Economic News

Canada

The strongest job creation in over 10 years!

HIGHLIGHTS

• The labour market created 95,000 jobs in May.
• The goods sectors added 30,200 jobs. The strong rise by construction (a historical record of +42,700 for this sector) was partially offset by the drop in manufacturing (-14,200).
• The service sector added 64,700 jobs. Trade (+27,200) and business services (+21,300) performed especially well.
• The unemployment rate went from 7.2% to 7.1%.

COMMENTS

Spectacular. Incredible. Unexpected. Words fail when it comes to describing May’s surge in employment. This is the strongest monthly growth since the 95,100-job gain recorded in August 2002, which even today is the historic record since data was first compiled by the labour force survey. This means that we were 100 jobs away from shattering the all-time record for job creation.

However, we need to put this exceptional result into perspective. Employment figures are very volatile, and the previous months were characterized by disappointing monthly changes. The 6-month moving average for job creation, which provides a better picture of labour market trends, went down in April, falling to a point that was starting to create some concern about the strength of Canada’s economy. May’s substantial rebound, however, makes up for a lot of the weaker results from earlier months, bringing the 6-month trend to a level that is more compatible with modest growth by the Canadian economy.

That being said, May’s vigorous employment growth in the construction sector raises some questions. In a context in which the real estate market has been on a downward trend for several months, it is hard to imagine that job creation in construction could beat its historic record. Unfortunately, survey data does not tell us if these jobs were created in the residential, commercial or public works sectors. Combined with the rise by building permits in the last few months, this provokes several questions about the real estate market’s continued downtrend. The situation will have to be kept under a close watch in the next few months.

Implications: The job creation recorded in May is surely good news for Canada’s economy. This will help to ease some doubts about its health. However, other worries are coming to the fore in the real estate market. Under these conditions, we can expect monetary authorities to continue to monitor the real estate market.

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