

# Canadian (Mar) employment growth disappoints the median

...but it is jobs growth none the less. Net +17.9K, unemployment 8.2%

**The Canadian economy churned out nearly 18K jobs in March, disappointing both a market median looking for 26K and our own more optimistic forecast at 35K. The unemployment rate remained unchanged at 8.2%, again disappointing expectations for a decline to 8.1%.**

Market capital venting this morning. The negative response to the report in FX markets seemingly aggravated by a whisper number making the rounds yesterday through the local dealer community suggesting a print on the high side should be expected, in the range of 35 to 50K.

Market's live and breath employment numbers, central banks do not.

10:30am Monday April 12th is more important to Canadian monetary policy than 7:00am Friday April 9th. On Monday the BoC will release its business outlook survey and the responses to the questions that pertain to capacity utilization and inflation expectations are more important to the setting of monetary policy than today's employment numbers. While the BoC may be inclined to dismiss the sawtoothed like movements of the jobs numbers, it will indeed pay particular attention to any hints at capacity constraints in the economy or changes in inflation expectations found in its BoC business outlook survey.

The risk is that market participants are going to pay more attention to the sizzle (today's employment report) and miss the meat of the monetary story that gets served up on Monday at 10:30am.

Back to jobs.

Overall, the story is generally in line with what could be expected, which is to say that the upside on employment is a function of a recovery in goods producing sectors. Recall that over the last 24 months (February 2008 to February 2010), goods producing industries shed a little over 300k jobs. By contrast, at the same time that the goods sector was rapidly shedding capacity, the service sector was bulking up, adding 555K jobs. Economic recovery and employment growth are going to be built in large part on the back of a recovery in the goods sector. That said, it is evident that some of the capacity lost in the goods sector to economic recession and financial conflagration are going to be lost forever.

Still, for March, this recovery theme played out as expected. Over the reporting month, goods producing industries generated nearly 40K jobs (our forecast looked for 30K) while services shed 22K (our forecast had looked for a small increase of 5K).

Geographically, BC saw only slight job losses -0.5K. While the Olympics ended in February the Para-Olympics began in March which would have helped to hold many of those jobs that are viewed as attached to the Olympic and as such transitory. We would look to April's report to reflect the start of the wind down process of Olympic related hirings in earnest, which will invariably drag on next month's report. On the upside, having born the brunt of economic recession, jobs growth in Ontario accounted for the bulk of the jobs growth.

Despite the market response to the jobs headlines, the overall report nets out positive. Canada did experience a net jobs gain. And those gains were led by private vs. public sector employment (42.4K vs. -20.6K). And while the overall unemployment rate remained unchanged, headline jobs growth managed to best the overall growth in the labor force (17.9K vs 13.6K). So too was self employment down by -4K while employees rose by 21.9K.

A wicked world it remains. Less welcome elements in the report included the trade off between full time -14.2K jobs and part-time +32.2K. So too with average hourly wages growing by 2.2%y/y, they are just barely keeping up with inflation (core CPI 2.1%y/y).

Before casting our view on policy, we will wait for Monday's business outlook survey rather than rely on the employment enjoyment dished out this morning.

# Disclosure appendix

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