



Economic Flash!

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Avery Shenfeld (416) 594-7356

Canadians Employment: Jobs We Can't Count On

M/M chg, 000s	Jan	Feb	Mar	Apr	May
Employment	46.4	43.3	14.6	19.2	8.4
Full-time	64.3	49.5	-19.6	20.6	-32.2
Part-time	-17.9	-6.2	34.2	-1.4	40.6
Paid workers	72.8	42.9	23.2	0.8	25.1
Private	76.6	30.8	20.3	-8.3	32.0
Public	-3.8	12.1	2.9	9.1	-6.9
Self-employed	-26.4	0.5	-8.6	18.3	-16.7
Part. Rate (%)	67.7	67.8	68.0	68.0	68.0
Unemp. Rate (%)	5.8	5.8	6.0	6.1	6.1
Avg. Hourly Earnings, perm. workers (y/y %)	4.9	4.7	4.7	4.2	4.6
<i>CIBC WM Employment Quality Index (94:Q1=100)</i>	98.2	99.3	99.8	99.3	99.5

- Canadian job gains in May were the kind we can't count on in the next few quarters, being in improbable sectors and providing only part time work. Total hours worked fell by 0.6%, the best signal for what is happening to output.
- While hourly earnings are still rising at a healthy 4.6%, the fact that part time employment has risen at nearly twice the gains in full time jobs over the last 12-months (3% vs. 1.8%) is less supportive for household spending power. The major plus on that front was that the May gains came in paid positions rather than self-employment, as the latter group is, on average, lower paid.
- Overall, employment managed a sluggish 8,400 gain in May, but recognizing the imprecision of the underlying survey, even Statistics Canada chose to label that outcome as "unchanged." That was still enough to hold the jobless rate at 6.1%.
- Manufacturing hired a net 34K positions in the month, but that still left factory employment down 66K in the past year. And given recent layoff announcements, it's hard to see the manufacturing sector as anything but a sustained source of job losses until the US economy is back on its feet. Indeed, some of the recent downsizing moves aren't slated to come into effect until 2009.
- May's weakness came in broad-based declines in services, including wholesale/retail trade, professional services and education. The more accurate 12-month trend still shows services as the major source of job growth, with goods employment gains nearly all coming in construction.
- Wages have been running in the mid-4% range for several months, a result consistent with the accelerating pace to wage rates reported in the separate establishment survey. The Bank of Canada won't fret much about inflation right now, given the current weak pace to economic growth. But the wage gains, which aren't being offset by productivity growth, are a sign that the economic cooling has yet to provide meaningful slack in the labour market, and that high commodity prices are letting some employers open the

chequebook. If, as we expect, the economy is back on the mend by Q4, significant interest rate hikes will be in store for 2009.

- At the provincial level, the unemployment rate moved up in three of the four western Canadian provinces (Saskatchewan seeing a drop), but the region continues to have tight labour market overall, and Alberta has had the strongest job gains in the past year. Quebec saw the largest advance in the May survey results, and Ontario also posted decent gains. Despite all the chatter about Ontario being doomed to recession, its employment gains in the last 12 months (+2.2%, and up 1.7% full time) were a hair faster than the national pace. But both central Canadian provinces relied on manufacturing for some of their May employment gains, and a result that seems likely to be reversed in the coming months.

Implications & Actions

Re: Economic Forecast — Markets were expecting a soft report, and this one was broadly in line with that outlook, even if the industry-level details had a few surprises in store. We've still had a lot of job growth for an economy with nearly stagnant real output in the past two quarters, and look for a few further months of soft or even slightly declining employment.

Re: Markets — The jobs report had the sort of recessionary (full time job losses) and inflationary (rising wages) signals that left investors uncertain which way to move. That left investors looking to the US jobs numbers later in the morning to get their directional cues.

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