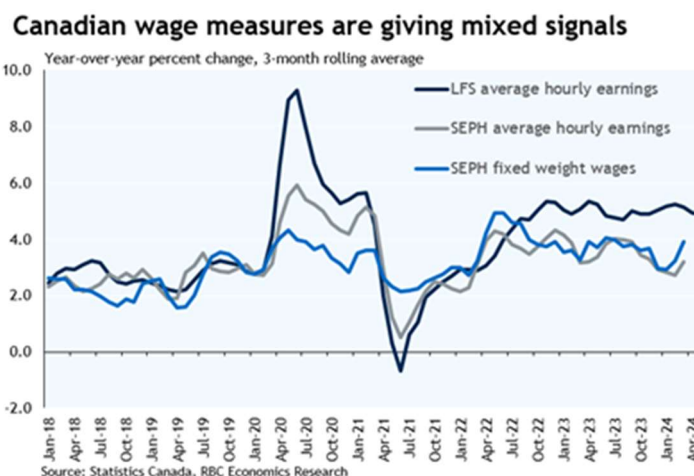


June 7, 2024

## Canadian labour markets continued to cool in May

- Canadian employment continued to grind higher in May (+27K) but (again) not fast enough to keep up with surging population growth (+98k)
- As a result, the unemployment rate also edged up again, to 6.2% in May from 6.1% in April. That is up almost a percent from a year ago and almost 1 1/2 percentage points from the 4.8% low post pandemic lockdowns.
- A disproportionate share of the rise in the unemployment rate is still coming from students that are entering the job market for the first time and taking longer to find work, although the number of permanent layoffs was also up 33% year-over-year in May.
- Details were mixed - job gains were entirely part-time (+62k) to offset a full-time drop (-36k). Total hours worked were little-changed after jumping 0.8% higher in April.
- Wage growth (a measure the Bank of Canada is watching closely for future inflation implications) jumped unexpectedly higher to 5.1% year-over-year from 4.7% in April. Still, other wage measures derived directly from business payrolls have been slower and are more consistent with a broader slowing in labour demand (job openings continue to trend lower) and higher unemployment.
- **Bottom line:** The gradual cooling in Canadian labour markets broadly continued in May. The BoC will be keeping a close eye on wage growth for future inflation implications. But the unemployment rate is still up almost a percentage point from a year ago, per-capita GDP growth is still declining, the BoC's preferred core inflation measures have slowed sharply, and other wage measures from company payrolls are showing smaller increases than today's labour force survey numbers. The BoC won't regret cutting interest rates this week and with interest rates still at 'restrictive' levels, there is room to cut further without stoking a resurgence in price growth.



**Nathan Janzen** | Assistant Chief Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-0569  
For more economic research, visit our website at <https://thoughtleadership.rbc.com/economics/>

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

## Canada employment summary

	<u>Mar-24</u>	<u>Apr-24</u>	<u>May-24</u>	<u>May-24</u> <i>y/y change</i> <i>(thousands)</i>
	<i>m/m change (thousands)</i>			
Employment	-2	90	27	402
Full-time	-1	40	-36	263
Part-time	-2	50	62	140
Public	12	26	-8	201
Private	15	50	18	167
Self-employed	-29	15	17	34
Hours worked (% change)	-0.3	0.8	0.0	1.6
	%			<i>Ppt change</i>
Unemployment rate	6.1	6.1	6.2	0.9
'R8' (SA by RBC)	8.2	8.1	8.4	1.4
Participation rate	65.3	65.4	65.4	-0.2
ages 25-54	88.8	88.9	88.6	-0.2
Avg hrly wages (y/y %)	5.1	4.7	5.1	

Source: Statistics Canada, RBC Economics