

 **CANADA**

The labour market takes a break in February

HIGHLIGHTS

- The labour market lost 1,000 jobs in February after a gain of 35,400 jobs in January.
- The goods sectors posted a loss of 24,100 jobs due to significant contractions in natural resources (-16,900) and in manufacturing (-19,900).
- The service sectors saw the creation of 23,200 jobs.
- The unemployment rate ticked up from 6.6% to 6.8%, mainly due to greater participation in the labour market.

COMMENTS

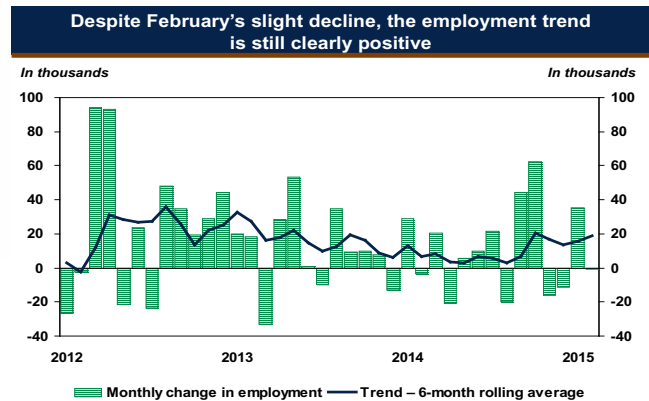
Despite February's dip in employment, the labour market trend is still quite good. The 6-month rolling average is 18,900, which is compatible with economic growth of around 2%.

However, the details of the results raise some concerns. First, Alberta lost 14,000 jobs in February due to significant declines in the natural resources and trade sectors. Here we see the negative repercussions of the oil price slump on this province's economy. That said, these data are highly volatile, so we will have to wait a few more months to determine whether this is really a downwards trend.

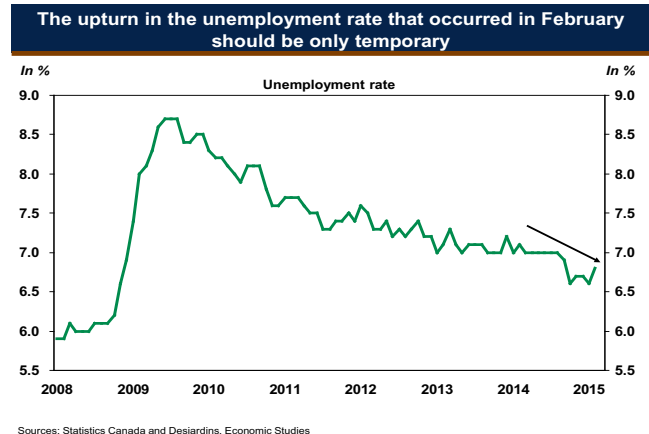
Second, the job losses reported in manufacturing are disappointing, given that we are relying to a great extent on that sector to support growth in this country. We note that in the past four months, there has been a cumulative decline of 20,800 manufacturing jobs.

Third, the rise in the unemployment rate is a step in the wrong direction. However, underperformance such as this is not unusual in the context of a down trend.

Implications: Overall, the employment trend is quite consistent with the Bank of Canada's scenario, which calls for slowing economic growth in the first half of 2015. Under such conditions, there is nothing in today's results that will change expectations about the future of key interest rates.



Sources: Statistics Canada and Desjardins, Economic Studies



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