

Business in Manitoba: Monitoring Economic Recovery

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Bottom Line

The federal government is in the early stages of movement from COVID-19 crisis management to a program of recovery and growth. With parliament prorogued until September 23, 2020, we can expect to see the federal governments' proposals in the Speech from the Throne, along with a refresh of the budget and the proposed renewal of the EI program.

While the economy is now bouncing back from the April 2020 lockdown lows (e.g. June 2020 retail sales for Canada have risen about February 2020 levels) challenges remain. The EDC's Canadian Economic Recovery Tracker Report (CERT) notes that consumer and manufacturer sentiment has improved, while weekly flight data and oil prices continuing to act as a drag on the economy.

We continue to be concerned about business formation dynamics. There was a sharp increase in temporary business closures due to the lockdowns in March and April 2020. At the same time, business openings were down in April 2020 vs 2019. Wage subsidies, rent support, and financing from the federal government, as well as continued support from all levels of government should help keep the share of these temporary business closures from becoming permanent business exits. Small businesses are more vulnerable to closures, as are select industry subsectors such as: construction, retail trade, transportation and warehousing, arts, entertainment and recreation, accommodation and food services, other services, and unclassified industries.

Manitoba building permit values in June 2020 were up 21.3% over May 2020, much stronger Canada's gains of 6.2%. At the same time, the expectation for non-residential capital and repair expenditures in 2020 was downward revised for both Canada and Manitoba. The one bright spot for Manitoba is a slight increase in intended spending on machinery and equipment to 3.42 billion dollars in 2020.

Keeping COVID-19 under control will be an ongoing challenge, but Manitoba and Canada are far better positioned in August than in March 2020. **Containing the virus is necessary to keeping the economy on track. At the same time, ensuring programs supporting business and individuals are both aligned and effective will be important to continued economic recovery and growth.** Attention to the needs of the business sectors by government, NGOs and business organizations will be important to help keep more employers. The alternative is reduced demand for labour, which would lower GDP and tax revenues.

Analysis

On August 18, 2020, [Chrystia Freeland](#) became the Federal Finance Minister, while keeping the Deputy Prime Minister role. Later, parliament was prorogued until September 23, 2020 as the federal government works up a recovery plan for a Speech from the Throne. The plan will almost surely include a budget update if not a full budget.

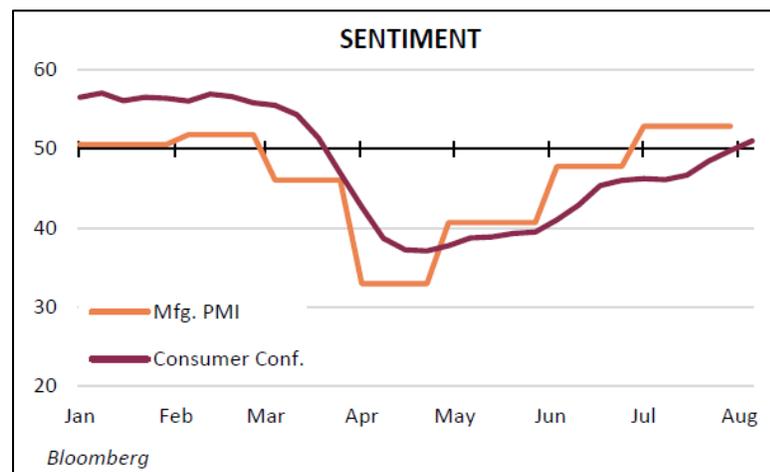
Current federal government COVID-19 programs are aimed at helping [individuals](#), [businesses](#), and [industry sectors](#).¹ Nevertheless, there is a need to adapt emergency programs so they are even more effective, and avoid distorting input, production, and product markets. This will require continuing shifting the focus from emergency supports to recovery and growth.

Governments, policy analysts, business organizations and businesses are working hard to understand and address COVID-19 induced business challenges. The effect of these challenges varies by industry and by firm size. Another key aspect is the adaptability/robustness of a firm's business model to the lockdowns and an evolving post-lockdown 'normal.'

Table 1: Retail Trade, Seasonally Adjusted (\$Billions) – Statistics Canada, Table 20-10-0008-01

Geography	Feb 2020 (\$Billions)	May 2020 (\$Billions)	June 2020 (\$Billions)	Jun/May Change (%)	Jun 2020/2019 (%)
Canada	\$52.26	\$42.81	\$52.96	23.7%	3.8%
Manitoba	\$1.78	\$1.64	\$1.90	16.0%	8.2%

Figure 1: Sentiment Indicators from August 7, 2020 EDC CERT Report



Manitoba's economic activity (e.g. wholesale, retail, manufacturing sales) has been bouncing back post-lockdown, with some unevenness across sectors.

June 2020's retail sales were a sharp rebound, with both Canada and Manitoba's seasonally adjusted retail sales in June 2020 now above Feb 2020, the pre-lockdown month (**Table 1**).

¹ Supporting **Businesses**: (including CEWS and other wage subsidies, rent support, availability of financing), & **industry segments** (agriculture and agri-food, aquaculture and fisheries, culture, heritage and sport, air transport, tourism, energy, academic and research, infrastructure and mining).

EDC CERT Report

Figure 2: WTI front-month pricing, Year-to-date



Export Development Canada (EDC)'s [Canadian Economic Recovery Tracker \(CERT\)](#) looks at variety of near real-time factors. Sentiment (**Figure 1**) has improved significantly for both consumers and manufacturers.

Weekly data on flights from Statistics Canada remains down from last year, but has slowly been moving upwards.

While the S&P TSX Index is approaching pre-COVID-19

levels, WTI oil prices have been trading sideways in a US\$39/bbl to US\$43/bbl range since July 2, 2020 (**Figure 2**).

Business Formation

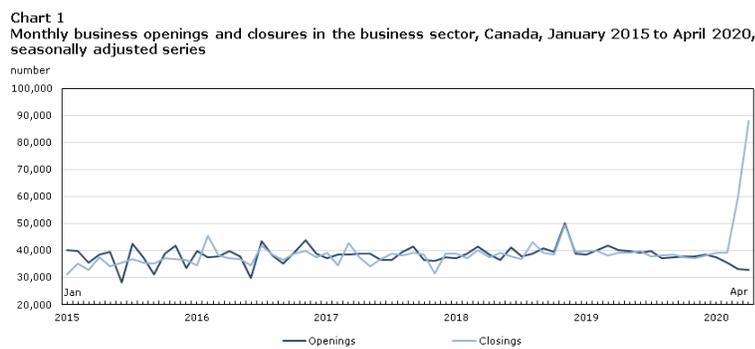
There is concern that the disruptions from the lockdown and post-lockdown adaptation phases will disrupt business formation. Statistics Canada released semi-annual Canadian [business counts as of June 2020](#) (**Table 2**) on August 13, 2020.

Table 2: Canada Business Counts, June 2020

Geography	Industry Type	Non-Employer Business (thousands)	Employer Business (thousands)
Canada	Goods	471	260
	Services	2,100	969
	Unclassified	325	91
	All Industries	2,895	1,320
Manitoba	Goods	23.22	9.36
	Services	52.87	31.14
	Unclassified	8.77	2.46
	All Industries	85	43

Statistics Canada notes that closed businesses are still considered active until sufficient time has passed to be classified as an exit; therefore, these active figures will tend to be higher than actuals. **Employer businesses** are those businesses with at least one employee in addition to the business owner.

Figure 3: Statistics Canada – Monthly business openings and closures in the business sector



Source: Statistics Canada, Table 33-10-0270-01 from the Common Output Data Repository (CODR).

Statistics Canada released Economic Insights # 116 on August 19, 2020.² This paper explores employer businesses' monthly open-active-close dynamics, using a distinct set of administrative data (**Figure 3**).

The data for this report is only up to April 2020, so closures are elevated due to the

lockdowns. Many of the closures will reopen, but just how many will depend on the bridging programs, and the ability of the businesses to adapt their business model to the new normal. Hopefully, Statistics Canada continues to produce the data set in table [33-10-0270-01](#), as this offers prompt data for policy makers to support the development of policies and programs.

We expect that actual business exits triggered by COVID-19 will be elevated, but less than the April 2020 business closure data suggests.

Statistics Canada released Economic Insights # 119 on August 19, 2020.³ The paper notes that growth in hours worked, and real output in small-employers were the most affected by the pandemic lockdown in 2020-Q1,⁴ compared to growth over 2016 – 2019. **More telling will be watching if hours worked in small businesses continues to be reduced in the future.**

Building Permit Values

Table 3: Value of Building Permits - Seasonally Adjusted (Statistics Canada, Table 34-10-0066-01)

Geography	Permit Type	May 2020 (\$Millions)	June 2020 (\$Millions)	Jun/May Change (%)
Canada	Total	\$7,588	\$8,057	6.2%
	Residential	4,994	5,345	7.0%
	Non-Residential	2,594	2,712	4.6%
Manitoba	Total	202	245	21.3%
	Residential	117	137	16.6%
	Non-Residential	84	108	27.7%

² Lafrance-Cooke, Macdonald and Willox (August 17, 2020) "[Monthly Business Openings and Closures: Experimental Series for Canada, the Provinces and Territories, and Census Metropolitan Areas](#)," Economic Insights, # 116, Statistics Canada.

³ Wulong Gu (August 19, 2020) "[Economic Impact of COVID-19 Pandemic on Canadian Businesses across Firm Size Classes](#)," Economic Insights, # 119, Statistics Canada.

⁴ Small employers: 1 – 99 employees. Medium employers: 100 – 499 employees.

June 2020 building permit values reveal that Manitoba saw a month-over-month increase of 21.3 per cent, while the Canadian average was up only 6.2 per cent.⁵ Manitoba's non-residential permit values increased by 27.7%, compared to an increase of 4.6% for Canada (**Table 3**).

Non-Residential Capital and Repair Expenditures, 2020

Non-residential capital and repair expenditures for 2020 were revised downwards, as businesses cut expenditure plans. What looks like a bright spot for Manitoba is planned expenditures on machinery in 2020, up just shy of 1 per cent (**Table 4**).

Table 4: Capital spending on non-residential construction, machinery & equipment (Statistics Canada - Table 34-10-0035-01)

Geography	Non-Res Cap Expend Type	2019 (\$Billions)	2020 E (\$Billions)	2020/ 2019 Change (%)
Canada	Total	267.97	242.63	-9.5%
	Construction	170.93	160.66	-6.0%
	Machinery & Equipment	97.04	81.97	-15.5%
Manitoba	Total	9.71	8.60	-11.5
	Construction	6.31	5.18	-18.0
	Machinery & Equipment	3.40	3.42	0.7

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.

⁵ Statistics Canada, [Building Permits, June 2020](#).