

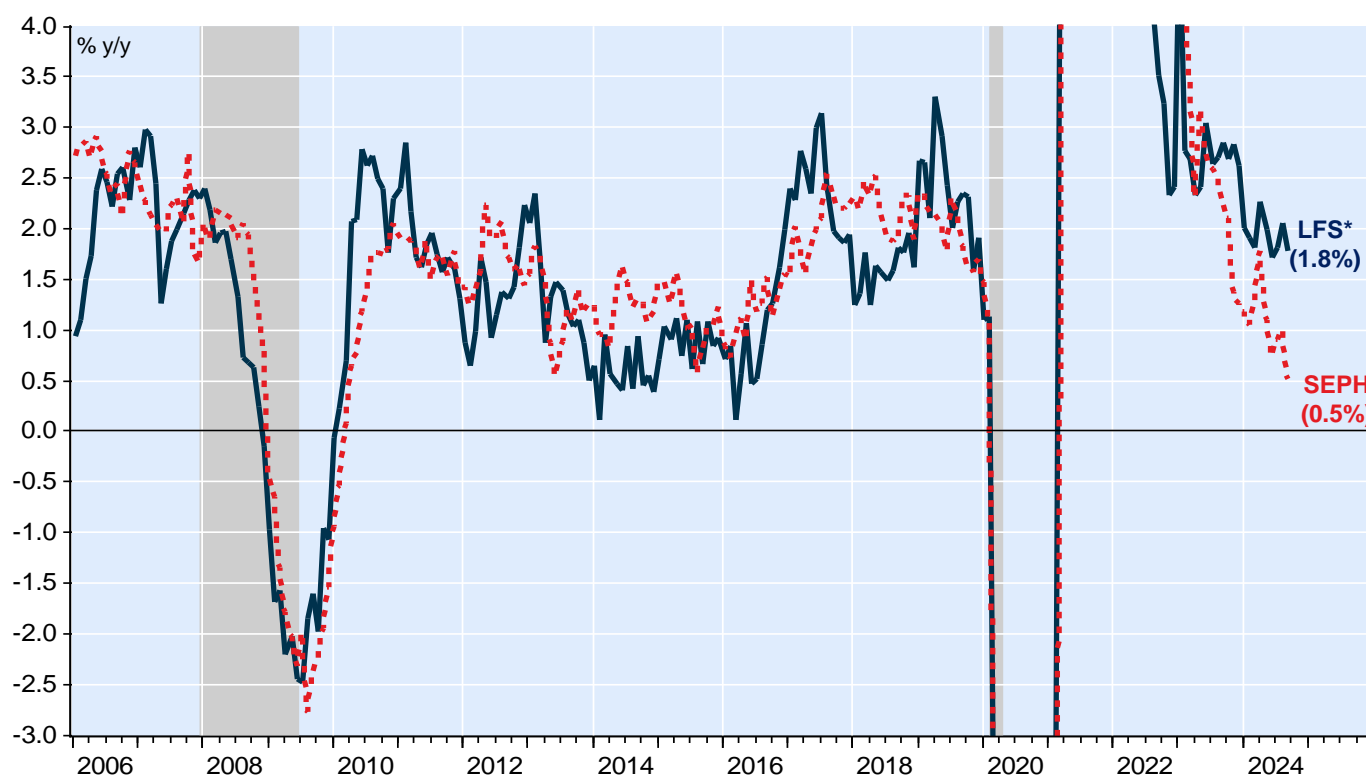
## Canada Watch

By **Matthieu Arseneau & Jocelyn Paquet**

We won't shock anyone by saying that Canada's strong population growth since the pandemic has made it harder to get a clear picture of the state of the economy. Indeed, by boosting potential growth, demographic trends have raised the bar for what constitutes good economic data. But the confusion remains, and the unveiling of the employment data continues to lead to very different interpretations. Some observers have described last Friday's Labour Force Survey (LFS) data for November as solid because the number of jobs created remains relatively strong by historical standards. For our part, we prefer to focus on the measures that adjust these figures for the sharp increase in the population, namely the unemployment rate and the employment rate, which point to a rapidly deteriorating labour market ([link](#)). But we think there is another reason not to read too much into the absolute numbers. Back in September, Statistics Canada warned against using absolute numbers to assess the state of the labour market, as they are distorted by the use of 12-month moving averages to construct non-permanent resident population series ([link](#)). As these are backward-looking, they do not yet capture the slowdown in population growth observed since the Canadian government tightened immigration rules. This methodology contributes to inflating the size of the labour force and the employment gains reported by the LFS. And this is evident when comparing the performance of the LFS with the Survey of Employment Payrolls and Hours (SEPH), a survey calibrated to the number of establishments rather than population estimates. As today's Hot Chart shows, the SEPH shows employment growth of just 0.5% over a year, while the LFS, adjusted to be comparable with the SEPH methodology, shows employment growing at a whopping 1.8%.

### Canada: Don't be fooled by the job gains shown by the LFS survey

SEPH employment vs LFS employment (adjusted to be comparable), Last data: September 2024



\* Labour force survey employment adjusted to be comparable to SEPH (Non-farm paid employee adjusted for multiple job-holders)

NBC Economics and Strategy (data via Statistics Canada)



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