

January 9, 2009

## CANADA

### With job losses mounting, Canada is in recession

#### HIGHLIGHTS

- Canada's labour market shed 34,400 jobs in December 2008. When added to the toll for November, a total of 105,000 jobs were lost in just two months.
- The unemployment rate rose from 6.3% to 6.6%.
- All provinces, except Ontario (with a slight gain of 1,800 jobs) saw declines in employment in December. It must be said that Ontario was hit hard in November with 66,000 jobs lost. On average, Ontario is experiencing one of the worst downward trends in terms of employment.
- The construction sector stood out from the pack with 44,300 jobs lost. The decline in residential investment these past few months is now being felt across the labour market.
- 2008 ended with a net gain of 98,300 jobs due to significant job creation during the first nine months of the year. However, this growth is clearly more tepid than in the previous two years, with 350,600 jobs created in 2006 and 358,100 jobs in 2007.
- That said, the manufacturing sector posted fewer job losses in 2008 (32,300 jobs) than in 2007 (129,600 jobs).
- On average, the unemployment rate increased to 6.1% in 2008, a level similar to that posted in 2007 (6.0%).

#### COMMENTS

The major job losses recorded in November and December signal a clear change in Canada's job market trend. While the first nine months of the year saw steady job growth despite the visible slowdown in economic activity, the recession that probably began last fall forced businesses to reduce their workforces. In fact, the scope of the job losses sustained over a brief two-month period had not been seen since the recession in the early 1980s.

Since the recession is expected to last until mid-2009, the prospect of mounting job losses in the months ahead is a concern. In fact, the troubles in the labour market could extend at least until next fall due to the sluggish job market.

The unemployment rate will continue to rise, reaching a peak of between 7.5% and 8.0%. It bears noting that the unemployment rate had hit a historic low of 5.8% at the end of 2007.

#### The unemployment rate will not climb to levels seen in previous recessions



Sources: Statistics Canada and Desjardins, Economic Studies

However, the labour market will remain in better shape than during the previous two recessions. The unemployment rate reached a cyclical peak of 13.0% at the beginning of the 1980s and climbed to 12.1% during the recession a decade later in the early 1990s.

**Implications:** The recent difficulties in the labour market confirm that Canada's economy entered into recession in the fourth quarter of 2008. We expect the government to continue to take action to limit the contraction of production. The Bank of Canada will announce more cuts to its key interest rates and the federal budget slated for January 27, 2009 will contain several measures aimed at stimulating growth.

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