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Bank of Canada Governor Mark Carney Discusses Employment in a Modest Recovery

WINDSOR, Ontario—The global economy is entering a new phase of unusual uncertainty and the recovery can be expected to be modest and uneven, Bank of Canada Governor Mark Carney told the Windsor-Essex Chamber of Commerce today. Given the current forces at play, the economic outlook and policy environment are “unusually challenging for countries caught in the middle, like Canada,” the Governor said.

Canadian and U.S. businesses are responding to current conditions in different ways. “In the United States, investment has been relatively strong and productivity growth has been robust. However, hiring has been unusually weak, particularly by small businesses,” he said. “In Canada, the opposites have been the case: investment has been unusually weak; productivity, poor; and hiring, strong, particularly amongst small and medium-sized enterprises.”

Despite a challenging external environment, Canada’s recovery has been stronger than that of its G-7 peers. “As a result of the combination of the scale and speed of the policy response and our well-functioning financial system, Canada’s economy is now back at its pre-crisis peak in output,” the Governor said. However, he added that the Canadian recovery is relatively modest in comparison to its predecessors and has relied heavily on housing and personal consumption.

“The limitations of this reliance are becoming evident,” the Governor noted. “In recent months, the speed of the recovery has diminished. A modest pace of growth can be expected in coming months as our economy faces considerable headwinds from both the external sector and the limits of household balance sheets,” he said.

Governor Carney noted that, with all 400,000 jobs lost in the recession now recovered, the performance of the labour market has been the most striking feature of the Canadian recovery. “However welcome,” he said, “these headline figures mask some important details.” Much of the employment growth is in the public sector, with only half of the new jobs in the private sector. Many jobs are involuntary part-time. “In fact, although employment has regained its pre-recession level, hours worked have not,” the Governor said.

Governor Carney urged Canadian businesses and workers to respond to the shifts in the global economy. “The imperatives for business appear clear: new suppliers need to be sourced; new markets opened; and a new approach to managing for a more volatile environment developed,” he said, adding, “Workers need to build skills and be prepared to shift jobs and even careers, if necessary.”

In concluding, the Governor noted that there are signs that some sectors in Canada are beginning to undergo restructurings that will allow them to be more competitive. “If business can sustain and then broaden this early momentum,” Governor Carney said, “all Canadian workers will be fully and productively employed.”