

Cdn. Employment Report (Feb.)

## Cdn Jobs: Almost Normal, For a Change

Douglas Porter, CFA, Chief Economist • douglas.porter@bmo.com • 416-359-4887

Canadian employment rose 15,400 in February, a “normal” result after the weird and not-so-wonderful 88,000 plunge in the prior month (which included the largest drop in part-time jobs in a month, ever, at -137,000). Given the recent wide and wild swings in Canadian jobs, we would be extra careful about not reading too much into the finer points, but the details of February’s report were mixed. Reversing some of January’s outsized move, **part-time jobs** accounted for all of the gains (+54.7k), while **full-time suffered** the first setback in six months (-39.3k), and most of the gains were **driven by public sector** employment. As well, **average wages eased to a 3.1%** y/y pace, as expected, following the pop to 3.3% the prior month. On the positive side of the ledger, the job growth was enough to **cut the unemployment rate** a tick to 5.8%, bringing it back down to tied for the lowest in more than 40 years. Also, **total hours worked** were quite strong at +0.6% m/m, reversing a like-sized drop in January. Summing it all up, our **overall grade for this report was 50.55** --- in other words, about as close to neutral as one could possibly imagine for a Canadian jobs report. (A grade of 50 represents an economy growing precisely in line with its long-run trend.)

**By industry:** The big driver last month was a 50,300 jump in public sector jobs, with notable strength in both **health care & social services** (+24.5k) and **education** (+12.2k). On the downside, **manufacturing** fell a chunky 16,500 (although it is still up a solid 71,100 or 4.2% from a year ago), while **retail & wholesale trade** was also soft (-22k). **Construction** was dead calm at flat, and is still up 3.3% y/y. **Natural resources** continue to show signs of a recovery, rising 7,600 and up 3.4% y/y. But, overall, last month’s gains were very much a service sector story.

**By region:** The big story here was a solid 15,700 rise in **Ontario**, which helped keep its jobless rate pegged at a low 5.5% --- now the second lowest in the country, behind only BC (4.7%). Only 5 of the 10 provinces reported job gains last month, with small advances in Alberta and all three Maritime provinces. **Alberta** has quietly churned out 2.0% y/y job growth (versus a national average of 1.5%), and its unemployment rate fell further to 6.7% (down a whopping 1.5 ppts in the past year). Of the five provinces that reported job losses last month, none saw declines of more than 3,400 (BC was at that limit).

Sidebar: In a separate report this morning, StatsCan revealed that **manufacturing capacity utilization rose to a very high 86.1%** in Q4 ---



Employment						
Canada (change in thousands)				(average change)		
	Feb	Jan	Dec	3-mo.	12-mo.	
Total	15.4	-88.0	64.8	-2.6	23.5	
(month/month % change)	0.1	-0.5	0.3	-0.2 <sup>1</sup>	1.5 <sup>2</sup>	
Full-Time	-39.3	49.0	23.2	11.0	23.6	
Part-Time	54.7	-137.0	41.6	-13.6	0.0	
Goods Producing	-10.4	-16.2	8.5	-6.0	9.5	
Manufacturing	-16.5	0.8	0.2	-5.2	5.9	
Construction	0.0	-14.9	5.3	-3.2	3.8	
Service Producing	25.9	-71.9	56.3	3.4	14.0	
Trade	-22.0	-0.8	2.1	-6.9	3.0	
Unemployment Rate (%)	5.8	5.9	5.8	5.9 <sup>3</sup>	6.6 <sup>4</sup>	
Avg. Hourly Wages (y/y % chng)	3.1	3.3	2.7	2.8 <sup>3</sup>	1.3 <sup>4</sup>	

<sup>1</sup> (3-mo. % change : a.r.)    <sup>2</sup> (y/y % change)    <sup>3</sup> (3 mo. ago)    <sup>4</sup> (12 mo. ago)

the highest reading since the peak year of 2000. Alongside the lowest jobless rate in decades, this is simply more evidence that the economy is operating at close to full capacity, and a good reason for the BoC to maintain its tightening bias, even with all of the swirling trade uncertainty. Tight capacity utilization with modest growth is what you get when capex is weak.

**Bottom Line:** The spinning wheel landed on black this month, but the overall tone to this report was neutral. The moderate rebound in growth was all in part-time jobs, wages cooled, and the factory sector was weak, countering the good news from a lower jobless rate and bounce-back in total hours worked. The main point is that the underlying economy is continuing to grind along at a strong enough pace to eat into capacity, and likely to keep the Bank preparing for further eventual interest rate hikes...with the emphasis on eventual.

---

#### General Disclosure

"BMO Capital Markets" is a trade name used by the BMO Financial Group for the wholesale banking businesses of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited and BMO Capital Markets Corp are affiliates. This document is issued and distributed in Hong Kong by Bank of Montreal ("BMO"). BMO is an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution with the Securities and Futures Commission (CE No. AAK809) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor's particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

#### Dissemination of Research

Our publications are disseminated via email and may also be available via our web site <http://economics.bmocapitalmarkets.com>. Please contact your BMO Financial Group Representative for more information.

#### Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at [http://researchglobal.bmocapitalmarkets.com/Public/Conflict\\_Statement\\_Public.aspx](http://researchglobal.bmocapitalmarkets.com/Public/Conflict_Statement_Public.aspx).

#### ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., Member FDIC. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A, BMO Ireland Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Securities Limited (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

© Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

™ Trademark Bank of Montreal in the United States and Canada.

© COPYRIGHT 2018 BMO CAPITAL MARKETS CORP.

A member of BMO Financial Group