

RESEARCH BRIEF

CANADA EMPLOYMENT

AUGUST 2025

Trade-Exposed Sectors Show Some Stability Despite Nationwide Job Loss

Labour market shows first major signs of softening. Canada's economy shed 40,800 jobs in July – well below the consensus estimate of a modest increase. While this marks the largest monthly drop since early 2022, Canada's labour market has shown some resilience over the first half of the year amid ongoing trade uncertainties. Year-to-date employment gains as of July are hovering just above 100,000 positions, and the unemployment rate – which was unchanged last month – has only risen 30 basis points to 6.9 per cent. Nevertheless, July's labour report highlights risks that should be monitored. The decline in employment was concentrated in the private sector, where it was broad-based across industries; it was also entirely driven by full-time employment. Meanwhile, hours worked fell by 0.2 per cent, suggesting GDP growth could be slowing faster than expected.

Investors increase odds for September rate cut. Canada's central bank has maintained its key policy interest rate at 2.75 per cent for three consecutive meetings amid trade uncertainties, persistent inflationary pressures and some economic resilience. Following July's weak jobs report, however, money markets increased the odds of a September rate cut to just under 40 per cent – up from 35 per cent just prior to the release. In regards to economists, because the Bank of Canada appears to be growing more concerned about slower economic growth than inflationary pressures from tariffs, most major banks are also penciling in further rate reductions. As a result, terminal rate forecasts range from 2.25 per cent to 2.50 per cent.

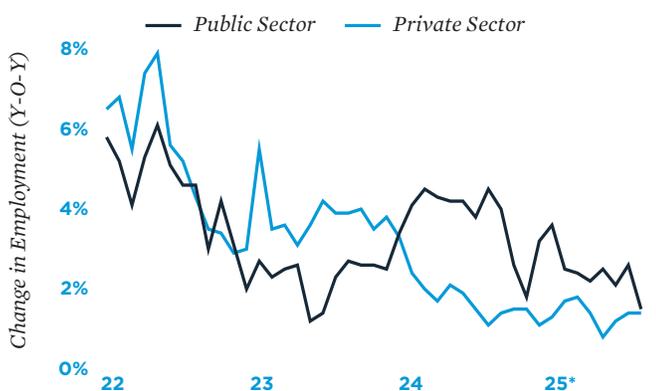
Commercial Real Estate Outlook

Real estate sectors see job loss. Losing 21,600 positions, the construction industry saw the largest job losses in July, which highlights the challenges the sector is facing. From a real estate standpoint, rising vacancy and softening rents in the industrial sector has caused the under-construction pipeline to come off from its recent peak in 2022. At the same time, government red tape, tighter immigration policies, affordability challenges and surging supply has also put pressure on residential markets – especially Canada's condo market – which is causing housing starts to level off. Meanwhile, tariffs on steel, aluminum and lumber are causing Canadian firms to face tangled supply chains and price hikes, which are in turn forcing layoffs and project delays. Although dwindling supply-side pressures are beneficial for commercial real estate fundamentals, the pullback in construction hiring underscores some risks within Canada's economy.

Hiring in trade-exposed sectors appears to be stabilizing.

Trade-exposed sectors did not account for July's employment loss. Headcounts in manufacturing, as well as wholesale and retail trade, saw little change, while transportation and warehousing reported the largest monthly job gains at 26,100 positions. This could indicate that tariff-related employment damage may be nearing an end, as leading indicators on hiring, such as business sentiment and job openings, continue to stabilize. At the same time, it may also reflect trade implications, as firms have been stockpiling inventories in order to avoid tariffs. These factors could provide some optimism towards industrial space demand, helping to stabilize fundamentals.

Slowdown in Hiring is Broad-Based



Firms Stockpiling Inventory Ahead of Tariffs



* Through July; ** Through May

Sources: IPA Research Services; Altus Data Solutions; Canada Mortgage and Housing Corporation; Capital Economics; CoStar Group, Inc.; Statistics Canada



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