



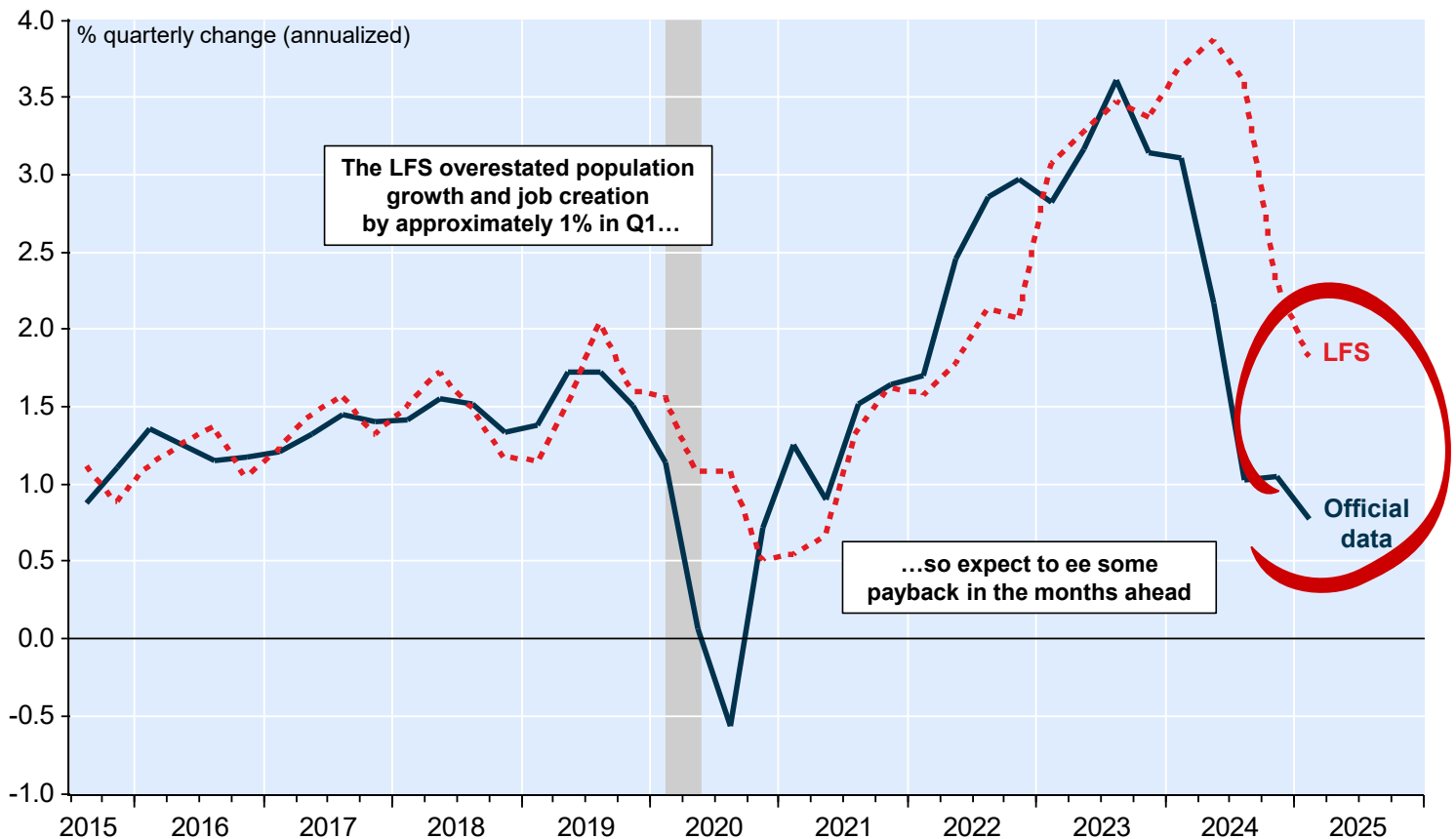
Canada Watch

By Stéfane Marion & Matthieu Arseneau

Bank of Canada Governor Tiff Macklem recently argued that Canada's labour market remains resilient, citing continued job creation outside of tradable sectors (see [here](#)). We believe that view deserves a healthy dose of skepticism. The Labour Force Survey (LFS) relies on population control totals that smooth the number of non-permanent residents (NPRs) using a 12-month moving average. That methodology introduces lag when there are sharp movements in NPR numbers, causing the LFS to either overstate or understate true population growth (and employment) relative to official quarterly demographic estimates. Case in point: Statistics Canada's latest data show the NPR population declined by a near-record 61,111 individuals since the start of the year. As highlighted in today's Hot Chart, this means the smoothed LFS population controls overestimated population growth by an annualized 1% in Q1 alone. Adjusting for that discrepancy implies that net employment creation was overstated by more than 50K during the quarter. With NPR inflows unlikely to rebound in the near term, we expect LFS data to quickly converge toward the official demographic trend—setting the stage for much weaker job numbers in the coming months. Regardless of Governor Macklem's confidence in labour market resilience, we think the July rate decision will be shaped more by these underlying realities—ultimately forcing his hand toward further monetary easing.

Canada: Job growth almost certainly weaker than the BoC thinks

Population growth: Official data vs LFS estimate



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