



# Economic Flash!

February 3<sup>rd</sup>, 2012

Emanuella Enenajor (416) 956-6527

## Canadian Employment in January: Job Growth Slows

| M/M chg, 000s                               | Sep   | Oct   | Nov   | Dec   | Jan          |
|---|-------|-------|-------|-------|--------------|
| Employment                                  | 54.2  | -52.7 | -5.5  | 21.7  | <b>2.3</b>   |
| Full-time                                   | 59.5  | -76.3 | 51.8  | -21.7 | <b>-3.6</b>  |
| Part-time                                   | -5.4  | 23.5  | -57.1 | 43.3  | <b>5.9</b>   |
| Paid workers                                | 13.1  | -30.4 | 21.5  | -8.7  | <b>39.3</b>  |
| Private                                     | -18.7 | -18.4 | 17.6  | 4.8   | <b>19.7</b>  |
| Public                                      | 31.8  | -12.0 | 3.9   | -13.5 | <b>19.6</b>  |
| Self-employed                               | 41.1  | -22.4 | -26.9 | 30.4  | <b>-37.0</b> |
| Part. Rate (%)                              | 66.8  | 66.6  | 66.6  | 66.7  | <b>66.7</b>  |
| Unemp. Rate (%)                             | 7.2   | 7.4   | 7.5   | 7.5   | <b>7.6</b>   |
| Avg. Hourly Earnings, perm. workers (y/y %) | 1.6%  | 1.3%  | 2.6%  | 2.4%  | <b>2.2%</b>  |

- For Canadians in January, searching for work proved to be a difficult task. A massive exodus of self-employed workers was barely offset by new positions created in the public and private sectors, leaving Canadian employment little changed in January. The month's 2.3K increase in positions was a disappointment for markets that had hoped for a print nearly ten times that size, particularly after months of surprisingly weak hiring. Today's data suggest that a turnaround in the softer labour market is still far away, and with the jobless rate increasing by a tick to 7.6%, Canada's labour market is exhibiting a clear trend of increasing slack.
- The 39K increase in paid employment can be seen as a bit of silver lining in an otherwise weak report. Workers in the self-employed category tend to be lower paid and have less stable income streams than their salaried/wage earning counterparts. But we can't get too excited by the gain in "paid" work this month. January's increase in paid hiring offset weakness in the prior month, when salaried/wage work fell by 9K, and the broader trend points to a middling 5K average monthly pace in the last six months.
- Full-time positions (-4K) were lost at the expense of part time work (+6K), one factor denting the quality of employment, as measured by CIBC's Employment Quality Index. That measure continues to trend below its year-ago level, and will likely remain under downward pressure given expectations for downshifting construction and public-sector employment through 2012.
- Looking at the industry-level breakdown of employment, the goods sector was the big winner, with a 9K boost to headcounts. Increasing utilities and factory employment led the charge, with non-durable manufacturing account for the latter's gains. While it's true that increased US car sales have been supporting auto plant activity in Canada lately, the factory job gains in January were actually led by the non-durables sector, suggesting that the driver for the factory hiring was due to strength elsewhere.

- Services positions were down by 7K, with a sharp plunge in professional, scientific and technical services—a category encompassing lawyers, accountants, engineers and researchers. However, that’s just a blip in that series that otherwise has been one of the strongest sectors of hiring through the recovery. One of the most marked trends seen in the industry-level data is the clear and smooth decline of workers in the finance, insurance and real estate category. Ranks were down by 23K in January, only adding to weakness clearly seen since the fall. In the past six months 73K positions have been eliminated in the ‘finance, insurance and real estate’ sector, the biggest loss in any single sector of employment.
- Wage growth decelerated to a 2.2% annual pace in January, pointing to limited inflationary pressure.
- Saskatchewan registered the strongest percentage employment gain in January, with Québec close behind—breaking that province’s recent streak of job losses. The more reliable year-on-year figures show the fastest employment growth in Alberta, with employment there rising by 3.9% year on year.

## Implications & Actions

**Re: Economic Forecast** — With shockwaves from the eurozone and uncertainties over US growth denting Canadian businesses outlooks, hiring has measurably slowed in recent months. The current pace of hiring is consistent with tepid economic activity, in line with our forecast for Q1 GDP growth to come in no better than 2%. Some signs of an improved pace of demand in the US and steps towards progress in the eurozone could support business confidence and stoke domestic hiring in the months ahead, although a continued pull-back in public-sector job creation will weigh on employment activity.

**Re: Markets** — The weaker than consensus print dented the C\$ and lifted fixed-income, although an encouraging payrolls figure from the US shifted market tone later in the morning.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, “CIBC”) and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors (“MII”) (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient’s particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient’s convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2012 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.