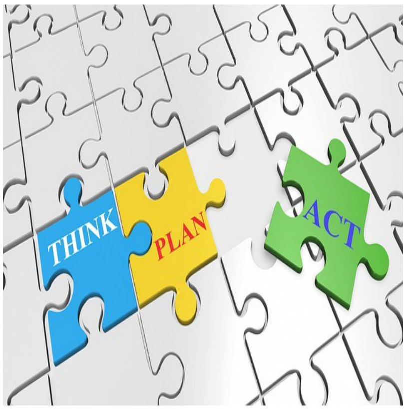

3 Takeaways From Canada's Latest Jobs Report

Description

On Friday, the Canadian government reported that the economy lost 88,000 jobs in January.

That was the most jobs the country has lost in more than nine years, with fields like construction, health care, and social assistance feeling the brunt of the pain.

While the report also showed that Alberta made up for half of the jobs gained during the month, it wasn't enough to offset losses that mainly came from the Ontario market.

Raising Ontario's minimum wage

That's particularly significant because of the Ontario provincial government's recent decision to raise the minimum wage to $14 per hour.

In a commentary, Derek Holt, head of Bank of Nova Scotia's capital markets economics, said that the decline in Ontario workers "will no doubt feed debate on whether large minimum wage hikes took a toll on employment, but proving causality may remain contentious."

At the end of the day, companies such as **Dollarama Inc.** (TSX:DOL) and **Canadian Tire Corporation Limited** (TSX:CTC.A) only have so much money in their budgets to spend on staffing costs.

So, when the provincial government increases its minimum wage 21% from $11.60 to $14.00, those companies are naturally forced to take actions such as reducing hours worked or simply cutting staff.

Cutbacks in spending elsewhere

If a company is unable to unwilling to cut its staff, a likely alternative is that it will be forced to reduce spending on other decisions, like investments in technology and international opportunities.

Unfortunately, it's these types of alternatives that ultimately drive economic growth in the long term and raise the standard of living for all Canadians.

With interest rates on the rise, matched with an already burdensome debt load on many Canadian households, it becomes increasingly difficult to find the engine that will continue to drive Canada's economic growth.

Is this a bad sign of things to come?

One bad jobs report does not make for an economic cycle — far from it.

But at the same time, it seems there is an ominous tone looming over the Canadian market.

For many years now, it's been widely reported that Canadian household indebtedness is at the point the U.S. was before it reached a crisis situation, and the same is equally true for what happened in the U.K. a few years later.

The troubling fact it that it may not take much to push the Canadian economy over the edge, which is now dealing with a weaker dollar and rumours of a breakup of the North American Free Trade Agreement.

Now eight years into the current bull market, it would appear that "amateur hour" is over, and investors ought to be a little more cautious in terms of how they are allocating their investments.

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