

## Strong Headline, Fragile Structure: What May's Job Numbers Are Really Telling Us



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Employment added 88,000 (+0.4%) in May, the first significant gain since November 2025. The unemployment rate fell 0.3 percentage points to 6.6%.

After four straight months of job losses that wiped out 112,000 positions, it feels like we are at a turning point. Full-time work drove nearly all of the gains, with construction and hospitality leading the way. Even the summer job market is looking better for students than it did last year. If you just read the headline, you might think the economy is back on track.

Before we celebrate, it is worth looking underneath the headline. Trade uncertainty from U.S. tariffs, rising energy costs, and cautious business sentiment are still weighing on hiring decisions across the country. The jobs lost earlier this year left real damage: missed shifts, tighter budgets, deferred plans. One good month cannot undo that. Wages grew by just 3.0%, down sharply from 4.5% the month before, which means people's paycheques are barely keeping up with the cost of daily living. Plus, the retail sector, which shows how families actually spend, shed 35,000 jobs.

### **So what does this mean if you run a small shop or you are just trying to make your household budget work?**

More people are working and that is, most certainly, good news! More stable income circulating in communities means more customers and more spending. But the economy is not growing fast enough or evenly enough to call this a recovery.

The question is not whether the headline number is up or down this month. It is whether the jobs being created are stable, whether they pay enough to live on, and whether the jobs are available in regions, and to people, that need them most. That is the story worth watching!

## Why headline employment does not tell the full story

The numbers are encouraging. But structure matters more than a single month's headline, and the structural picture remains uneven:

- Year-over-year employment growth is only 0.7%. Even with population growth slowing recently, Canada needs steady job creation just to keep pace, so annual employment growth of 0.7% is considered modest. The employment rate at 60.7% is unchanged from a year ago, which means the economy is not expanding fast enough to employ a bigger share of the population.
- Unemployment is still above pre-pandemic norms. At 6.6%, the rate remains above 2017 to 2019 average of 6.0%. It has been above that benchmark since the spring of 2024.
- Youth unemployment is still elevated. At 13.4%, it is down meaningfully from April's 14.3%, but still well above the pre-pandemic average of 10.8%. For young Canadians trying to build a career, the doors are wider than last month but still narrower than they should be.
- The job-finding rate is below normal. Just over one-quarter (26.3%) of April's unemployed Canadians found work in May. That is up from a year ago, but remains well below the pre-pandemic average of 31.5% for the same months. Once you are out of work, it is still harder to get back in than it was before the pandemic.

- Wage growth decelerated sharply. Average hourly wages rose 3.0% year-over-year in May, down from 4.5% in April. That deceleration matters: when wage growth slows while cost pressures in energy, food, and housing remain elevated, real purchasing power tightens, particularly for lower-income households.
- Consumer-facing sectors are still contracting. Wholesale and retail trade lost 35,000 jobs in May and is down 64,000 (-2.1%) year-over-year. Two consecutive months of decline in one of the country's largest employment sectors signals that consumer caution is real and deepening.

## The "technical recession" debate.

There is a lot of chatter about Canada being in a technical recession, which is defined as two consecutive quarters of GDP contraction. Today's employment data is precisely why that framing is misleading. An economy that adds 88,000 jobs in a single month, with full-time gains of 154,000, growth across multiple industries, and declining unemployment in the three largest metro areas is not an economy in collapse. What is happening is more nuanced. We're seeing an economy that is slow, uneven, and adjusting to structural changes. Parts of the economy are growing

For example, construction is benefiting from public infrastructure investment, and transportation and warehousing are responding to trade diversification. But other parts are contracting. For example, retail is weak, manufacturing is under tariff-driven pressure, and the labour market has yet recovered to its pre-pandemic operating rhythm.

## Why this matters for households, especially lower- and middle-income families.

Wage growth decelerating to 3.0% is significant. In April, wages were growing at 4.5% above inflation, providing some breathing room. At 3.0%, wage growth is now running closer to inflation, which means real wage gains are thinning. For workers in the bottom quartile of the wage distribution, who were already seeing slower growth than those at the top, this compression makes the cost-of-living squeeze even tighter.

The full-time employment recovery in May is genuinely good news for income stability. But one month does not undo the anxiety of four months of deterioration. Households that saw hours cut, shifted from full-time to part-time, or spent weeks searching for work do not reset their budgets overnight. The financial damage of the January-to-April period including the missed savings, the deferred repairs, the credit taken on, lingers even as the headline improves.

## Why this matters for small businesses.

For small business owners, today's data is a mixed signal:

- **The good news:** more people are working and working full-time. That means more stable paycheques circulating in local economies, which can include more spending at local shops, restaurants, and service providers.
- **The concern:** wholesale and retail trade is contracting, and consumer-facing sectors remain under pressure. If your business depends on discretionary consumer spending, the customers walking through the door are still cautious. Retail lost 35,000 jobs in May and 64,000 year-over-year. That is not a signal of consumer confidence, it is a signal of consumer restraint.
- **Wage deceleration is a double-edged sword.** Slower wage growth eases pressure on payroll costs but also means customers have less spending power. For small businesses that rely on local demand, the deceleration from 4.5% to 3.0% in a single month changes the calculus.

## A view from BC

British Columbia added 25,000 jobs (+0.9%) in May, partially recovering the 39,000 lost in February and March. The unemployment rate was unchanged at 6.8%, above the national average.

- **Vancouver's unemployment rate fell 0.6 percentage points to 6.4%**, bringing it closer to Montreal (6.5%) and well below Toronto (6.8%). For a city that was seeing labour market softness earlier in the year, this is a meaningful improvement.
- **The province's gains follow the national pattern**, with growth concentrated in construction and services sectors. BC has not fully recovered the jobs lost earlier in the year, and the unemployment rate remains above its pre-pandemic range.
- **For our Vancity members across Metro Vancouver, the Fraser Valley, and the communities we serve**, the direction is better. More people are working, and more of that work is full-time. But the cost pressures in housing, energy, and food have not eased. A stronger job market helps, but it does not eliminate the squeeze. The question is whether this month's gains mark the beginning of a durable improvement or a temporary bounce in a still-fragile labour market.

## Bottom line

Today's employment data is the strongest report Canada has produced in six months. That matters. But one good month does not rewrite the story of the year.

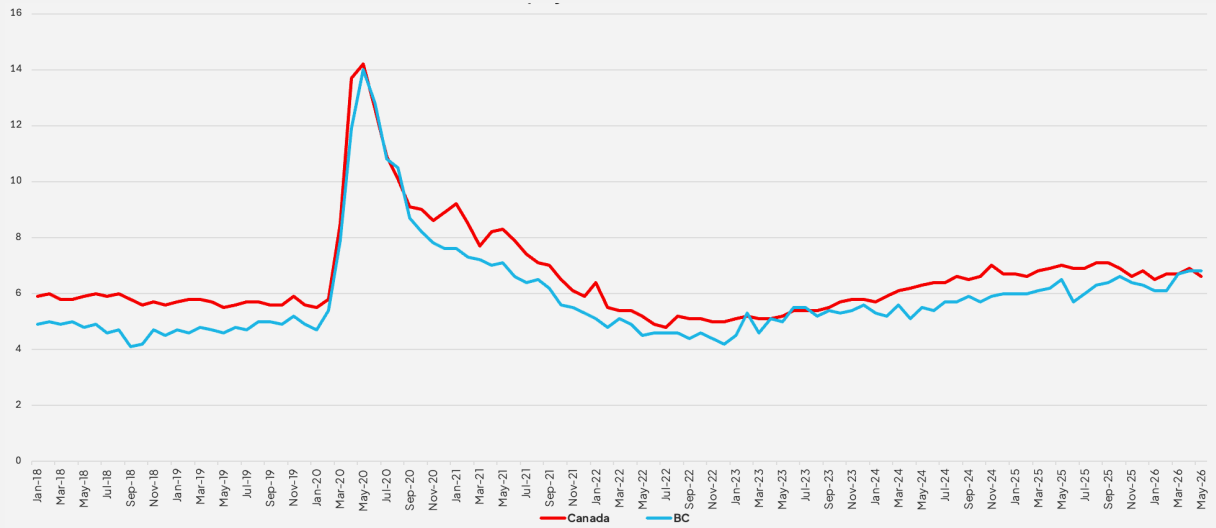
Since January, the economy has shed a net 24,000 jobs. The employment rate is unchanged year-over-year. Unemployment remains above pre-pandemic norms. Wage growth is decelerating. And the sectors most connected to everyday consumer spending: retail, and wholesale, are still contracting.

When it comes to economic data news, what matters is not whether the headline number is positive or negative in any given month. What matters is the structure of growth: who is benefiting, where the jobs are, what kind of work is being created, and whether the gains are durable enough to improve the financial lives of the Canadians who need it most.

For now, the direction is encouraging. The foundation is not yet solid.

*Source: Statistics Canada, Labour Force Survey, May 2026. Released June 5, 2026. [www150.statcan.gc.ca]*

# Unemployment Rate %



Source: Statistics Canada - Labour force characteristics, monthly seasonally adjusted