

# Canada outshines U.S. with stunning jobs growth



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By Randall Palmer

OTTAWA (Reuters) - Canada created six times as many jobs as expected in September, once again outshining the United States with an economy that is humming along even as other rich nations struggle with debt and slumping confidence.

Adjusted to take account of the relative sizes of the two economies and slightly different statistical methods, Canada's stunning gain of 60,900 new jobs, reported by Statistics Canada on Friday, would be comparable to half a million new U.S. positions.

U.S. employment rose 103,000 in September.

"It's a blockbuster report," said TD Securities macro strategist Mazen Issa.

Though Canada's economy contracted marginally in the second quarter, largely due to temporary factors, the country, the world's 10th largest economy, emerged from the last recession in a stronger position than the United States and many other mature economies.

By January, Canada had regained all the 428,000 jobs it lost in the 2008-09 crisis and officials expect modest growth in the second half.

More cautious Canadian banking practices meant there was no subprime mortgage crisis and no government bank bailouts, and consumers kept spending and borrowing. Bank of Canada interest rate cuts after the crisis also helped fuel a housing boom.

Statscan said the jobless rate fell to 7.1 percent in August from 7.3 percent, far below a U.S. unemployment rate that has stayed stubbornly above 9 percent. The U.S. jobless rate was 9.1 percent in September.

"There's a lot of job creation here and certainly an awful lot compared to what we're seeing in the United States ... (but) we remain in a fragile global recovery," Prime Minister Stephen Harper told reporters in Regina, Saskatchewan.

The Canadian dollar hit a one-week high on the news, while bond prices fell.

The September job gains far exceeded the median forecast of 10,000 new jobs in a Reuters survey of economists - even the most optimistic forecasters had predicted only 30,000 new positions in September. The economy lost 5,500 jobs in August.

Adding to the positive news, September saw 63,800 full-time additions, while part-time employment declined by 2,900.

The unemployment rate was Canada's lowest since December 2008, and appears to reflect the greater speed with which Canadians who lose their jobs manage to return to work.

A jobless American has about a 15 percent chance of leaving unemployment in a month, while in Canada the chances are about 33 percent, Statscan said recently. About half of Canadians laid off between 2008 and 2011 got a paid job within four months, up from 42 percent in the previous two recessions.

Some analysts suggest this is because the construction sector is so much healthier than in the United States. Canada's larger public sector could also play a role, since civil servants are more likely to find jobs quickly.

## KEEPING RATES LOW

The data tempered market expectations of a rate cut by the Bank of Canada. Overnight index swaps showed traders lowered their bets on a rate cut this year or next.

"The Bank of Canada is probably more convinced the economy is picking up and doesn't require further stimulus," said Sal Guatieri at BMO Capital Markets.

A Reuters poll on Friday showed Canada's primary dealers now expect the Bank of Canada to raise interest rates in September 2012, compared with the July tightening seen in a month-earlier poll.

Royal Bank of Canada chief economist Craig Wright noted that while the jobs numbers were a pleasant surprise, domestic problems have not been the main challenge for policymakers.

"The challenge lies outside our borders and we're still waiting for more proactive policy from the euro zone, near term, and longer term out of the U.S.," he said.

Scotiabank economists Derek Holt and Karen Cordes Woods

said they could not be "over the moon" over what they said was a misleadingly positive report.

Besides the education distortions, they pointed to a rise of 38,900 in self-employment, which they described as soft, and among actual employees, private sector jobs fell by 14,900.

(Additional reporting by David Ljunggren and Louise Egan in Ottawa and Ashleigh Patterson and Andrea Hopkins in Toronto)