

Canada's GDP in August 2020: Unbalanced Recovery

[Chris Ferris](#), Senior Economist

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Bottom Line

Statistics Canada released their August 2020 Gross Domestic Product (GDP) by Industry results on October 30, 2020. All industry GDP is only 4 per cent below the prior year, however there remains significant variation between industries. On a year-over-year basis most industries are (nearly) recovered from the lock-downs across the country in March/April.

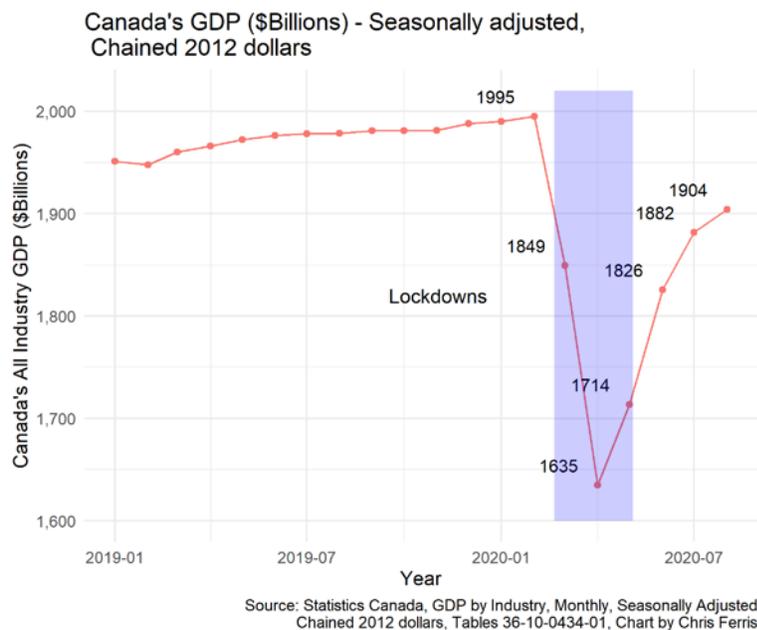
The industries that are still down sharply are the services industries that typically serve large groups of people at the same time, for example the people transportation subsectors, accommodation and food services, arts, culture and recreation. Some of these sectors continue to suffer because of COVID-19 related restrictions, and from the indirect effect of people working from home. Both effects are driven by the need to control the transmission and spread of COVID-19.

Another major industry feeling the impacts of COVID-19 includes the mining, quarry, oil and gas sector. This is being driven by less commuting and lower demand for air transportation. The crude oil sector has issues with global over-supply.

We expect to see weakness in these sectors over the coming months while COVID-19 containment measures have been ramping up to control a second-wave in the back-end of 2020-Q3 and into 2020-Q4.

Analysis

Figure 1: Canadian Monthly GDP (\$Billions)



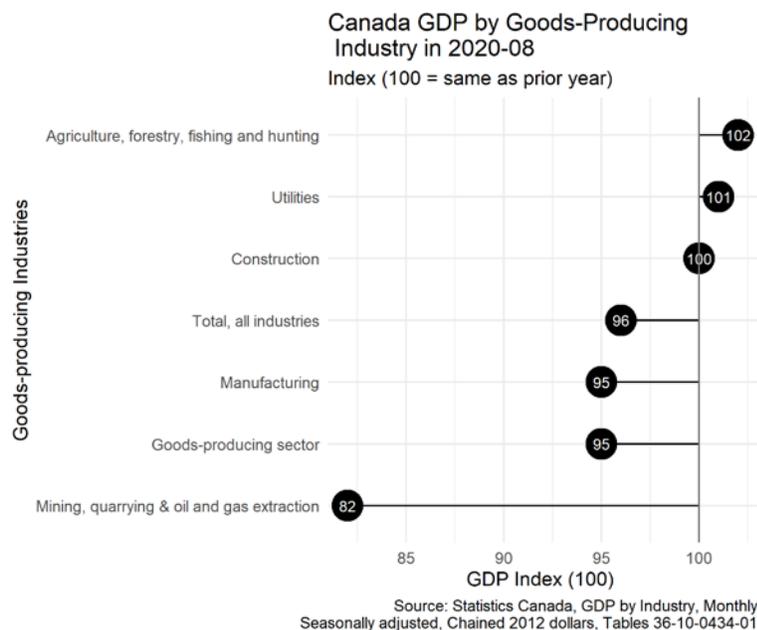
Canada's GDP in August 2020 continued its slow month-over-month growth, reaching \$1,904 billion (Figure 1). August GDP remains 4.6 per cent below February 2020.

On a year-over-year basis, August 2020 GDP is still down 4 per cent (Figure 2). However, there is significant variation across industries. For example, on a y/y basis, the following goods-producing industries did better than the all-industries average index of 96:

agriculture, forestry, and hunting (Index 102), utilities

(Index 101), and construction (Index 100).

Figure 2: Index of Canada's GDP by Goods-Producing Industries (100 = same as prior year)



Over the same period, **manufacturing** (index 95) remained just below the all-industries average.

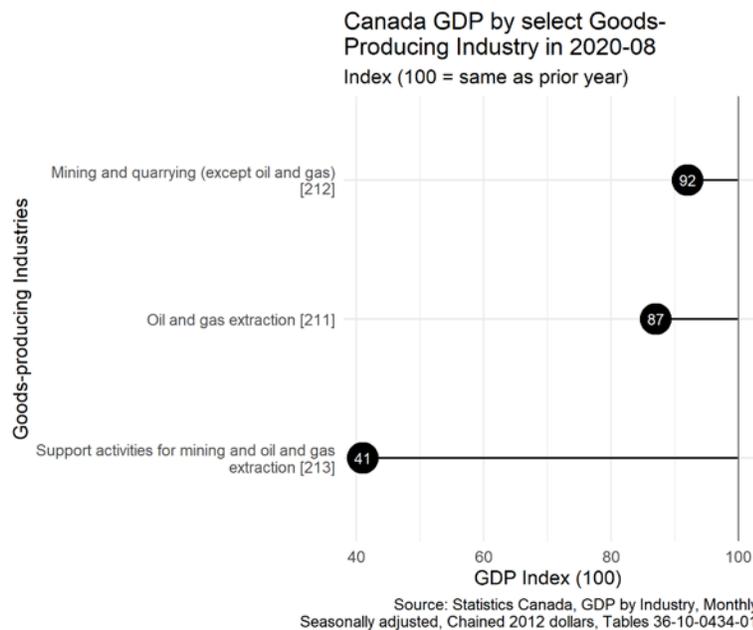
Mining, quarrying, and oil and gas extraction (Index 82) is still down 18 per cent year-over-year. When we consider its sub-components (Figure 2), we see that:

- **Mining and quarrying (except oil and gas)** is close to recovered (index 92),
- **Oil and gas extraction** is also close to recovered (index 87).
- **Support activities for**

mining, and oil and gas extraction (index 41) remain down 59 per cent y/y.

As we noted last issue, crude oil prices are still depressed. One effect of COVID-19 has been to reduce the demand for commuting with many people working from home.

Figure 3: GDP Index of **Breakout of Mining, quarrying, and oil and gas extraction** Sector (100 same as prior year)

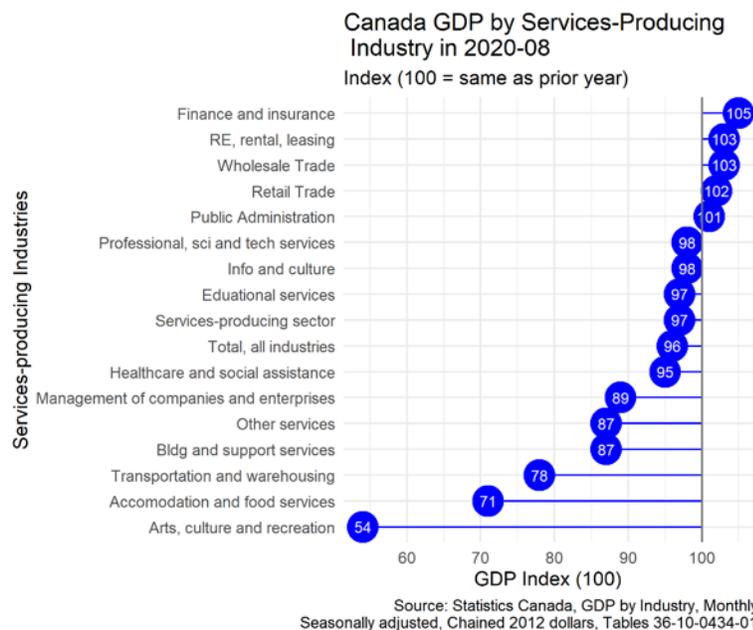


same as prior year)

The reduced demand for passenger plane fuel is another factor contributing to the weakened demand for crude oil. **We can expect support activities for mining, and oil and gas extraction to remain low for some time.**

When we look at Canada's service sectors (**Figure 4**), we see three sectors down sharply from where they were a year ago.

Figure 4: Index of Canada's GDP by **Services-Producing Industries** (100 =



These three sectors are:

- **Transportation and warehousing** (index 78),
- **Accommodation and food service** (index 71), and
- **Arts, culture, and recreation** (index 54).

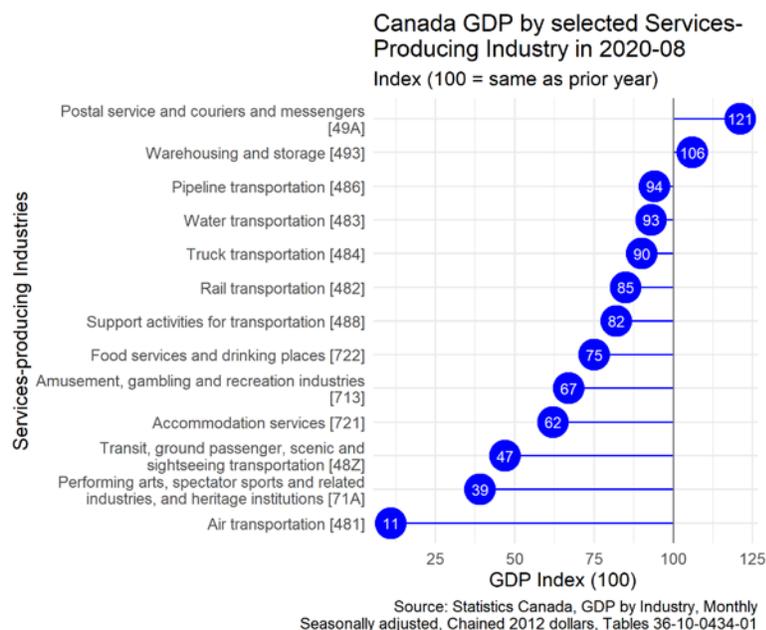
When we consider the subsectors of **arts, culture, and recreation [NAICS 71]** we see (**Figure 5**) that both subsectors are down:

- **Amusement, gambling and recreation industries** (index 67), and
- **Performing arts, spectator sports, and**

heritage institutions (index 39) is down more.

Given the rising COVID-19 restrictions that provinces have had to impose in the face of second-wave of COVID-19, we expect to see this sector and its subsectors facing challenges as Sep – Nov numbers are reported over the next few months.

Figure 5: GDP Index of **Breakout of selected services** Sectors (100 same as prior year)



When we consider the subsectors of **accommodation and food services [NAICS 72]** we see continuing weakness:

- **Food services and drinking places** (index 75), and
- **Accommodation services** (index 62).

The same COVID-19 restrictions are expected to weigh on this sector and its subsectors for Sep – Nov data.

Considering the **Transportation and**

warehousing sector [NAICS 48-49], this is ‘a tale of two cities.’¹ The transportation of goods is strong or even receiving help from pandemic-driven shifts in demand (**postal services, and couriers and messengers** index 121, and **warehousing and storage** index 106).

The transportation of people is an entirely different story, with significant weakness still:

- **Transit, ground passenger, scenic and sightseeing transportation** (index 47), and
- **Air transportation** (index 11).

COVID-19 restrictions may weigh on **transit, ground passenger, scenic and sightseeing transportation** as well in the coming months. **Air transportation** has significantly hardened itself ² against COVID-19 since the pandemic started, but it may still be negatively affected by COVID-19 fears.

EDW Contacts for Assistance or Inquiries:

- **For Winnipeg businesses looking for help accessing government programs, please reach out to our Yes! Winnipeg Team** through our [Help us help you form](#) if you are not sure who to contact on the Y!W team.
- For general inquires please email wpginfo@edwinnipeg.com.
- For Marketing & Communications Inquiries, please email marketingandbranding@edwinnipeg.com.

¹ An allusion to the Charles Dickens novel of the same name. Goods transportation is doing well, while people transportation is still down sharply due to the COVID-19 pandemic.

² The air transportation industry has implemented extensive COVID-19 cleaning, social distancing, mask wearing, pre-testing, on-sight screening requirements in the airports and airplanes.