

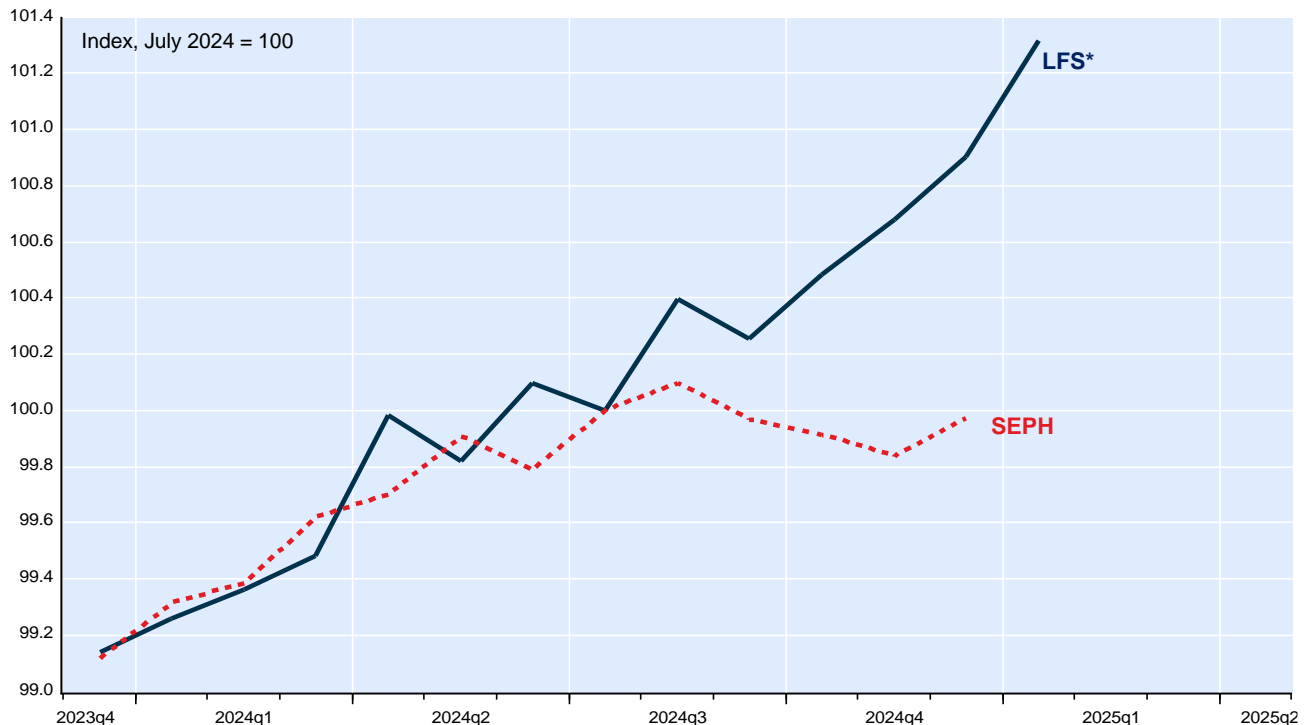
Canada Watch

By **Matthieu Arseneau**

There are two Statistics Canada surveys that monitor the country's labour market: the Labour Force Survey (LFS), which is conducted among households, and the Survey of Employment, Payrolls and Hours (SEPH), which is conducted among businesses. The former is the most closely followed as it is timelier, but investors would be well advised to keep an eye on the latter, which is based on administrative data and could change their conclusion regarding the strength of the labour market in Canada. The just-released SEPH data for December showed the creation of 25K jobs, which seems decent at first glance. However, employment would have been essentially flat had it not been for a 31K gain in transportation due to the return to work of striking postal workers. In December, only 37% of industries reported an increase in employment, well below the historical average of 61%. What's more, the weakness in employment according to SEPH is not just a matter of one month, as employment stagnated between July and December. As today's Hot chart shows, this is in stark contrast to LFS employment, adjusted to be comparable with SEPH, which rose by 0.9% over the period (an average of 42K jobs per month). One explanation for this divergence is the use of a 12-month moving average for non-permanent residents in the LFS, which is likely to overstate the trend given the recent pause in immigration. Given these figures, there is a risk that the Canadian labour market was already weaker than market participants currently believe, even before the uncertainty surrounding US tariffs.

Canada: A tale of two labour markets

SEPH employment vs LFS employment (adjusted to be comparable)



* Labour Force Survey employment adjusted to be comparable to SEPH (Non-farm paid employee adjusted for multiple job-holders)
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