



CANADA

February 5, 2016

Alberta's unemployment rate surpasses the national average for the first time in 27 years

The balance of trade improved in the fourth quarter

HIGHLIGHTS

- Canada's labour market suffered the loss of 5,700 jobs in January.
- The trend measure that is calculated by Statistics Canada shows a gain of just 1,900 jobs in January, which constitutes a slowdown compared with previous months.
- The unemployment rate ticked up from 7.1% to 7.2%. Alberta is especially affected by the increase. Its unemployment rate has moved above the national average, for the first time since 1988.
- The balance of trade improved in December, from -\$1.59B to -\$0.59B, mainly thanks to a 3.9% increase in exports during the month.

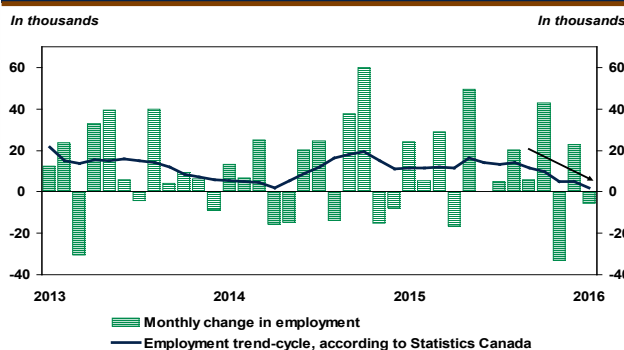
COMMENTS

January's dip in employment is deemed not significant, according to Statistics Canada's criteria. That said, the downwards employment trend that has prevailed in recent months is symptomatic of the economic rough patch that the country has been going through in the past while. Alberta lies at the heart of those problems, as may be seen from the increase in its unemployment rate.

Statistics Canada also revealed, this morning, the December data on international merchandise trade, enabling us to compile the final tally for the fourth quarter. All told, the trade balance in real terms improved once again, from \$5.8B in 2007 dollars in the third quarter to \$8.3B in 2007 dollars in the fourth quarter. This means that international trade will have made a positive contribution to economic growth in the last quarter of 2015. However, the bulk of this improvement comes from an annualized quarterly decline of 9.6% in imports, while exports fell back by 1.5%.

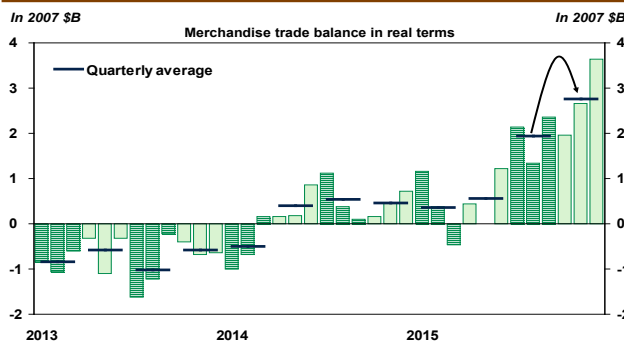
Implications: The weaker employment trend tells us that economic conditions have deteriorated in Canada. The significant drop in imports in the fourth quarter also

The employment trend is weakening



Sources: Statistics Canada and Desjardins, Economic Studies

The goods trade balance improved again in Q4 2015



Sources: Statistics Canada and Desjardins, Economic Studies

suggests that domestic demand pulled back during the period, particularly non-residential investments. In these conditions, we should expect practically zero real GDP growth in the fourth quarter, which is just what the Bank of Canada expects.

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