



CANADIAN EMPLOYMENT IN RECOVERY MODE

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- The bulk of the jobs were in public sector employment, while private sector employment fell modestly.

The Canadian economy created 21,000 jobs in February, pushing the unemployment rate down to 8.2%, from 8.3% in the prior month. There has been some chatter that a jobless recovery is in store for Canada's economy. The concern is that since Canada didn't shed as many jobs as expected during the downturn, we wouldn't get strong job growth on the way up either. Indeed, the labour market performance during the most recent recession has been significantly better than during the last two major downturns, with the spike in the unemployment rate only half of that in each of the last two recessions. However, we would argue that the 20,000 monthly average job gains over the last six months is largely consistent with the current stage of recovery.

The recent job market performance is the furthest thing from a jobless recovery. The labour market is already up 0.9% from its trough, recouping 158,000 of the 417,000 jobs lost during the recession, and the unemployment rate has fallen 0.5 percentage points from its August peak of 8.7%. This is better than the 0.5% job gain during the first nine months of the 1990's jobless recovery, but slightly slower than the 2.8% gain during the 1980's recession. More importantly, the increase of 1.5% in full-time employment jobs since July of 2009 outstrips the full-time employment growth during the 1990's experience, and is only slightly more modest than that of the 1980's.

While as a whole the Canadian labour market is recuperating in-line with the current economic performance, there is a large divergence amongst industries. The sectors most impacted by the recession – manufacturing and transport and warehousing – are experiencing a very gradual recovery in employment. The recovery in manufacturing output witnessed over the last half of 2009 may not translate into strong employment gains, given the amount of slack accumulated in the manufacturing sector. Meanwhile private service sector employment excluding transport and ware-

| CANADIAN LABOUR FORCE SURVEY | | | | |
|--------------------------------------|-------------------|-------------------|---------------|---------------|
| | Feb-10 (000's) | Jan-10 (000's) | m/m % chg* | y/y % chg* |
| Employment | 20.9 | 43.0 | 0.1 | 0.5 |
| Full-time | 60.2 | 1.4 | 0.4 | 0.7 |
| Part-time | -39.3 | 41.5 | -1.2 | -0.3 |
| Goods-producing | 17.8 | -23.1 | 0.5 | -2.7 |
| Manufacturing | 16.9 | -15.7 | 1.0 | -4.9 |
| Construction | -11.1 | -0.4 | -0.9 | 1.5 |
| Services-producing | 3.1 | 66.1 | 0.0 | 1.5 |
| Trade | -33.5 | 23.4 | -1.3 | 0.5 |
| Fin., Ins., & Real Estate | -21.5 | 14.3 | -1.9 | 0.8 |
| Public Sector | 45.6 | 13.4 | 1.3 | 3.5 |
| Private Sector^ | -7.5 | 53.7 | -0.1 | -0.7 |
| Unemployment Rate (%)** | 8.2 | 8.3 | -0.1 | 0.2 |
| Participation Rate (%)** | 67.0 | 67.1 | -0.1 | -0.4 |

*Reflect changes in seas. adjusted data; ^includes self-employed
 ** level expressed as a per cent, % chg expressed as percentage movement in the rate. Source: Statistics Canada / Haver Analytics.

housing, has improved, with almost every sector regaining 50-65% of the jobs lost during the recession. In particular, finance insurance, and real estate jobs have benefited from a strong housing market, while accommodation services have recuperated the most since the end of the recession – which might come as a surprise given the expected impact the Canadian dollar would normally have on tourism. Part of this may be related to the Olympics and be unwound in the months ahead.

There may be some concern that all the job gains in February were in public sector jobs – which could be perceived to be unsustainable given that governments will soon begin to focus on spending restraint in the year ahead. However, despite this one-month of data, the private sector has accounted for a greater share of employment gains since July of 2009 – with net gains of 103,000. Overall, the average monthly gains in the labour market are consistent with an economy growing in the range of 3-3.6%. As the economic recovery continues at a solid clip in the first half of 2010, we anticipate it will continue to add an average of 20,000-25,000 jobs per month.



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