



# TD Economics

## Special Report

January 5, 2007

### ALBERTA AND B.C. TAKE TOP PRIZE FOR JOB CREATION IN 2006, BUT HIRING SURPRISINGLY RESILIENT IN ONTARIO AND QUEBEC

Today's release of employment for December closed the books on an unexpectedly good year for Canada's provincial job markets. It is not the fact that the resource-based western provinces of Alberta and B.C. recorded the fastest job creation that will raise many eyebrows. The bigger surprise in 2006 was the respectable increases in employment and declines in unemployment rates turned in by the manufacturing-based provinces in central Canada and some parts of the Atlantic despite the impact inflicted on those economies by weak export conditions.

#### Job markets hum in the west

Alberta's job expansion of almost 5% in 2006 was the fastest recorded in Wild Rose Country since the early-1980s oil boom and the strongest single-year performance of any province since B.C.'s 5.1% advance set in 1989. At the same time, the province's jobless rate (3.4%) is the lowest rate ever recorded by a province – and the employment to population rate (70.8%) the highest – since Statistics Canada's revised its survey in 1976. By all measures, Alberta is operating above its full employment level.

Elsewhere in the west, British Columbia turned in its fourth above-par year in a row, taking the silver metal on the job podium. The province's jobless rate tumbled to below 5% for the first time on record. Still, wage growth in B.C. remained muted at only 1.5%, partly reflecting the province's ongoing challenges on the productivity front. Saskatchewan's job market started 2006 on a weak footing but ended the year with a kick, owing partly to strength in its resource-based agriculture and mining sectors. In Manitoba, a job boom in the trade and mining industries boosted employment growth to double the prior year's clip.

| EMPLOYMENT                     |      |      |      |       |       |
|--------------------------------|------|------|------|-------|-------|
| Annual average per cent change |      |      |      |       |       |
|                                | 2004 | 2005 | 2006 | 2007f | 2008f |
| <b>CANADA</b>                  | 1.8  | 1.4  | 1.9  | 1.2   | 1.3   |
| <b>N. &amp; L.</b>             | 1.0  | -0.1 | 0.7  | 0.5   | 0.5   |
| <b>P.E.I.</b>                  | 1.3  | 2.0  | 0.6  | 0.7   | 0.8   |
| <b>N.S.</b>                    | 2.6  | 0.2  | -0.3 | 0.8   | 0.9   |
| <b>N.B.</b>                    | 2.1  | 0.1  | 1.4  | 0.5   | 0.7   |
| <b>Quebec</b>                  | 1.5  | 1.0  | 1.3  | 0.8   | 1.0   |
| <b>Ontario</b>                 | 1.7  | 1.3  | 1.5  | 1.0   | 1.4   |
| <b>Manitoba</b>                | 1.1  | 0.6  | 1.2  | 0.8   | 0.7   |
| <b>Sask.</b>                   | 0.8  | 0.8  | 1.7  | 1.2   | 0.7   |
| <b>Alberta</b>                 | 2.4  | 1.5  | 4.8  | 2.5   | 1.8   |
| <b>B.C.</b>                    | 2.4  | 3.3  | 3.1  | 1.9   | 1.7   |

f: forecast by TD Economics as at January 2007  
Source: Statistics Canada

| UNEMPLOYMENT RATE  |      |      |      |       |       |
|--------------------|------|------|------|-------|-------|
| Per cent           |      |      |      |       |       |
|                    | 2004 | 2005 | 2006 | 2007f | 2008f |
| <b>CANADA</b>      | 7.2  | 6.8  | 6.3  | 6.4   | 6.3   |
| <b>N. &amp; L.</b> | 15.7 | 15.2 | 14.8 | 14.5  | 14.6  |
| <b>P.E.I.</b>      | 11.4 | 10.8 | 11.0 | 11.3  | 11.4  |
| <b>N.S.</b>        | 8.8  | 8.4  | 7.9  | 8.0   | 7.8   |
| <b>N.B.</b>        | 9.8  | 9.7  | 8.8  | 8.9   | 8.8   |
| <b>Quebec</b>      | 8.5  | 8.3  | 8.0  | 8.1   | 7.8   |
| <b>Ontario</b>     | 6.8  | 6.6  | 6.3  | 6.7   | 6.3   |
| <b>Manitoba</b>    | 5.3  | 4.8  | 4.3  | 4.3   | 4.4   |
| <b>Sask.</b>       | 5.4  | 5.1  | 4.7  | 4.2   | 4.2   |
| <b>Alberta</b>     | 4.6  | 3.9  | 3.4  | 3.7   | 3.9   |
| <b>B.C.</b>        | 7.2  | 5.9  | 4.8  | 5.2   | 5.1   |

f: forecast by TD Economics as at January 2007  
Source: Statistics Canada, TD Economics

#### Central Canada the big surprise

By mid-2006, skyrocketing energy prices, announced auto layoffs and slowing U.S. economic growth resulted in some dire near-term predictions of central Canadian job-market performances. Yet employment continued to advance and unemployment rates slipped in the second half

of the year. Kudos to the region's construction and services sectors for generating solid offsets to weakness on the factory front and keeping jobless rates on a downward trend. Still, similar to British Columbia, economic growth will barely exceed the rate of job creation in 2006, implying virtually no gains in productivity.

### Eastern Canada lagged behind

In 2006, job market challenges continued to be the most pronounced in eastern Canada in view of a relative dearth of major development projects and weakness on the export front. Indeed, Nova Scotia was the sole province to post a decline in employment on an annual average basis in 2006 after only meagre gains in 2005. Despite the tepid job creation, unemployment rates continued to drop in all four provinces, as continued out-migration weighed on gains in the labour force.

### Job slowdown across the country in 2007

Look for employment growth to ratchet down and unemployment rates to edge up in most provinces this year. In central Canada, prospects for ongoing sub-par U.S. economic growth will likely weigh increasingly on job creation, as the knock-on effects to overall hiring from weakness in manufacturing activity start to mount. Moreover, expect less of an offset from the construction sector, as housing activity continues to cool gradually in most of the region's major markets. Job creation should return to a moderately faster track in 2008, towed along by a U.S. recovery.

| MEDIAN HOURLY WAGE RATE        |      |      |      |      |      |
|--------------------------------|------|------|------|------|------|
| Annual average per cent change |      |      |      |      |      |
|                                | 2002 | 2003 | 2004 | 2005 | 2006 |
| <b>CANADA</b>                  | 2.6  | 1.8  | 2.3  | 3.3  | 2.6  |
| <b>N. &amp; L.</b>             | 3.1  | 4.3  | 1.2  | 2.0  | 1.9  |
| <b>P.E.I.</b>                  | 3.2  | 5.3  | 4.9  | 0.4  | 1.8  |
| <b>N.S.</b>                    | 0.6  | 4.9  | 2.9  | 1.6  | 3.3  |
| <b>N.B.</b>                    | 1.6  | 2.5  | 2.8  | 1.7  | 2.9  |
| <b>Quebec</b>                  | 0.6  | 2.7  | 3.5  | 2.4  | 1.9  |
| <b>Ontario</b>                 | 1.8  | 2.1  | 2.2  | 3.8  | 1.6  |
| <b>Manitoba</b>                | 4.3  | 0.7  | 3.9  | 2.0  | 2.5  |
| <b>Sask.</b>                   | 2.3  | 3.7  | 3.0  | 2.5  | 5.1  |
| <b>Alberta</b>                 | 2.7  | 2.1  | 1.7  | 7.1  | 6.7  |
| <b>B.C.</b>                    | 2.8  | 2.3  | -0.8 | 1.3  | 1.6  |

Source: Statistics Canada

In the west, lower energy and metal prices in the first half of this year will likely cool some of the enthusiasm in job markets, but not enough to knock Alberta and B.C. out of first and second place in terms of job growth. Meanwhile, unemployment rates should rise off their recent lows in the west, implying some easing in the current labour market tightness. On the flip side, some Atlantic provinces – including PEI and Nova Scotia – should buck the national trend and record better turnouts in 2007, although with exports still under pressure in the months ahead, growth is unlikely to set any speed records.

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