

Canada: Will the real jobs data please stand up

By Taylor Schleich/Warren Lovely

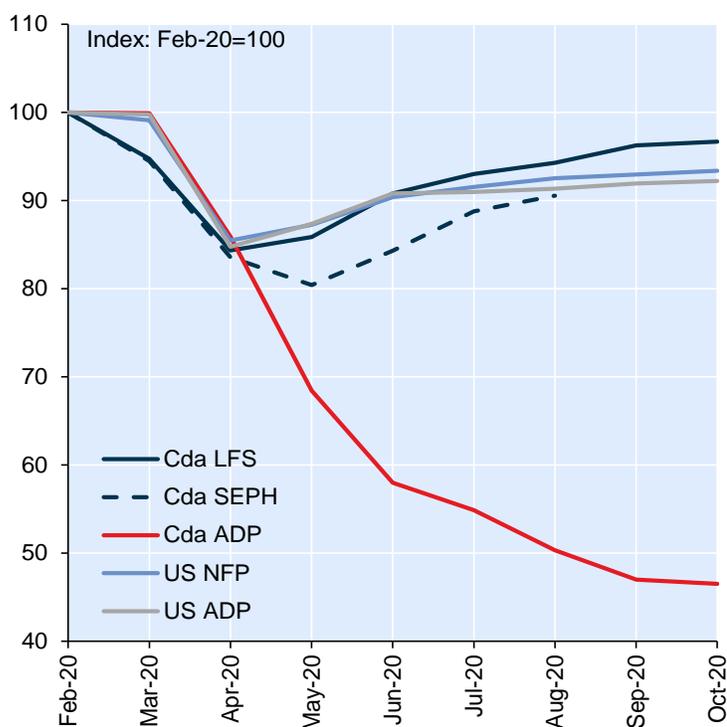
Those who came across today's release of the October ADP Canada National Employment Report were no doubt left scratching their heads. The release showed a contraction of 79.5 thousand jobs in the past month—compared to the 84-thousand-job employment gain StatCan's Labour Force Survey showed for October in data released two weeks ago. Our internal proxy for non-farm payrolls based on LFS data was a more modest +36K. Moreover, these reports have been painting two completely different pictures for the entirety of the economic recovery. The ADP has shown **eight** consecutive months of job **losses** starting in March, while positive readings began in May according to the LFS. That's right, official ADP data indicates that there has been no labour market recovery whatsoever and Canada has actually shed close to four million jobs since June. And over the past 12 months, the correlation between the monthly changes in these two series is negative, meaning ADP and LFS are giving us entirely contradictory signals.

There has always been a structural employment gap between the two reports, owing to the fact that the LFS includes self-employed and non-payroll employment. But even using our LFS payroll employment adjustment, that gap has ballooned from less than 500 thousand jobs pre-COVID (on average) to more than 8 million in recent months. Interestingly, this appears to just be a quirk in the Canadian data as the US ADP report has much more closely mirrored non-farm payroll prints in the United States. So, what gives? Well, as the ADP would tell you "Due to this extreme volatility, the data model has fluctuated significantly... These fluctuations are a result of sudden impacts to the labour market such as re-openings, public health restrictions and stimulus offers. This has impacted our recent reporting despite the measures we've taken to generate more sound predictions." While the LFS is far from perfect, with a notoriously large standard error of its own, we'd tend to believe it's doing a more accurate job of characterizing Canada's labour market. For corroboration, StatCan's Survey of Employment, Payrolls and Hours (SEPH), while lagged by two months, is tracking much closer to the trajectory we're seeing in the LFS. Of course, there remains significant risks to the labour market (and broader economy) moving forward as COVID runs rampant and government move to reimpose restrictions. This could well result in negative LFS prints in the coming months. But for now at least, we're siding with the LFS and looking through these questionable ADP figures showing current employment at 50% below pre-COVID indications.

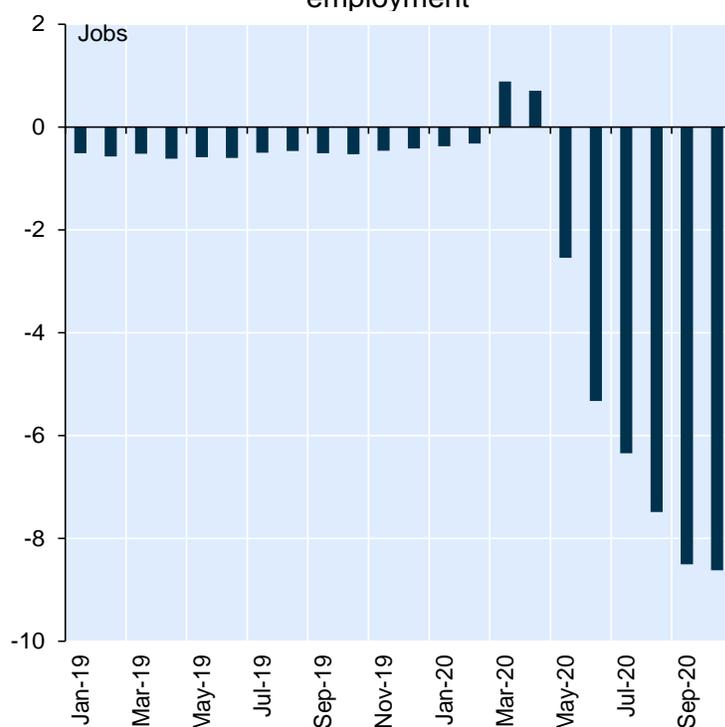
Note: Canada's next jobs test comes November 26th in the form of StatCan's SEPH (payroll employment) release for the reference month of September. Can't wait.

One of these things is not like the other

Canadian and U.S. employment in the COVID-19 era



ADP employment less payroll-adjusted LFS employment*



NBF Economy and Strategy (Source: StatCan, ADP, BLS) | * Payroll-adjusted LFS employment = Total employment - self-employed + multiple jobholders - agriculture



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