As in previous years, the services-producing sector accounted for most of the employment gains in 2007, with an increase of 3.0 percent (375,100) compared to a modest 0.2 percent increase (7,100) for the goods sector. Within the goods-producing sector, manufacturing experienced another drop in 2007, with employment falling by 3.4 percent (72,800). This was due to a combination of factors, including a surge in the Canadian dollar, higher costs for energy and other materials and stiff competition from other countries. Production of non-durables and of durables reversed roles, with employment in the latter being harder hit (down 4.9 percent or 63,300). Fishing, hunting, and trapping activities experienced the steepest decline in employment of all industries while utilities industries saw a robust year with employment rising by 13.1 percent (16,000). The construction industry continued to thrive in 2007, with employment increasing 6.0 percent (63,800). Within the services-producing sector, accommodation and food services (up 5.4 percent) and information, culture, and recreation (up 5.0 percent) had the strongest employment growth in 2007. Professional, scientific and technical services and health care and social assistance also recorded a strong year growing by 4.3 percent (47,000) and 3.4 percent (60,600), respectively.

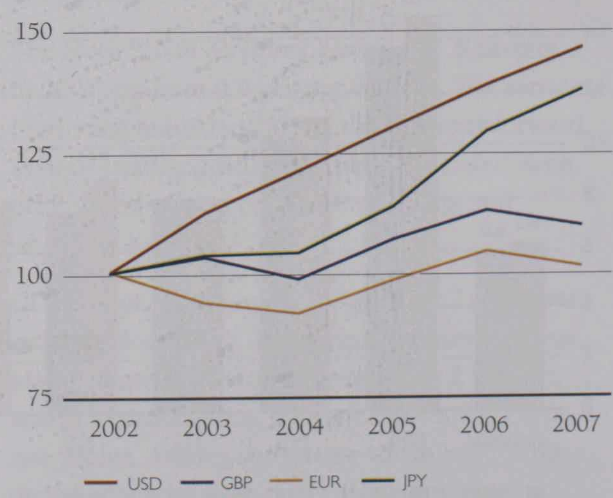
In contrast to the two preceding years, the participation rate increased to 67.6 percent. As a result, the employment rate advanced by 0.5 percentage points, as the unemployment rate in Canada reached the lowest level in 32 years, at 6.0 percent in 2007, down from 6.3 percent in 2006.

Across the provinces, unemployment rates were more mixed in 2007 than in the two preceding years. Although the national average reached a 32-year low, unemployment increased slightly in Nova Scotia, Ontario, Manitoba, and Alberta. However, there was a great deal of variation in performance. Once again, all provinces east of Ontario experienced higher unemployment rates relative to the national average while those west were lower. Alberta, Saskatchewan, and British Columbia registered the lowest unemployment rates in 2007, at 3.5 percent, 4.2 percent, and 4.2 percent, respectively. It is also worth noting that four provinces east of Ontario — Newfoundland and Labrador, New Brunswick, Prince Edward Island, and Quebec — experienced the fastest declines in unemployment in 2007.

The dollar

Relative to key currencies, the annual average value of the Canadian dollar appreciated against the U.S. dollar and the Japanese yen in 2007, by 5.5 percent and 6.9 percent respectively in 2007, continuing the trend that began in 2003 (see Figure 3-6). The trend changed however against the euro and the pound with the Canadian dollar depreciating by 3.1 percent 2.8 percent, respectively, on an annual average basis. The appreciation against the U.S. dollar reflected not only a rise in the commodity prices but also concerns about the outlook for the U.S. economy and, especially, the magnitude of the U.S. twin deficits – current account and budget. Commodity prices have been soaring since 2002, propelled by energy prices and industrial materials (Figure 3-7).

Figure 3-6
Exchange Rate Indexes (2002=100)



Source: Bank of Canada