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November 7, 2025

Canadian employment: Strong October, but truer tests to come

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Labour force survey (monthly change, thousands, unless otherwise noted)	Jun	Jul	Aug	Sep	Oct
Employment	83.1	-40.8	-65.5	60.4	66.6
• Full-time	13.5	-51.0	-6.0	106.1	-18.5
• Part-time	69.5	10.3	-59.7	-45.6	85.1
• Paid workers	70.0	-35.0	-23.0	52.6	69.0
• Private	46.6	-39.0	-7.5	21.9	73.2
• Public	23.4	4.0	-15.5	30.7	-4.2
• Self-employed	13.1	-5.8	-42.6	7.9	-2.5
Participation rate (%)	65.4	65.2	65.1	65.2	65.3
Unemployment rate (%)	6.9	6.9	7.1	7.1	6.9
Avg. hourly earnings, perm. workers (y/y %)	3.2%	3.5%	3.6%	3.6%	4.0%
Actual hours worked by industry (m/m %)	0.5%	-0.2%	0.1%	-0.2%	-0.2%

Source: Statistics Canada

- The Canadian labour market's post summer surge continued into October, with a 67K gain in jobs much better than the consensus forecast (-5K) and enough to bring the unemployment rate back below 7%. However, the coming months will likely be a truer test of just how quickly the labour market is recovering, as strong gains in September and October largely just offset the surprising weakness seen in the prior two months. For now, though, today's data are supportive of the Bank of Canada's judgement that interest rates are now low enough to stimulate the economy, and as a result we continue to forecast no more rate cuts from here.
- The strong gain in employment during October left both the three and six-month averages for employment growth at around 20K. That's clearly not as spectacular as today's headline reading, but would be solid enough, if maintained, to lower the unemployment rate further given the current slowing trend in population and labour force growth. The unemployment rate fell from 7.1% to 6.9% in October, but remains higher than where it stood at the start of the year.
- Job gains were strongest in the wholesale & retail, transportation & warehousing and info & recreation sectors during October. However, for the latter two the level of employment remained below earlier peaks. Job gains in these sectors were partly offset by a further decline in construction employment to its lowest level in over a year.
- The composition of job growth wasn't as strong as in the prior month, with the latest gain driven exclusively by part-time positions (+85K), with full time jobs actually declining. However, private sector hiring was strong (+73K), and offset slight reductions seen in public sector and self-employment.
- A solid gain in jobs for 15-24 year-olds saw youth unemployment fall for the first time since February, although it remains elevated by historical standards. Increases in employment among other age groups as well meant that the unemployment rate for core aged workers (25-54) also fell during October.

- Hours worked dropped 0.2% during the month, but that was negatively impacted by elevated strike activity during the survey week, including a walk out by Alberta teachers. Hours worked in the education sector fell by 6% in October, following a 2% reduction in the prior month, but should rebound in November.
- Wage growth for permanent employees surprisingly accelerated to 4.0%, from 3.6% in the prior month, with that move partly reflecting a pick-up in public administration and finance.

Implications & actions

Re: Economic forecast — The Canadian labour market appears to be recovering, although truer tests of the strength of that recovery are still to come given the recent volatility seen in this data release. We expect that employment gains will slow down again but, with population growth also decelerating, the unemployment rate should continue a gradual move lower during 2026. That would be in-line with the Bank of Canada's current thinking that interest rates are low enough to support a recovery withing the economy, and because of that we continue to forecast no more cuts from here.

Re: Markets — Bond yields and the Canadian dollar rose following today's release as markets lowered the probability of further interest rate cuts from the Bank of Canada.