employment decline was entirely from lower self-employment (-40k) but also entirely accounted for by full-time jobs (-33k) in May. Statistics Canada noted a slow start to the student summer job market with employment down 77k among 15-24 year olds.
- The labour market data is always volatile and the May report is the first downside surprise in a while. Still, there were earlier signs that cracks were forming under the surface - job openings are down ~20% from their peak levels and businesses have been reporting less intense labour shortages.
- Wage growth edged down to 5.1% year-over-year in May from 5.2% in April and is expected to slow further as labour demand continues to cool.
- **Bottom line:** It is highly unlikely that the Bank of Canada chose to interrupt the pause in interest rates that started in January for just the one additional 25 basis point interest rate hike announced earlier this week. One softer employment report doesn't make a new trend, and labour markets are still exceptionally tight from a historical perspective. There is still another jobs report, the May CPI report, and the BoC's own closely watched Business Outlook Survey out before the next interest rate decision - and we continue to expect data releases to look softer as time goes on. But it will probably take more downside surprises to upend plans for another rate hike in July.

Canada employment summary

	Mar-23	Apr-23	May-23	May-23 change from pre-pandemic
	<i>m/m change (thousands)</i>			
Employment	35	41	-17	890
Full-time	19	-6	-33	830
Part-time	16	48	16	60
Public	3	13	10	450
Private	35	9	13	615
Self-employed	-3	19	-40	-175
	%			
Unemployment rate	5.0	5.0	5.2	-0.5
'R8' (SA by RBC)	6.8	6.4	6.5	-1.8
Participation rate	65.6	65.6	65.5	-0.4
ages 25-54	88.7	88.6	88.7	1.2
Avg hrly wages (y/y %)	5.3	5.2	5.1	

Source: Statistics Canada, RBC Economics

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