

## More Canadians are fighting for fewer jobs

By Taylor Schleich

U.S. data this morning suggest labour market anxiety may be overstated, as initial claims retreated and upward GDP revisions also brightened the U.S. economic picture. A cursory glance at your Bloomberg ECO screen might suggest the Canadian job market isn't as bad as feared either, as payroll employment rose 21K in July, per the SEPH. But as we always caution, Canadian data are volatile which makes it difficult to draw reliable conclusions from a single data point. Zooming out, Canadian employment per SEPH is little changed in 2025. Note that SEPH *had* been persistently weaker than the LFS, but summertime softness in the more closely followed jobs data has led to the two series' converging.

To us, the most insightful component of the SEPH isn't overall employment, given how backward looking it is. Instead, we key in on job vacancies as they offer a read on labour demand and what hiring may look like in the future. Today's data are not inspiring. Vacant positions fell in July and are now down 12% from the end of 2024. The vacancy rate, or the ratio of open jobs to total labour supply, fell to 2.6% versus 3.1% a year ago and 5.6% back in 2022. (Note that this recent deterioration is more pronounced than in the U.S. where, despite the Fed's worries, labour demand is near pre-COVID levels). Looked at another way, there

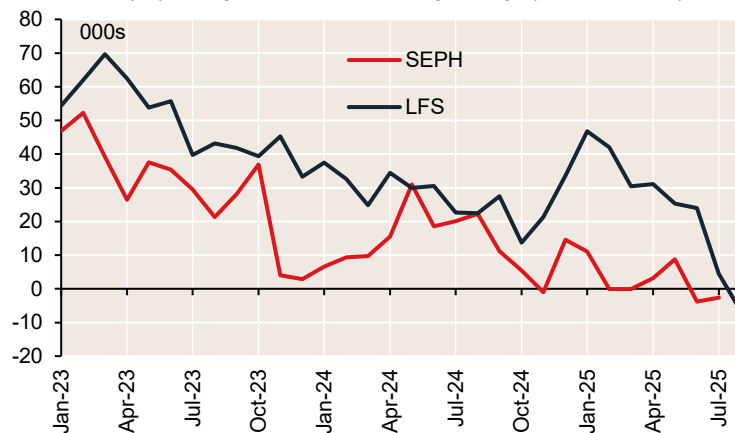
were 3.3 unemployed Canadians fighting for each vacant position in July. Outside of COVID, things haven't looked this dire since early 2017, when the national jobless rate was also around 7%. The key difference is that back then, the labour market was *improving*. Today, it's moving in the opposite direction. Monetary policy looked a lot different then too. In 2016, the BoC was fostering growth with a (very) accommodative policy rate (0.5%) while today, policy is more or less neutral.

Suffice it to say, we're not expecting hiring to meaningfully pick up this year which will only add to labour market slack. And while the BoC had previously contended that labour market weakness is concentrated in trade-sensitive sectors, that's not really backed up by these data. Goods producing (i.e. tariff-exposed) industries have seen vacancies dry up more (-18% Y/Y) but a 14% Y/Y drop in services sector openings doesn't warrant the 'resilient' label that some had earlier applied to Canada.

When it comes to monetary policy, markets *are* pricing further easing which is warranted. However, the next cut isn't fully priced until January which is too late in our view. We see higher odds of an October cut, and the likelihood of even more rate relief being needed is growing.

### Chart 1: The SEPH & LFS both say no job growth of late

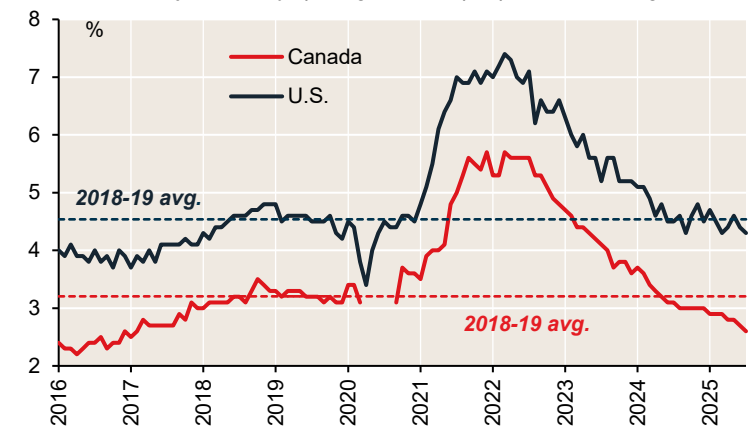
Canadian employment growth: 6-month moving average (SEPH and LFS)



Source: NBC, StatCan.

### Chart 2: The Canadian vacancy rate continues to trend down

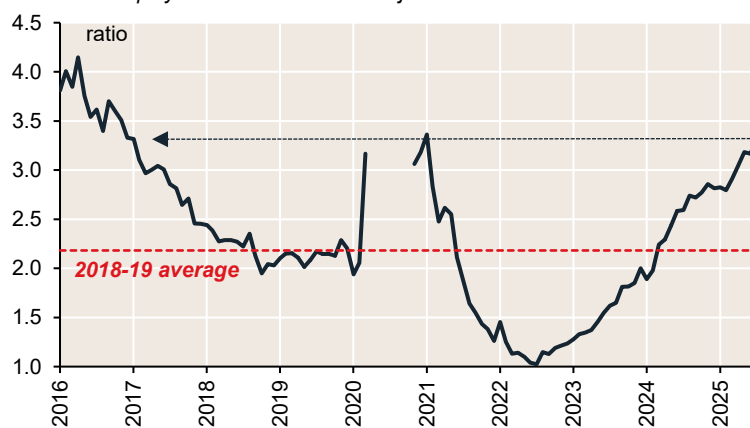
Canada and U.S. job vacancy/opening rate, with pre-pandemic averages



Source: NBC, StatCan, BLS

### Chart 3: More Canadians fighting for fewer open positions

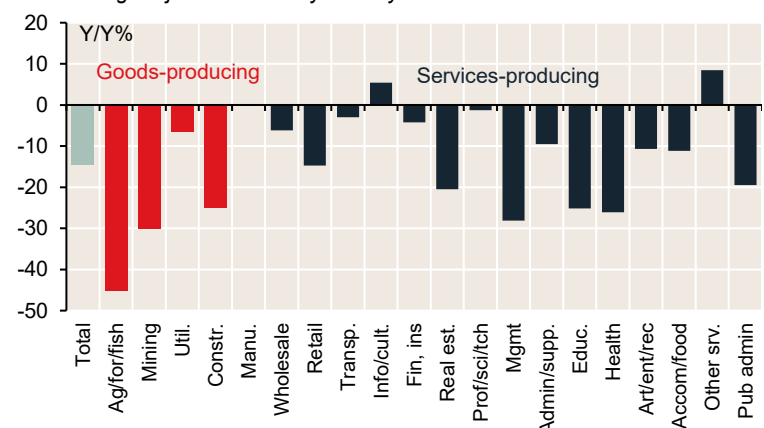
Ratio of unemployed Canadians to vacant jobs



Source: NBC, StatCan

### Chart 4: Labour demand has fallen in (nearly) all industries

Y/Y% change in job vacancies by industry



Source: NBC, StatCan



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