

## Canadian labour demand is inconsistent with June hiring surge

By Taylor Schleich, Ethan Currie & Matthieu Arseneau

There was no shortage of important economic data to digest this morning between jobless claims, PCE inflation, and personal spending in the U.S. and GDP in Canada. Somewhat lost in the shuffle was Canada's *Survey of Employment, Payrolls and Hours*—better known as SEPH—which provides important, albeit lagged perspective on the Canadian labour market (we just received May data, while the LFS for June has been long published). Unlike the LFS, which is a survey of households, the SEPH is based on administrative data from businesses. So, what's the SEPH been saying lately?

According to these data, there's been no job growth in 2025, although employment did inch up modestly in April and May. Zooming out further, labour market sluggishness has been a longer running story in the SEPH, with employment up just 0.2% vs. last year. This looks *much* less upbeat than the *Labour Force Survey* even after we adjust the series to make it comparable to SEPH concepts (Chart 1). [As we've discussed before](#), LFS employment may be overstated given how the survey controls for population growth. Taking a backward-looking moving average of non-permanent resident growth is fine when demographic growth is low and stable but when volatile, this methodology can miss the mark, which is what we're seeing now (Chart 2).

Unfortunately, we can't yet validate (or invalidate) the LFS's reported June hiring surge given reporting lags but Canada's establishment survey also contains data on job vacancies which can give us an idea of labour demand. Here, recent vacancy data calls into question the 83K jobs that were reportedly added last month. Continuing the recent trend, job vacancies *fell* in May and the national vacancy rate is now comfortably below pre-pandemic

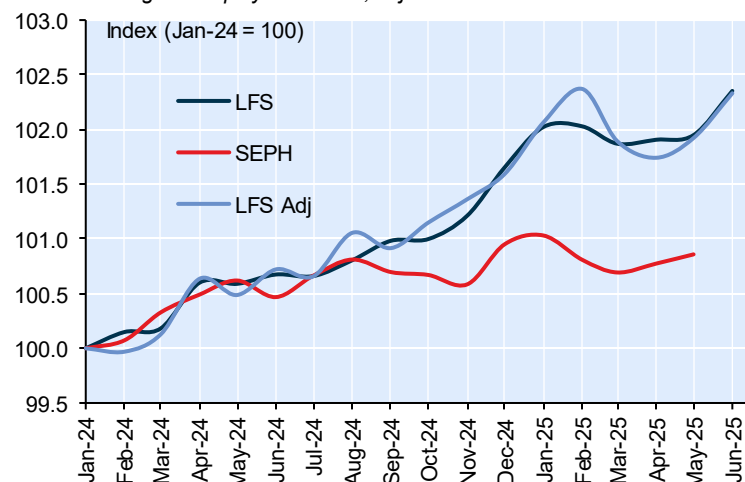
levels (Chart 3). This is also consistent with the latest *Business Outlook Survey* which showed muted business hiring plans (Chart 4). Looked at another way, there are 3.3 unemployed workers for each open job (Chart 5). Back in 2022, there was exactly 1 unemployed Canadian for each vacancy. Comparisons to the U.S. are also informative. While the U.S. labour market has softened in recent years, it's been modest compared to Canada (Chart 6), supporting a much less restrictive BoC policy stance vis-à-vis the Fed.

Finally, we can use this report to test the BoC's claim that recent job market weakness is all about trade. While weakness is more acute in trade sensitive sectors (Chart 7), it's hardly the only industry where hiring has been subdued. The diffusion of job gains shows that only 42% of industries have enjoyed employment growth over the last 6 months (Chart 8). That's well below the near-60% diffusion that prevailed briefly in H2:2024, well below the broader historical average and has only been weaker in COVID and during the GFC.

Overall, the more data we gather, the more it looks like June's blowout *Labour Force Survey* is an outlier, overstating the strength of Canada's labour market. Still, for methodological reasons, LFS job growth could remain inflated which is why we argue that the unemployment rate will be the most important measure to look at when next Friday's data are released. With several indicators (including but not limited to those contained in the SEPH) suggesting the labour market is weakening, *not* improving, more slack may be visible soon. For the BoC, inflation is arguably the most important indicator guiding future policy decisions but the return of sluggish labour market momentum will make remaining sidelined increasingly uncomfortable.

**Chart 1: SEPH hiring has been muted relative to the LFS...**

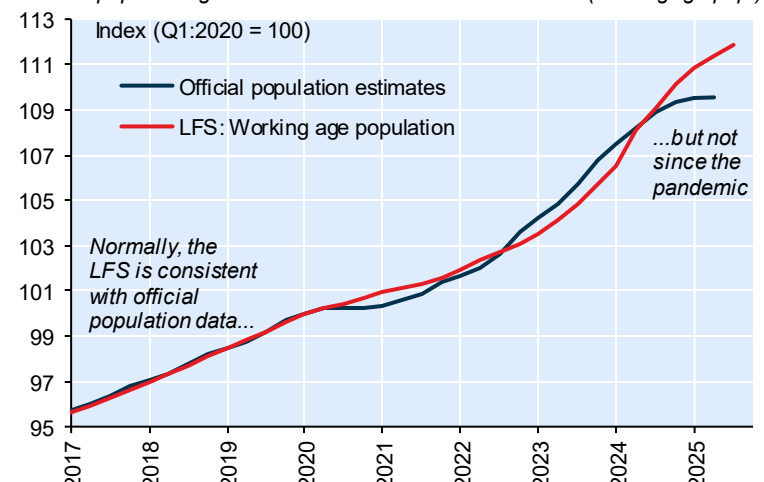
Indexed change in employment: LFS, adjusted LFS & SEPH



Source: NBC, StatCan | Note: LFS Adj excludes self-employed & agricultural workers. Multi-job holders are also accounted for

**Chart 2: ... which may be a function of demographic volatility**

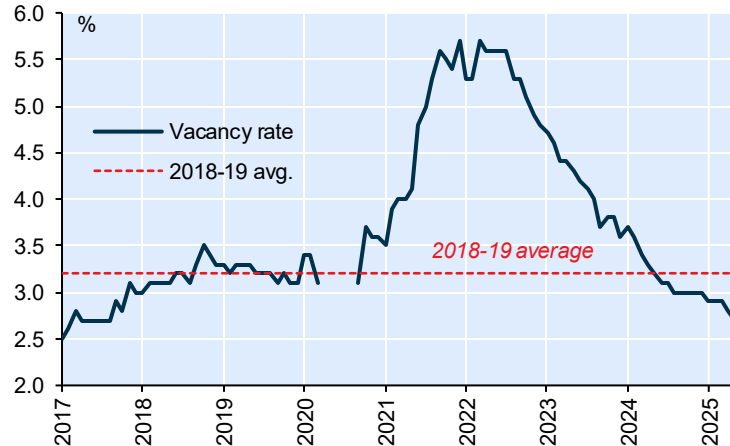
Indexed population growth: Official estimate vs. LFS estimate (working age pop.)



Source: NBC, StatCan | Note: Quarterly population data are as of quarter start (1-Jan, 1-Apr, etc.). For maximum comparability, we align end of quarter working age population from LFS (e.g., Dec) to start of quarter population estimate (e.g., 1-Jan)

### Chart 3: Canada's job vacancy rate continues to fall...

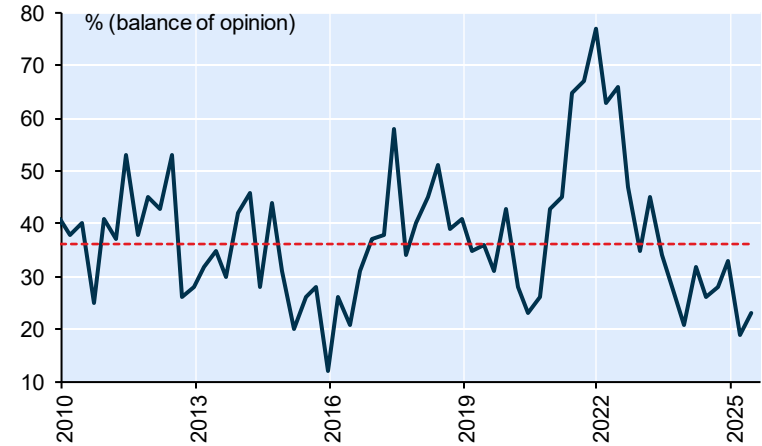
Canadian job vacancy rate



Source: NBC, StatCan | Note: Vacancy data not published from Apr-20 to Sep-20

### Chart 4: ...consistent with the Q2 Business Outlook Survey

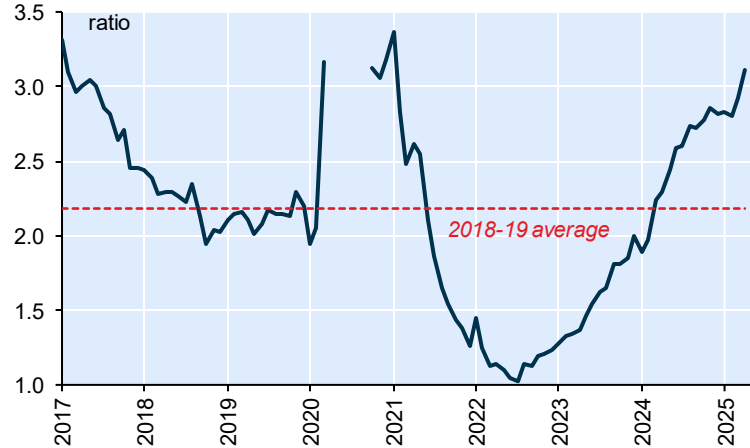
Net hiring intentions: Next 12 months



Source: NBC, BoC | Note: Dotted line reflects 2010-19 average

### Chart 5: More Canadians are fighting for fewer jobs

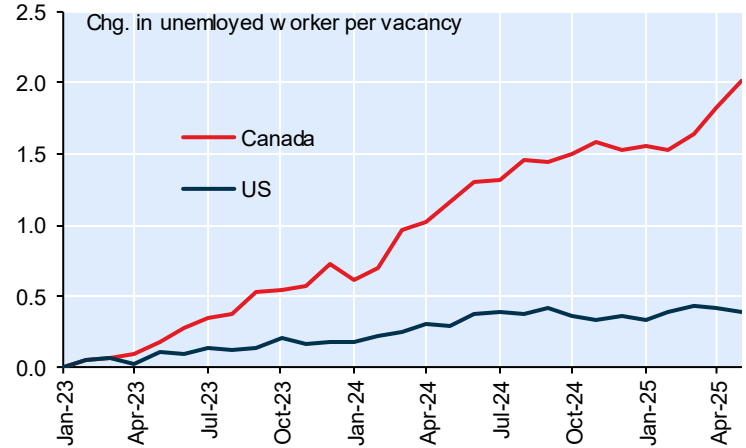
Number of unemployed workers per job vacancy



Source: NBC, StatCan | Note: Vacancy data not published from Apr-20 to Sep-20

### Chart 6: Canada's job market softened more than the U.S.'s

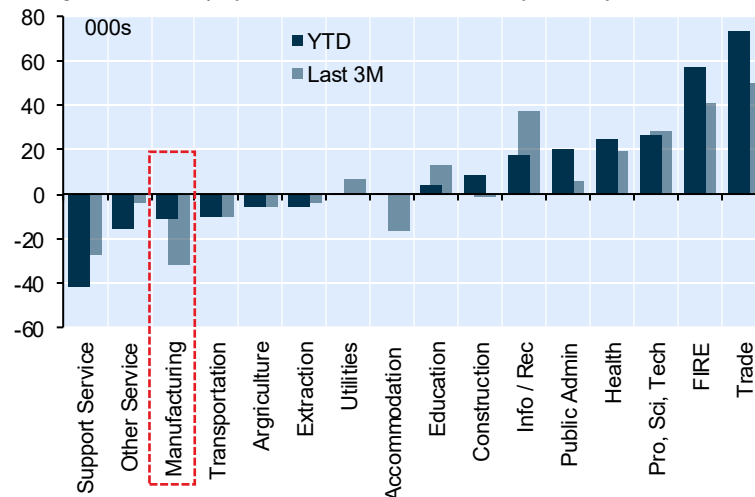
Chg. in unemployed worker per vacancy since 2023: Canada vs. U.S.



Source: NBC, StatCan, BCG

### Chart 7: Weakness in trade-exposed sectors (elsewhere too)

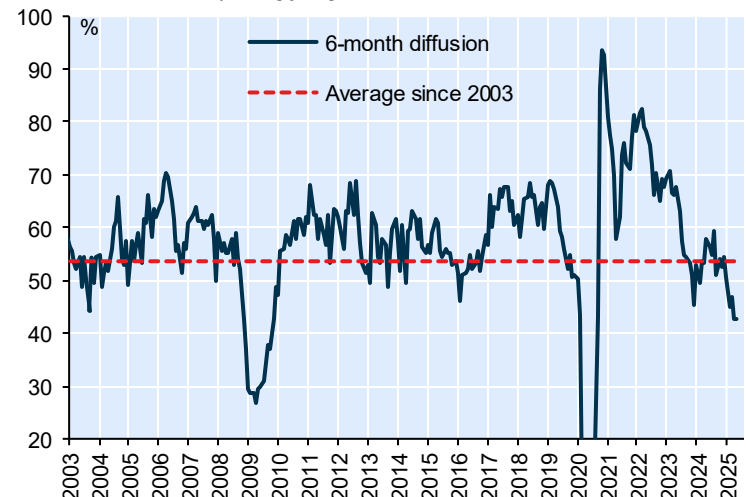
Change in SEPH employment level: YTD & last 3M, by industry



Source: NBC, StatCan | Note: Using 16 NAICS codes

### Chart 8: Hiring diffusion is historically weak

Share of industries reporting job growth over the last 6 months



Source: NBC, StatCan | Note: Based on 280 industries/sub-sectors



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