

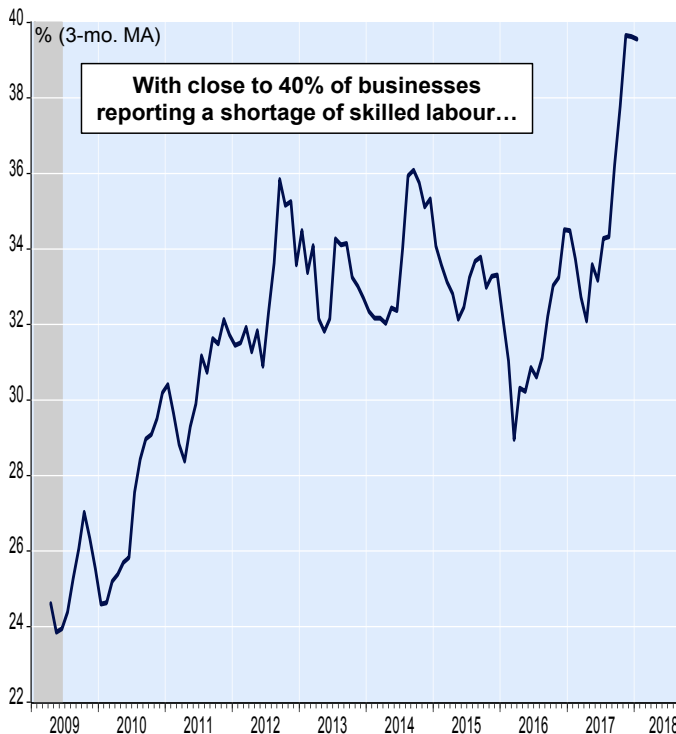
Canada Watch

Job creation has surged on a seasonally-adjusted basis in both November and December and we expect the same thing to happen in January: we are calling for an increase of 50,000. This aggressive forecast (consensus is at +10K) is based on our view that Canada's drum-tight labour market have impacted employer's behaviour when it comes to seasonal layoffs. According to the CFIB, about 40% of small businesses reported that a shortage of skilled labour was an impediment for increasing production in January. Under these circumstances, we believe that employers are more likely to refrain from normal seasonal layoffs for fear of not being able to find the proper skillset when it's time to hire again. Labour hoarding was certainly the case in each of the past two months. As today's Hot Chart shows, seasonal layoffs normally amount to 70K in both November and December. Since employers instead opted to retain their workers this year, we saw a big jump in seasonally-adjusted employment in those two months (+81k and +65K, respectively). Which brings us to upcoming employment report. As shown, January tends to be the worst month of the year for seasonal layoffs: -250K on average. Assuming that we are right about the state of labour hoarding, we believe that the January layoffs will be tamer this year than on average (-200K vs. -250K). That's why we see employment surging +50K in January after the normal seasonal adjustments are applied by Statcan.

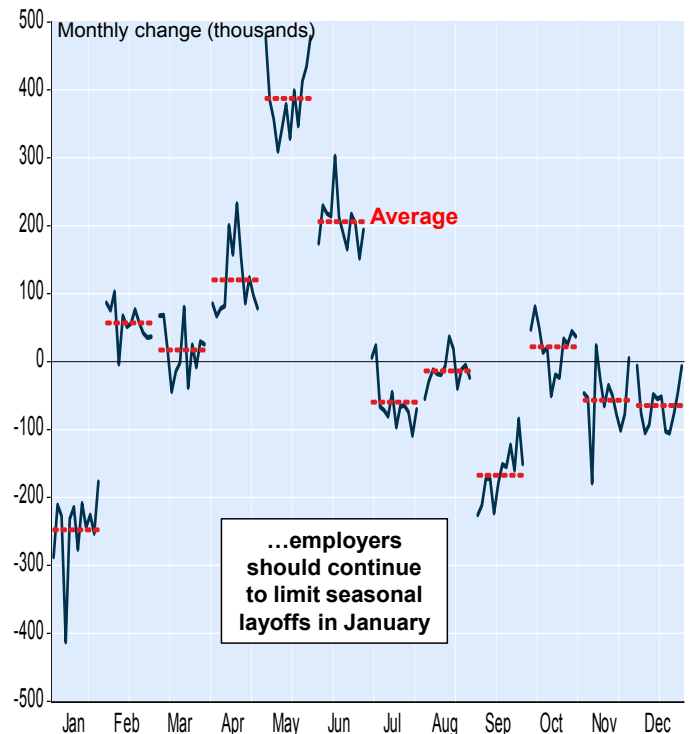
Stéfane Marion

Canada: January job surge?

Share of small businesses reporting a shortage of skilled labour



Change in employment since 2006 on a non-seasonally adjusted



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