

# Canada

## Jobs (dec). Staid headline, surprising details.

**Net jobs growth in December at 22K fell largely in line with expectations. Street forecasts were looking for jobs growth of 20K, our own forecast slightly more optimistic, looking for 30K. The unemployment rate held in at 7.6% courtesy of the participation rate holding firm at 66.9%. The street and ourselves had been looking for both the unemployment rate and the participation to have crept higher by 0.1ppt. By and large, the report fell in line with expectations. However, what lurks beneath some fairly staid headlines is a remarkable degree of volatility in the jobs mix.**

### The facts.

What is particularly interesting about the details of this report are the wild fluctuations found at the sector level. Goods sector employment good, rising by a much greater than expected 40.8K led by a handsome 66K jump in manufacturing jobs, a +3.8% m/m gain, which is in part an unwind of the surprising loss of -28K jobs in November. Auto sector data, both formal and anecdotal has suggested that activity picked up significantly in line with growing consumer taste for new vehicles. And of course there has been plenty of talk of a manufacturing led recovery outside of Canada's borders. Yet the surge in manufacturing jobs likely surprised most and come January there will be some tendency, despite a decent back story, to look for a smoothing out in the data set. Hand in hand with the burst in manufacturing jobs, on the service side, a 45K jump in transportation and warehousing jobs, which represents a +5.4% m/m increase, seems more statistical anomaly than fact and subject to some sorting out in January as well.

On the upside, part-time employment (-16K) was traded in for full time jobs 38K. Self employment (-38K) was given up in favor of private sector employers 53K. Taken together, these are all elements that are a part and parcel of the recovery story.

On the down side, construction jobs plunged by 27K jobs. Trade (retail) fell by 22K although this unwinds last month's gain of 26K. Health care plunged by 24K although again it largely represents an unwind of last months rather surprising jump of 28K positions. Despite the remarkable pick up in transportation and warehousing employment, it was not enough to offset losses in other categories which contributed to an overall decline of 19K jobs in the services sector.

Geographically, given the preponderance of jobs growth in the manufacturing sector, both Ontario and Quebec were big beneficiaries. On the down side, the big slide in construction employment is likely behind the fall in employment in BC.

### Implications.

Markets tend to hang their hats on employment reports but from a policy perspective it is the broader trends that matter most, rather than the headline numbers. And here, the story continues to evolve favorably. The BoC has pointed to the fact that while jobs numbers have recovered, hours worked has continued to lag given a past preponderance of part time employment. This story appears to be unfolding favorably. Year over year, net jobs are up 2.2%, while total hours worked rose by 2.4%. Admittedly its slow progress, but progress none the less.

### Bottom line.

Behind all the fireworks and recent volatility at the categorical level, behind a the rather staid picture on overall jobs growth in December (at 22K, jobs growth is just keeping up with the natural growth in the labor force) the broader trends are what we want to be seeing. Those trade offs between part time and full time jobs, the shift from self employment to private sector

employment and the bulk of jobs growth coming out of the private sector vs public sector (belt tightening at the public sector level is in the offing) is all in keeping with the theme of economic recovery. Would we like to see bigger headline jobs growth? Of course. But at this point we are contented to underline some of these broader themes coursing through the report that speak to a qualitative improvement in the employment picture.

# Disclosure appendix

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