



2 Reasons Investors Should Still Have Confidence in the Canadian Economy

Description

Weak retail sales in August, and a GDP report that showed 0.1% contraction in the same month has sparked anxiety in some market watchers. With the S&P/TSX Index hovering around record levels, one may be reminded of the classic Warren Buffett quote: “....be fearful when others are greedy.”

However, the Canadian economy may be more robust than some are willing to admit. The shaky perception is understandable after turmoil in the broader housing market generated skepticism over whether or not Canadian regulators would be able to rein in speculators without a crash. CMHC recently released results from internal modelling that tested the impact of possible economic shocks, which I [discussed here](#).

An economic slowdown in the second half of the year coupled with a stock market at record highs are other factors I discussed in a late October article as [possible catalysts for a shaky November](#).

Let's look at two reasons investors should find their faith in the Canadian economy renewed.

Quality job and wage growth

Statistics Canada released its labour force survey on November 3. Employment increased by 35,000 new jobs in October. This marked the 11th straight month of job growth. The country added 89,000 full-time jobs and shed 53,000 part-time jobs. Year-over-year full-time work has climbed 2.7% to 397,000. Employment rose in construction, information, culture and recreation, and agriculture industries.

Canada has not seen full-time job growth at this rate since March 2000. One oft-repeated caveat in the recovery years following the 2007-2008 Financial Crisis has been the quality of work created. Experts and analysts in both the U.S. and Canada had rightly voiced concerns that the recovery was not producing the same quality of jobs lost due to the crisis.

This report will go a long way to alleviating some of those concerns.

Both the U.S. and Canada have started to show solid wage growth in recent quarters as well. Canada posted 2.4% wage growth year over year in October. **Bank of Montreal** chief economist Douglas

Porter has rightly stated, "This is pretty meaningful."

Broad gains across the economy

Although the broader Canadian economy shrank at a rate of 0.1% in August, 12 out of 20 sectors saw growth over the course of the month. Professional services experienced 0.3% growth, with management, scientific, and technical consulting services climbing 0.9%.

Stantec Inc. ([TSX:STN](#))([NYSE:STN](#)), an Edmonton-based design and consulting company, remains a suitable target. Its stock has increased 4.6% in 2017 as of close on November 9, and it offers a dividend of \$0.12 per share with a 1.4% dividend yield.

Air transportation was up 2.1% for the quarter, which is good news for **Air Canada** ([TSX:AC](#))([TSX:AC.B](#)). Air Canada stock has surged 71.3% in 2017 and 96% year over year. Rising passenger traffic and record quarterly earnings have propelled the company to deliver monster returns.

August GDP results indicate a return to normalcy after the torrid pace set by the Canadian economy in the first half of 2017. However, even if slower growth sets in, the Canadian economy is showing signs of strength not seen since before the Financial Crisis.

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