

OBSERVATION

TD Economics



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TRENDS ANTICIPATED TO SHIFT WITH START OF 2016

The fourth quarter of 2015 was disappointing for much of the Canadian economy, with the economy expanding just 0.2% q/q, and employment losing 8.5k private-sector jobs. Broad corrections in commodity prices are rippling through the Canadian economy, and 2016 employment has started on a softer note for seven of the Canadian provinces, while only two experiencing meaningful gains so far. A number of interesting facts and trends have emerged from the first two months of data:

1. Public-Sector hiring tapers across most provinces: 2015 was marked by government hiring intended to ease the pain of job losses in provinces dealing with shifting commodity prices. This trend has relaxed during the first two months of 2016, with every province except Ontario logging a decline in public-sector hiring. Still, we do not expect the sudden surge in public-sector hiring in Ontario to persist - adding 33.5k jobs in the first two months - as the province continues to cut costs moving towards a balanced budget. We do anticipate some continued support in Alberta given their aggressive public infrastructure plan, though broad restraint across most others is forecast.

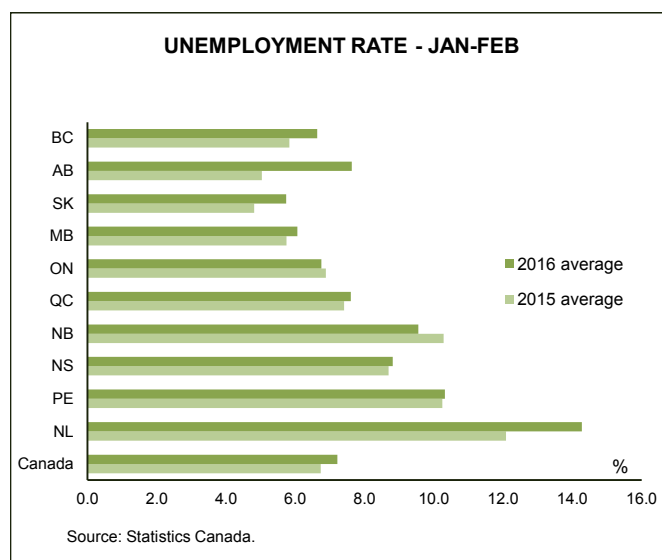
2. Forestry, fishing, mining, oil & gas are still adapting: Resource extraction industries continued to struggle through the beginning of 2016 after losing 23.1k jobs nationally in 2015. Seven provinces shed jobs in the start of 2016, led by a 3.4k reduction in Alberta. This is expected to continue in most provinces, though forestry may provide some lift in British Columbia, Quebec, and Alberta, as we expect U.S. housing starts and a lower Canadian dollar to boost demand.

3. Construction gains big in February, mainly in Quebec: 28.6k jobs were added through February, with 15.7k jobs added in Quebec. This is a substantial turnaround from a slower January start, but may be a reflection of the warmer winter weather and more housing starts. As such some payback should be expected.

4. Manufacturing gains in Ontario and Quebec, loses big in Alberta: The ongoing rout in commodity prices, and a lower Canadian dollar are impacting some of the likely suspects. Canadian manufactured exports are more attractive in the current environment, and Ontario & Quebec manufacturers are benefitting, adding 7.8k and 8.1k jobs respectively in the first two months. Alberta manufacturing tends to be linked to oil & gas, and lost 12.3k jobs in the same time frame.

5. Too early to tell on full-time employment pattern: Full-time employment surged in 2015, adding 147.4k positions nationally, heavily centered in Ontario. The start of 2016 has noted large swings, with gains and losses in January or February muddying the trend. This data tends to be volatile, though our expectations are for continued improvement in labour market health, including more full-time versus part-time jobs.

6. Unemployment rate picks up with labour force: Year-to-date growth in the labour force outpaced employment growth in eight provinces, leading to unemployment rates edging up in most. Some of this is an uptick in participation rates, which have begun to accelerate with better and worse economic conditions across some provinces - notably in BC and Alberta. The largest swings in unemployment were in Alberta, Newfoundland and Labrador, and Saskatchewan - major oil producing provinces - where unemployment rates have surged to 7.9%, 14.1%, and 5.9% respectively in February from 5.4%, 12.7%, 5.1% a year ago. The Canadian unemployment rate was 7.3% in February.





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