

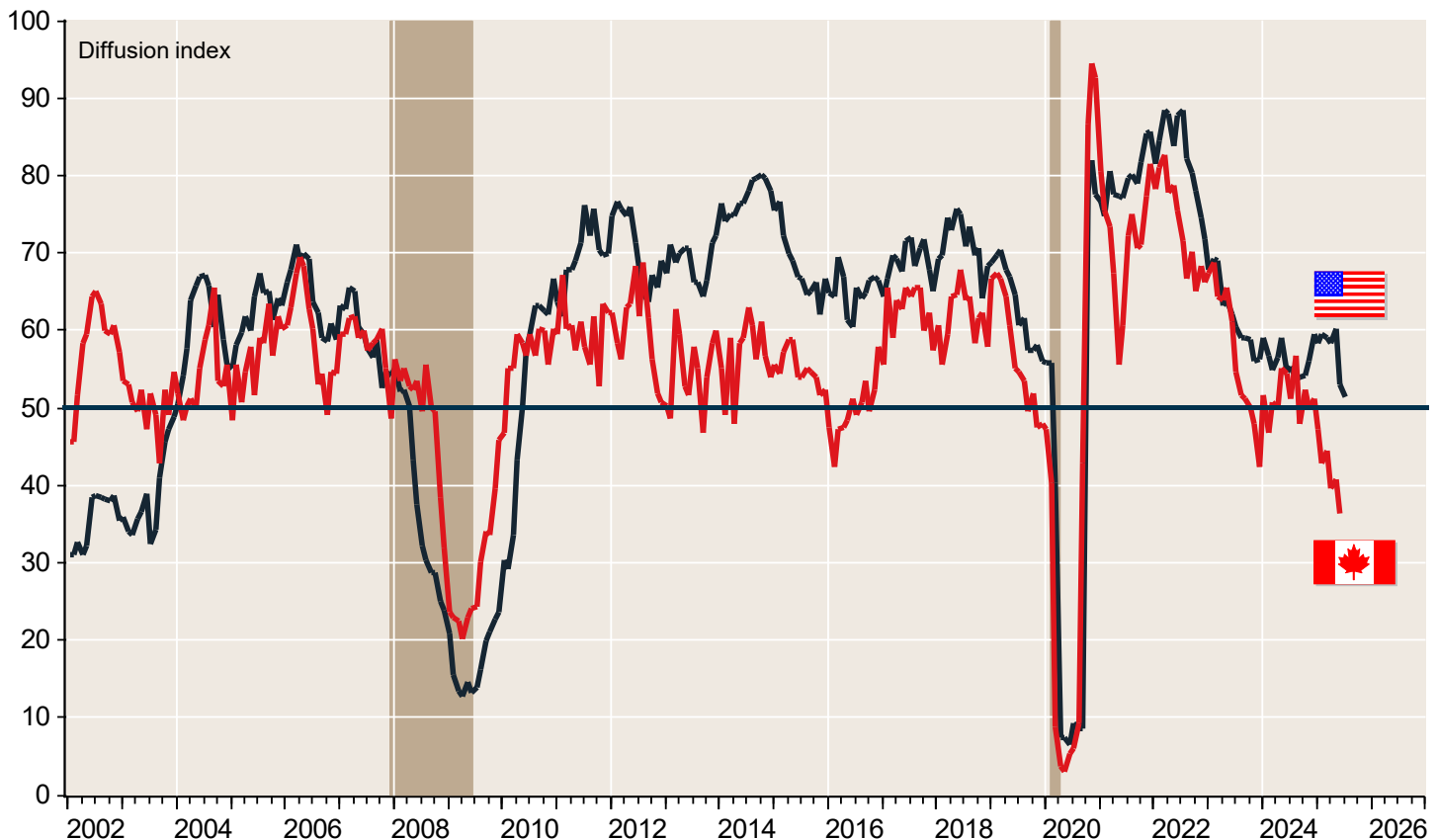
Canada Watch

By Matthieu Arseneau

In its July Monetary Policy Report, the Bank of Canada stated that several labour market indicators point to growing slack but added that this weakness was limited to sectors sensitive to trade. We have been warning our readers for some time that the Labour Force Survey (LFS), on which the Bank of Canada bases its conclusions, overestimates population and employment growth for methodological reasons (see [link](#)). This is why we place so much emphasis on the alternative survey (which is conducted among businesses rather than households) in order to gain an accurate picture of the Canadian labour market. The June data was released this morning, and it is not at all reassuring—quite the contrary. According to the survey, total employment fell by 33,000 in June, bringing the total decline since the beginning of the year to 47,000. Limiting our analysis to the private sector reveals an even more pronounced decline so far in 2025, with 69,000 jobs lost, resulting in the lowest employment level in 28 months. Unsurprisingly given current trade situation, the manufacturing sector has declined by 25,000 jobs, and the two major provinces that depend most on this sector have shown significant declines (Ontario: -39,000; Quebec: -24,000). However, the weakness is much more widespread at the sectoral level than the Central Bank seems to believe. As today's Hot chart shows, only 36% of private sector industries have grown over the past six months (i.e. since the beginning of the year), which is unheard of outside of a recession. While the Federal Reserve has begun to show unease with a weakening U.S. labour market—evident in its increasingly narrow breadth of job gains—the outright collapse in Canada should be an even greater cause for concern at the Bank of Canada.

Canada: Labour market weakness is widespread among private sector

% of sectors showing an increase in jobs over the last 6 months, Canada (250 sectors) and U.S. (251 sectors)



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NBC.EconomicsStrategy@nbc.ca

To contact us:

514-879-2529

Stéfane Marion

Chief Economist and Strategist

stefane.marion@nbc.ca

Matthieu Arseneau

Deputy Chief Economist

matthieu.arseneau@nbc.ca

Jocelyn Paquet

Economist

jocelyn.paquet@nbc.ca

Kyle Dahms

Economist

kyle.dahms@nbc.ca

Alexandra Ducharme

Economist

alexandra.ducharme@nbc.ca

Daren King, CFA

Economist

daren.king@nbc.ca

Warren Lovely

Chief Rates and Public Sector Strategist

warren.lovely@nbc.ca

Taylor Schleich

Rates Strategist

taylor.schleich@nbc.ca

Ethan Currie

Strategist

ethan.currie@nbc.ca

Angelo Katsoras

Geopolitical Analyst

angelo.katsoras@nbc.ca

Nathalie Girard

Senior Coordinator

n.girard@nbc.ca

Giuseppe Saltarelli

Desktop Publisher

giuseppe.saltarelli@nbc.ca

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