

Employment enjoyment

Canadian unemployment down 0.1ppt to 8.2%, net jobs up 21K

Net jobs up 20.9K just slightly ahead of the market median at 15.5K and our own forecast looking for a gain of 16K. At that rate the economy is generating just enough jobs to keep pace with population growth. In other words, standing still. The unemployment rate dropped 0.1ppt to 8.2%. Not because the Canadian economy is a jobs generating juggernaut, but rather a function of a shrinking labor force with the participation rate dropping by 0.1ppt. Who could workers for shutting up shop and heading to the Vancouver gold rush.

In that vein, there may be some inclination to discount the near 27K jobs created in the accommodation and foods services category as growth related to servicing the Olympic crowds in Vancouver, and staffing the pubs in other parts of the country for those left behind. As such, a transitory contribution to employment.

On the upside, it is jobs growth, pure and simple. And in a market that may feel bereft of much economic joy, it is a tangible appetizer and a decent start to 2010 for Canada. YTD the Canadian economy has banged out 64K new jobs.

Still, market response seems a little out of context with the orders of magnitude for the report. The headline gain in net jobs not really that far removed from expectations while the drop in the unemployment rate is about a participation rate which has declined. So too should we not forget yesterday's comments out of the BoC Governor Carney who reiterated that the BoC would be holding to its conditional pledge to hold rates at 0.25 through to the end of June. And lest we forget, the currency, which has touched the highest levels since July 2008, could very well scupper the rate forecast party. A surging Loonie may be cause for pause at the BoC as it complicates a nascent recovery that is still very much predicated upon coaxing out continued growth in external demand.

Underneath the headlines, jobs growth was centred in the public service which added 46K positions, while private sector jobs were trimmed by -8K. Part time work -39K was traded in for full time employment which jumped by 60K positions. Newsflash: the baby boomers are no longer babies. Interesting demographics in February with men aged 55 and over accounting for all of February's jobs gains. Expect this trend to continue and grow as Statcan points out, the Canadian work force is graying. Next week we get a peek at productivity and with an aging work force and the onset of a rising dependency ratio, Canada better hope that its workforce is working smarter and not necessarily harder.

Goods producing sectors which bore the brunt of the economic downturn, provided the bulk of the upside to the report, generating nearly 18K positions. Service sector gained 3.1K. And while we would be inclined to discount the 27K jobs created in the food service categories, so too does the -34K jobs lost in the trade category, and the -22K jobs lost in the FIREs (finance) sector look overstated. And remarkably enough, even after what looked like a surge in healthcare hiring late in 2009 related to H1N1, the sector continues to add a whopping 16K in February.

Net, net, there are quite a few categories that are seeing both upside and downside volatility that looks like it either needs to be smoothed out in the next month, or is transitory in nature and expected to drop out of the report in the coming months. Yet for markets that are contending with sovereign risk and less than inspiring growth profiles in other domains of the developed world, upside surprises may seem few and far between, and against this backdrop, the Canadian numbers are able to hit well above their weight class in this morning's market.

Disclosure appendix

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