

CANADA

The employment market starts 2015 on a positive note

HIGHLIGHTS

- After declining for two straight months, the labour market rebounded in January, creating 35,400 jobs.
- The goods sectors added 9,700 jobs. The drop in natural resources (-8,800) was, among other things, offset by increases in manufacturing (+10,700) and construction (+4,700).
- The service sectors added 25,700 jobs.
- The unemployment rate went from 6.7% to 6.6%.

COMMENTS

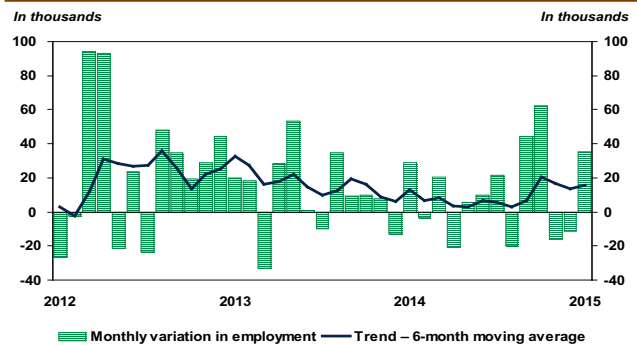
Good news this morning, with employment growth beating expectations for January. It is also reassuring to note that the adverse effects of the drop in oil prices have not yet had a major impact on the labour market. Employment has declined in the natural resources sector, but Alberta still saw a net 13,700 jobs created in January. Since September, the province has added 52,000 jobs.

However, it is disappointing to see that most of the jobs created in January were in part time (+47,200) and self-employment (+41,100). This could point to a more precarious labour market. However, these figures are highly volatile from month to month, especially for part-time work, and caution is advisable before jumping to conclusions.

We must note that a trend has emerged in the last while in self-employment. In the last 12 months, nearly one job out of two created in Canada was in self-employment. Historically, self-employment only accounts for about one job out of five. Demographic change is likely partially responsible for the shift in trend. Workers are ageing, and those aged 55 and up are more likely to be self-employed, and on a part-time basis. Moreover, the age group with the strongest job growth in January is workers aged 55 and up.

Implications: Overall, January's results of the labour force survey are fairly good. Among other things, the

The trend for employment remains fairly good



Sources: Statistics Canada and Desjardins, Economic Studies

unemployment rate is down to 6.6%. Will this be enough to reassure the monetary authorities? That would be astounding. Although it has declined somewhat in recent months, the alternative measure of the broad unemployment rate, which includes discouraged workers, workers waiting for jobs, and involuntary part-time workers, remains fairly high (9.6%). Also, although the adverse effects of the slide by oil prices are not yet showing up in the employment results, it is only a matter of time, particularly in the energy-producing provinces. Therefore, unless oil prices shoot up, monetary authorities will likely want to order another preventive cut to their key interest rates at March's meeting.

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