

Canada's jobless rate drops, but wildfires, low oil weigh on Alberta

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Canada's unemployment rate dropped to its lowest level in nearly a year but Alberta's labour market took another beating in wake of the wildfires and low oil prices.

The province shed 24,000 positions in May, with half the declines in the natural resources sector. Alberta's jobless rate jumped to 7.8 per cent from 7.2 per cent in April, according to Statistics Canada's monthly labour report. The total number of hours worked across the province fell 5.1 per cent, the largest monthly drop in three decades.

Alberta was already suffering from the oil downturn before wildfires burnt down parts of Fort McMurray, forcing more than 80,000 people to leave the area and shuttering oil sands production.

The government's labour report, released on Friday, provided the first glimpse of the fallout from wildfires. But because StatsCan was unable to conduct its monthly survey in Fort McMurray, the full extent of the damage was unclear.

"The net effect of the wildfires was understated in this report," said Benjamin Tal, CIBC's deputy chief economist.

Royal Bank of Canada said the monthly report "does not reflect the direct impact of the wildfires though it did capture some of the 'knock-on' effects elsewhere in the province."

Statscan said the impact of not collecting data in the region was minimal on employment estimates given the oil sands city accounted for 2 per cent of the province's population. The agency plans to conduct another survey that looks specifically at how the wildfires affected workers in the Fort McMurray region.

Across Canada, the unemployment rate fell to 6.9 per cent in May from 7.1 per cent in April, marking its lowest level since last July

The country beat expectations and added 14,000 jobs in May, thanks to a surge in construction and public administration positions. Part of the public sector jobs are temporary and were created to conduct the 2016 Census. Over all, the public sector created 30,000 new spots while the private sector lost 5,000.

Factory jobs rebounded after two consecutive months of losses. Though over the year, employment in the manufacturing sector is down 1.4 per cent.

Among the provinces, Ontario and Quebec helped mitigate losses in Alberta. Each province adding 22,000 new positions.

But British Columbia, normally the bright light in Canada's economy, shed 8,400 jobs. Although this was only one month of losses, one economist warned that if this becomes a trend that could spell problems for the housing market.

"The fate of the housing market is very much linked to the health of the labour market," said Charles St-Arnaud of Nomura Securities. "The only way housing is sustainable is you need income to stay at the same level. The biggest risk to the housing market is if you see a string of losses," he said.

The Bank of Canada warned this week that the housing markets in Vancouver and Toronto were unsustainable.

Analysts polled by Bloomberg had expected the economy to create 1,800 jobs and the jobless rate to move up one notch to 7.2 per cent.