TD Economics

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Data Release: Canadian employment remains unchanged in February

- Canadian employment remained essentially unchanged in February (-1K), after increasing by 35K in January. The unemployment rate rose by 0.2 percentage points to 6.8%. Today's reading was slightly stronger than consensus expectations which had called for a 5K decline.
- Full-time employment bounced back in February (+34K), but was more than offset by a 35K decline in part-time employment. The strong reading in full-time employment marks the fifth increase over the past six months in this job category.
- Job creation was concentrated in the public sector (+24K), while private sector employment moved lower (-29K). Self-employment (+4K) was little changed in February. Across sectors, declines were concentrated in the goods-producing industries with the resource (-17K) and manufacturing (-20K) sectors shedding the most jobs. Employment in the construction sector increased 16K. Service-sector employment (+23K) was up for the month, reflecting solid gains in the trades (+12K) and educational services industries (+15K).
- Across regions, employment gains were concentrated in Quebec (+17K) and Ontario (+14K). Alberta (-14K) recorded the steepest decline in February, reflecting lower employment across a number of industries including the trades, resource, manufacturing and professional, scientific and technical services. The unemployment rate in Alberta moved 0.8 points higher to 5.3%, the highest reading since September 2011.
- Rounding out the jobs data is total hours worked, which rose 0.2% (M/M). At the same time, year-over-year wage growth (as measured by average hourly wages of permanent employees) decelerated to 1.7% in February from 2.1% in the prior month.

Key Implications

- A flat employment reading usually is not a sign of resilience, but given the drop in oil prices, Canada's labour market did surprise on the upside today. That said, we expect the low oil price environment to manifest itself in the Canadian jobs market as 2015 progresses. Consistent with recent remarks made by Governor Poloz, we believe that the effects of the drop in oil prices will be more "front-loaded" in the first half of 2015 with real GDP growth likely to average under 1.5% in 2015H1. And, with employment a lagging indicator, job creation in Canada is forecast to decelerate in 2015 while the unemployment rate grinds higher.
- The regional divide in near term economic prospects was on show today's report. Indeed, Alberta recorded the steepest decline in February, while Ontario and Quebec recorded the only gains in employment. This regional divide is forecast to widen as continued weakness in the resource sector is expected to weigh on the economies of oil-producing provinces.
- Somewhat surprisingly, the manufacturing sector lost 20K jobs in February (down 1.8% Y/Y) which is out of sync with the rise in manufacturing real GDP over the second half of last year. Looking ahead, we expect a lower Canadian dollar and solid U.S. demand to foster continued strength in manufacturing activity which should spill over to the labour market.

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