

## In Canada, jobs tell a tale of two economies

By Tavia Grant

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The Manitoba-Ontario border has become a stark dividing line on the unemployment map.

Hiring in Canada stalled in October while the unemployment rate held at 7.4 per cent, a notch higher than where it stood a year ago. But there's a fault line that is troubling as the economy shifts into slower gear.

For five consecutive months, unemployment in Manitoba, Saskatchewan, Alberta and British Columbia has been below the national average, while Ontario and the provinces east have suffered higher jobless rates.

The fractured labour market reflects contrasting economies, with much of the West rich in oil, gas, potash, wheat and canola, although some major resource projects are now being delayed. The central and Atlantic provinces are far more skewed to manufacturing and other industries.

Canada has entered a soft patch. The hiring pause points to an economy losing momentum after two solid months of employment gains. It comes as a separate report this week showed Canada's gross domestic product contracted in August, the first drop in six months, with broad declines in manufacturing, mining and the housing sector. Insolvency stats for the same month also show weakness, with an increase in bankruptcies and proposals.

"Not to be too down on the Canadian economy – we did well coming out of the recession and are on solid footing relative to others – but this is pretty soft," said Pedro Antunes, Ottawa-based director of national and provincial forecasts at the Conference Board of Canada.

The country's employers added 1,800 jobs in October, Statistics Canada said Friday. A six-month average, which smooths out monthly volatility, shows the rate of employment gains

has halved to 12,000 compared with a few months ago.

The rocky global economy, wobbling confidence and high Canadian dollar are walloping the goods-producing side of the economy, which has shed jobs in four of the past five months. October's losses were fuelled by declines in agriculture, utilities and natural resources.

Squeezed margins and competitive pressures are forcing some Canadian companies into layoff mode. Drug maker Pfizer Canada along with National Bank of Canada and a Nova Scotia paper mill have all announced staff reductions recently.

"Long-term sustainability cannot be achieved," a Nov. 1 memo from Scotia Investments read as it closed its container board mill in western Nova Scotia, citing "market-place challenges, increased competition (using newer, more efficient technology) and rising costs of operation."

Still, aggregate numbers mask deep regional variations in the country. The jobless rate is higher than the national average from Ontario eastward, and lower than average from Manitoba westward.

A look at the regions highlights the divisions. Unemployment in the four westernmost provinces ranges from 4.5 per cent in Alberta to 6.7 per cent in British Columbia, while the rest struggle with levels of between 7.7 per cent, in Quebec, and 11.9 per cent, in Newfoundland and Labrador.

Cities tell a similar story. The auto-dependent manufacturing hubs of Oshawa and Windsor, Ont., have the country's highest unemployment rates, at 9.6 per cent and 9.1 per cent,

respectively. Resource-rich Regina has the lowest, at 3.9 per cent.

This masks an improvement in Newfoundland and Labrador, however, a province that has shown notable strength this year. Its employment and wage growth are the strongest in the country in the past year, and employment levels have never been higher.

Over all, there are still grounds for optimism in the months ahead. The U.S. economy is showing clear signs of a turnaround, as recent reports on employment and housing show, in a good sign for Canadian exporters. And manufacturing in China is perking up, which bodes well for the global economy.

“The Canadian economy is poised to emerge from its current funk in the fourth quarter,” said Sonya Gulati, senior economist at TD Securities in a note. “The trajectory will likely remain bumpy and modest at best, but some

comfort will be had when we get through the current lull.”

One of the major bumps will be in the public sector. Last month’s gains were driven by public-sector hiring, which added 36,900 jobs in education, health care and public administration, as the private sector trimmed 20,300 positions. That pace is expected to peter out, given fiscal restraint at the municipal, provincial and federal government levels.

Job quality has been weakening since late spring amid losses in higher-paying goods-producers such as factories and construction, a CIBC World Markets employment quality index shows.

Canada’s broadest measure of unemployment, the R8 – which includes discouraged workers and part-timers who would rather be full-time – was 9.3 per cent last month, little changed from a year ago.