



Canada Adds 43,300 Jobs; Unemployment Stays at 5.8% (Update2)

By Greg Quinn

March 7 (Bloomberg) -- Canada's job growth topped the most optimistic forecasts for a second straight month in February and wages kept surging, as gains by service providers offset losses in manufacturing.

Payrolls rose by 43,300 last month after a 46,400 gain in January, Statistics Canada said today in Ottawa. The **jobless rate** remained 5.8 percent, matching a 33-year low set in October. The job gain was more than double the highest forecast in a Bloomberg News survey of 21 economists, which had a median estimate of 3,000.

Canada's dollar strengthened after the report, as investors speculated consumer spending may help the economy weather a slump in exports to the U.S. The Bank of Canada cut its benchmark rate half a point on March 4, the most since 2001, and may ease by a quarter of a point at each of the next two meetings, said economists surveyed by Bloomberg.

`` We will see at least some near-term support from strong job growth to domestic spending," said **Charmaine Buskas**, senior economics strategist at TD Securities in Toronto. `` Canadian domestic fundamentals remain resilient, it's just the trade sector and the spillover that Canada is having to endure from the U.S. that remains the primary drag."

The currency strengthened 0.3 percent to 98.27 Canadian cents per U.S. dollar at 9:34 a.m. in Toronto from 98.56 cents yesterday.

Hourly wages rose 4.9 percent in February from a year earlier, matching the fastest pace in at least a decade for a third consecutive month.

` So Many Working'

`` With so many working, and being paid so much to do so, it's hard to see consumer spending slowing down," **Avery Shenfeld**, an economist at CIBC World Markets in Toronto, wrote in a note to clients.

Hiring in the service industry rose by 55,800 in February, while employment fell by 12,500 for goods-producing companies, Statistics Canada said.

About 20,800 people found work in construction, another 15,800 were hired in public administration and 15,600 started professional and scientific jobs.

The job and wage gains won't deter the Bank of Canada from cutting borrowing costs again on April 22, perhaps by another 50 basis points, said **Stewart Hall**, an economist for HSBC Securities Canada Inc. in Toronto.

`` There are still plenty of skeletons in the closet," such as shrinking foreign demand for factory exports, Hall said.

`` My inclination would be to lean toward 50."

` Tepid' Inflation

Buskas at TD Securities also predicts another half-point cut next month.

`` The bank is still worried about the tepid tone in inflation," she said.

Excluding volatile items such as fresh fruit, inflation slowed to 1.4 percent in January, the least since July 2005. Central bankers focus on that ``core" rate as a guide to future trends, and its moderation suggests inflation may slow from January's 2.2 percent pace.

Also, the jobs **report** showed manufacturers continue to struggle with the effects of the country's strong dollar, weak U.S. demand and high energy costs. Factory payrolls fell by 23,700, bringing the 12-month loss to 105,700 or 5.1 percent. Manufacturing now accounts for a record low 11.6 percent of total employment, down from 15 percent at the

end of 2002.

Factory Shipments

Factory shipments fell the most in 4 1/2 years in December, led by the biggest drop in automobile production since 1996, as sluggish sales prompted companies to extend maintenance shutdowns, Statistics Canada said Feb. 15.

Most of Canada's auto production is exported to the U.S., which today said it unexpectedly lost 63,000 jobs in February, the biggest drop since March 2003 and adding to evidence the world's largest economy is in a recession.

Canada's **economic growth** will slow to 1.8 percent this year because of weak export demand and the high dollar, the Bank of Canada says. The currency hit a record 90.58 Canadian cents per U.S. dollar on Nov. 7, on commodity prices.

For a second month, hiring was dominated by private-sector gains and full-time work. Canada added 49,500 full-time jobs and part-time employment decreased by 6,200 in February. Companies hired 30,800 people, while governments hired 12,100.

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