

Canada's most impactful data release

By Taylor Schleich & Warren Lovely

We recently argued ([link](#)) that the Bank of Canada should add an unemployment rate forecast to its quarterly *Monetary Policy Report*. Our case is straightforward and long-standing: labour market slack is central to the inflation outlook; maximum sustainable employment is already part of the policy framework; the unemployment rate is well understood; and most peer central banks already publish such a forecast.

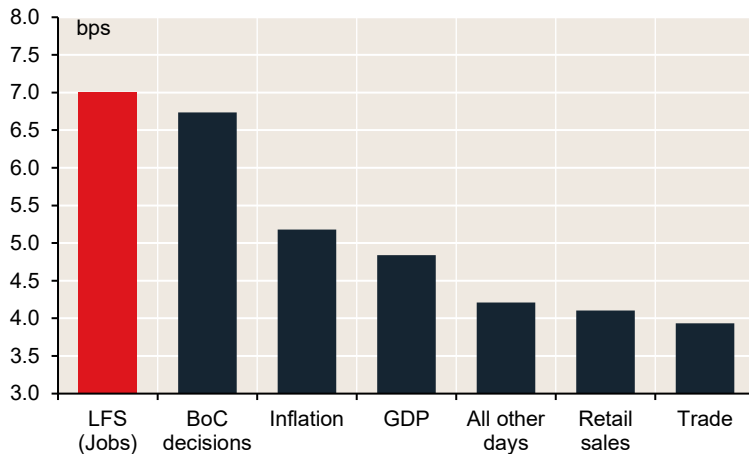
Understanding the labour market and having a view on its trajectory is vital for market watchers. That's because for Canadian bond markets, no release is as impactful as the monthly *Labour Force Survey* (which includes a jobs tally and an unemployment rate, among other details, Chart 1). Could that be a function of U.S. jobs data often being released simultaneously and contributing to volatility? Yes, but even for months in which Canadian data are released after U.S. jobs, market reactions are outsized (Chart 2). Could it be that jobs data are simply more volatile than other indicators, which then leads to outsized rate volatility? As was clear

Friday when the economy was reported to have added an eye-popping 88K jobs, this dynamic is certainly at play too.

But more fundamentally, labour markets and inflation are inextricably linked. And while CPI data can tell you where inflation was, the trajectory of the job market helps inform where inflation is going. The post-pandemic revival of the Phillips curve underscores this (Chart 3-4). In turn, this can help inform how the Bank of Canada's policy stance may evolve. So, even though it's widely understood that price stability is the BoC's primary mandate, it shouldn't come as a surprise that investors will recalibrate short- and medium-term rate expectations when marginal labour market data become available. The Bank of Canada offering projections of the unemployment rate (alongside an estimate of the trend/natural unemployment rate) wouldn't distract from their primary mandate, but it would enhance the market's understanding of how that mandate is likely to be pursued.

Chart 1: No data move yields more than jobs data...

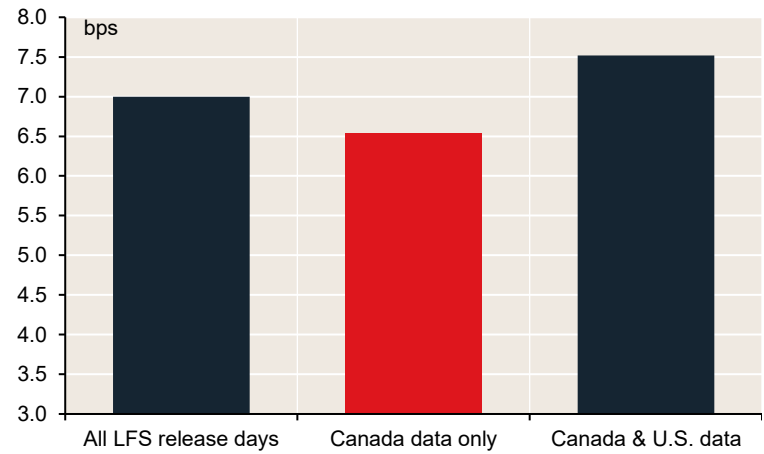
Average absolute 2-year GoC yield change on key Canadian release dates



Source: NBC, Bloomberg | Note: For data from Jan-22 to Jun-26.

Chart 2: ...even when U.S. data isn't muddying the picture

Average absolute 2-year GoC yield change on Canadian LFS release dates



Source: NBC, Bloomberg | Note: For data from Jan-22 to Jun-26.

Chart 3: Pre-pandemic the Phillips curve appeared dead...

Canada Phillips curve: All-items CPI inflation vs. unemployment rate (2010-19)



Source: NBC, StatCan

Chart 4: ...but it has come alive in recent years

Canada Phillips curve: All-items CPI inflation vs. unemployment rate (2022-26)



Source: NBC, StatCan



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