Market View
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Hiring or firing? It depends what survey you ask

By Taylor Schleich & Ethan Currie

It has been an awful start to the year for Canada's labour market… or at least it was according to the Labour Force Survey, which indicated 109K jobs were shed in January and February. Complicating matters, fresh SEPH data offer a conflicting account. Canadian non-form payrolls jumped 46K in January, the fastest pace of job growth since late 2024, before President Trump took office. To be sure, inconsistencies between the two reports aren't new. Recently, monthly job growth has clashed more often than not, as only twice in the last eight months have SEPH and LFS been directionally consistent. That's meant a historically extreme *negative* correlation over the last year.

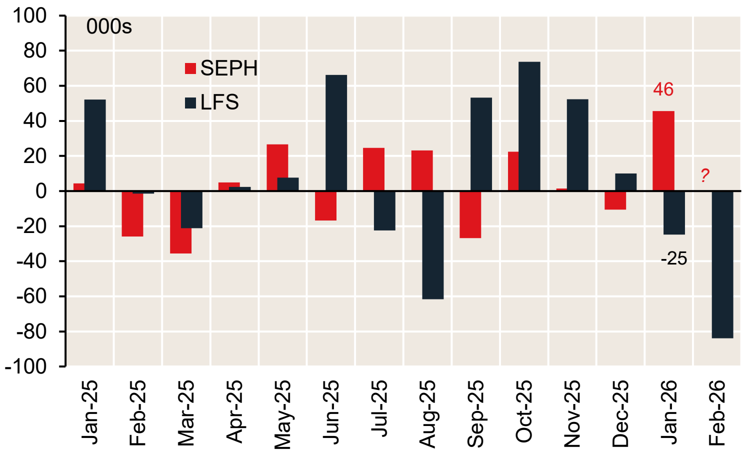
Thankfully, the two series *are* better aligned when the data is smoothed a bit. Indeed, a six-month moving average of employment growth yields *broadly* similar assessments of recent performance. That is, hiring slowed to a standstill by mid-2025 (briefly turning negative) and subsequently picked up by the end of the year. Recent job growth was hardly vigorous, but it was growth, nonetheless.

A weak but improving picture is confirmed by data on job vacancies. These were on an uninterrupted decline since mid-2022, but labour demand looks to have stabilized recently and may have been starting to pick up. Relatedly, there's become slightly less competition for each open job as the unemployed-vacancy ratio has improved in recent months too.

Overall, most labour market indicators lead us to a similar conclusion. At least through January, the job market was still weak but was no longer deteriorating and perhaps starting to recover. However, it's not obvious that this nascent recovery will continue. Not only did the timelier LFS suggest employment fell sharply in February (which we'll resist putting *too* much stock into), but we're now staring straight into the face of a potential macroeconomic shock via the Iran war. The upcoming USMCA review may also weigh on hiring in coming months as uncertainty weighs. What's clear is that slack in the labour market is one major reason why the BoC is comfortable looking through the initial inflation impacts from this ongoing commodity price shock. We don't expect incoming labour market data to contribute to the market's tightening bias anytime soon.

Chart 1: January's SEPH-LFS discrepancy isn't news…

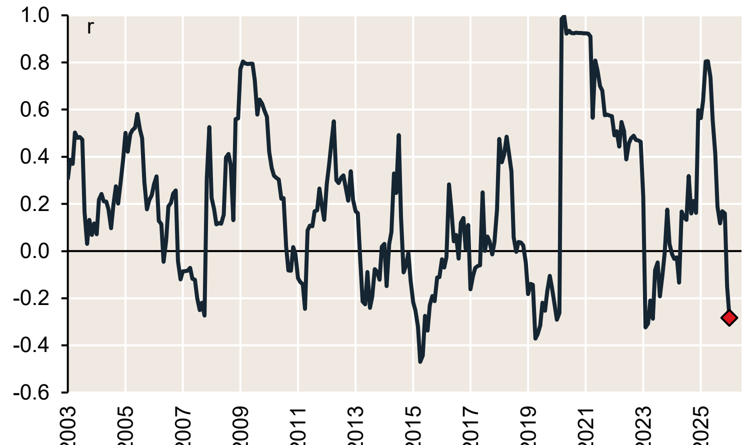
Monthly net employment change: SEPH vs LFS



Source: NBC, StatCan, Bloomberg | Note: SEPH data for Feb-26 not yet available

Chart 2: … as correlations turned negative over past year

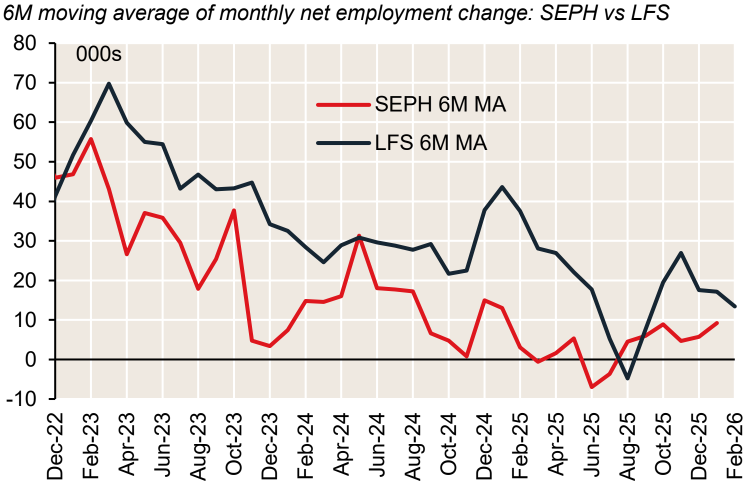
12M rolling correlation of monthly net employment change: SEPH vs LFS



Source: NBC, StatCan, Bloomberg

Chart 3: Zooming out, LFS & SEPH are *roughly* consistent

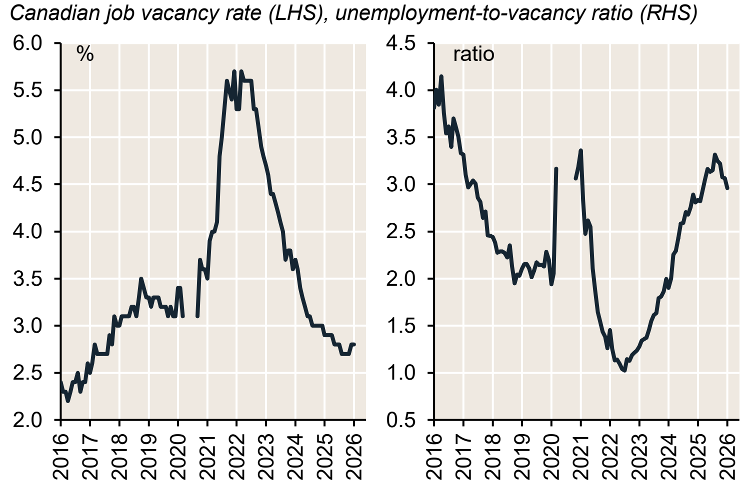
6M moving average of monthly net employment change: SEPH vs LFS



Source: NBC, StatCan, Bloomberg

Chart 4-5: Labour demand is low, but no longer deteriorating

Canadian job vacancy rate (LHS), unemployment-to-vacancy ratio (RHS)



Source: NBC, StatCan, Bloomberg | Note: Vacancy data unavailable for Apr-Sep 2020.

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