

November 6, 2009

CANADA

Job losses return in October: The labour market will recover gradually

HIGHLIGHTS

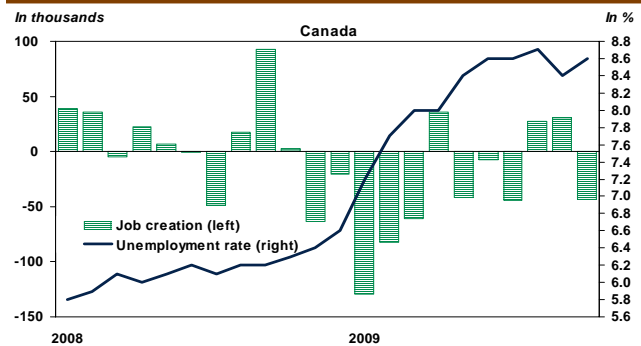
- Canada's labour market lost 43,200 jobs in October.
- The number of full-time jobs rose by 16,500 while 59,700 part-time jobs were lost.
- If not for the 27,500 self-employed workers, the job losses would have been more severe (-70,700). This shows that the labour market is still quite fragile.
- The goods sector lost 6,300 jobs. Forestry, fishing, mining and oil and gas extraction together shed 11,300 jobs. Manufacturing suffered 8,200 job losses.
- Jobs in the services sector fell by 37,000. Trade was especially hard hit with 30,800 jobs lost.
- Québec and most of the Atlantic Provinces saw a slight uptick in job creation. Most job losses were sustained in Ontario and the western provinces.
- Canada's overall unemployment rate rose from 8.4% to 8.6%.

COMMENTS

The job results for October are disappointing. None of the 22 forecasters surveyed by Bloomberg anticipated such a steep deterioration in the labour market. The forecasters' consensus called for a gain of about 10,000 jobs. This is a harsh dose of reality after the job gains of 27,100 in August and 30,600 in September. The bottom line is that 14,500 new jobs were nevertheless created in the past three months.

While still disappointing, the labour market's poor performance in October is not that much of a surprise. If the major upturn in job creation seen at the end of the summer signalled a turning point in the labour market, today's decline signals that the market is stabilizing rather than poised for growth. This job stagnation is very much in line with the recent shifts in Canada's economy. Since real GDP by industry fell 0.03% in July and 0.11% in August, the real output of Canada's economy probably remained almost unchanged in the third quarter. In these conditions, it stands to reason that jobs have not advanced in any significant way, on average, in the past few months.

Gains posted in the last two months were almost entirely wiped out in October



Sources: Statistics Canada and Desjardins, Economic Studies

Implications: The results released today illustrate the extent to which the labour market has to recover. The downward spiral seen at the end of 2008 and in the first few months of 2009 appears to be over, but it will take several months for the labour market to get back on its feet. This is because the correction in the labour market lags somewhat behind the correction in production. Real GDP declined 4.7% since its peak in July 2008, while cumulative job losses have fallen by only 2.3%. This spread probably means that the economic recovery expected in the months ahead will see more modest job growth. We must therefore anticipate a mixture of job gains and losses until next spring, a situation that favours a slight increase in the unemployment rate.

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