

# Canada

## Return of the jobs juggernaut

**Canada's economy churned out an unexpectedly large 69.2K jobs for the month of January, well ahead of the street median and our own forecast looking for a more conservative 15K net gain in employment. The unemployment rate also took a surprising turn, rising from 7.6% to 7.8% despite the sizeable jobs creation. Although this was entirely due to a 0.3ppt jump in the participation rate to 67%, largely the result of a 0.2ppt downward revision to last month's release. Benchmark revisions that incorporate the 2006 census data is one probable cause behind the sizeable revision to the participation rate for December.**

### The facts

Of the 69K jobs generated, there was a reasonably even split between full time and part time employment. Formal employment (+49K) vs self employed (+20K) formed the bulk of the jobs growth. In terms of gender, the lions share of the jobs went to women aged 25 and older (+55K). Given this imbalance in terms of population distribution, the tendency here will be to look towards the benchmark revisions as a contributing factor to the skewed nature of the job gains based on gender.

Geographically, hard hit Ontario saw 36K jobs created in January although the unemployment rate for the province held in at 8.1% as improved employment prospects continued to pull people in off the sidelines and back into the labor force. Statcan points out that the number of workers in Ontario grew by 2.3%/y well ahead of population growth running at 1.3%.

In terms of contribution by sector, there are a few standouts. In both actual numbers and in percentage terms, agricultural employment jumped by 13K or 4.4% m/m. A return that appears out of context and perhaps subject to some settling out in next month's release. Similar picture on business support services which generated 34K jobs or 5.1% m/m. Again another event that comes across as more statistical anomaly than fact. But just as there are upside surprise so too does the 32K decline (-3.7% m/m) in transportation and warehousing seem out of place. Accommodation and food services lost 26K positions although we would point to the post Christmas slide into low season as the culprit.

### Implications

Jobs data tends to jump around a lot. There is no surprise in that. The BoC has made it clear that in terms of monetary policy it looks beyond the high frequency releases and concentrates on the trends. And the clear trend on employment that emerged in the second half of 2010 was one of incremental jobs growth only. On average the economy generated a paltry 8K positions a month in the second half of the year, well back of the roughly 23K necessary to keep pace with population growth. January's return does not a trend break but remains interesting none-the-less.

The recently adopted benchmark revisions had suggested that there were 105K fewer Canadians with jobs than originally had been estimated. In turn, while it had been believe that Canada had recoup all of those positions lost to recession, revised data showed that as of December 2010 the economy was still short 30K positions vs its pre recession peak. With today's numbers, it would seem that in January Canada indeed stepped across that threshold and has replaced all those jobs lost to recession with margin to spare. The down side to the story however is that while the net numbers on employment positions lost to recession have been recovered, hours worked are still believed to be lagging the pre-recession levels given a preponderance of part time employment.

The bottom line.

A change in employment trends in this decidedly positive direction while certainly welcome is far from proven at this stage.

# Disclosure appendix

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## Issuer of report

**HSBC Securities (Canada) Inc.**  
70 York Street, 8th Floor  
Toronto, Ontario M5J 1S9, Canada  
Telephone +1 416 868 7523  
Fax +1 416 364 2543  
Website: [www.research.hsbc.com](http://www.research.hsbc.com)

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