

## Canadian GDP in July 2020: Uneven Recovery

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### Bottom Line

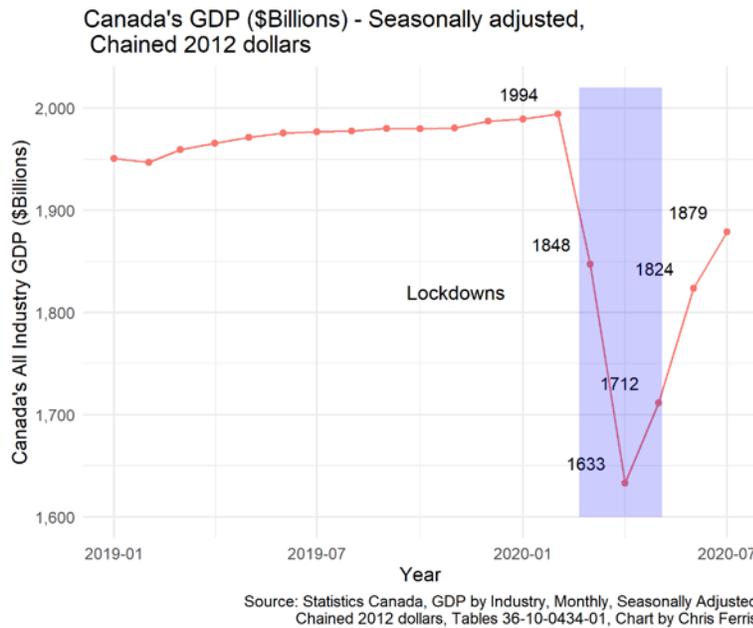
Statistics Canada released the [July 2020 Gross Domestic Product \(GDP\) by Industry](#) results on September 30, 2020. While the GDP for all industries is only 5 per cent below the prior year, there are significant variations between industries. Many industries have recovered at a similar pace to the overall average, but a few are still lagging. At a two-digit North American Industry Classification System (NAICS) level on a year-over-year basis (100 = same as prior year) the following industries are still down sharply. **These are Mining, quarrying, oil, and gas extraction (index of 84), Transportation and warehousing (index of 77), Accommodation and food services (index of 67), and Arts, culture, and recreation (index of 48).**

Digging into the detail under these industries, we find that four subcomponents are responsible for the greatest drop in GDP: **Transit, ground passenger, scenic and sightseeing transportation (index of 46), Performing arts, spectator sports & related industries, and heritage institutions (index of 37), Support activities for mining and oil & gas extraction (index of 34), and Air transportation (index of 8).** It is important to discover the industries still suffering the most from the effects of the COVID-19 pandemic as these will require targeted attention to recover.

Redeploying staff and capital currently engaged in **support activities for oil and gas** may be needed, as the price lever is not available (price of oil is set at the world level). In service industries, those continuing to struggle typically serve large customer groups in tight spaces. **In the service industry the perceived and actual safety need to be sufficient to attract customers back in sufficient numbers during the COVID-19 pandemic.**

## Analysis

Figure 1: Canada's Monthly GDP (\$Billions)

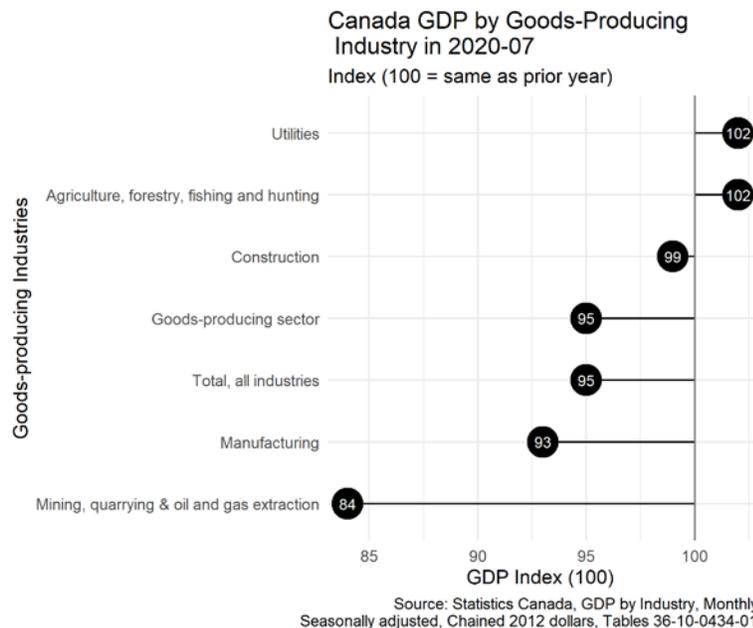


After bottoming out in April 2020 at \$1.63 trillion, Canada's GDP posted gains in May, June, and July (**Figure 1**). In July 2020, Canada's GDP has now recovered to \$1.88 trillion, which is still 6 per cent below February's \$1.99 trillion.

On a year-over-year basis, July 2020 GDP is down 5 per cent (**Figure 2**), however, improvement in GDP varies across industries. For example, on a year-over-year basis, the following goods-producing industries did better than the all industries average index of 95:

Utilities (Index 102), Agriculture, forestry, & hunting (Index 102), and Construction (Index 99).

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



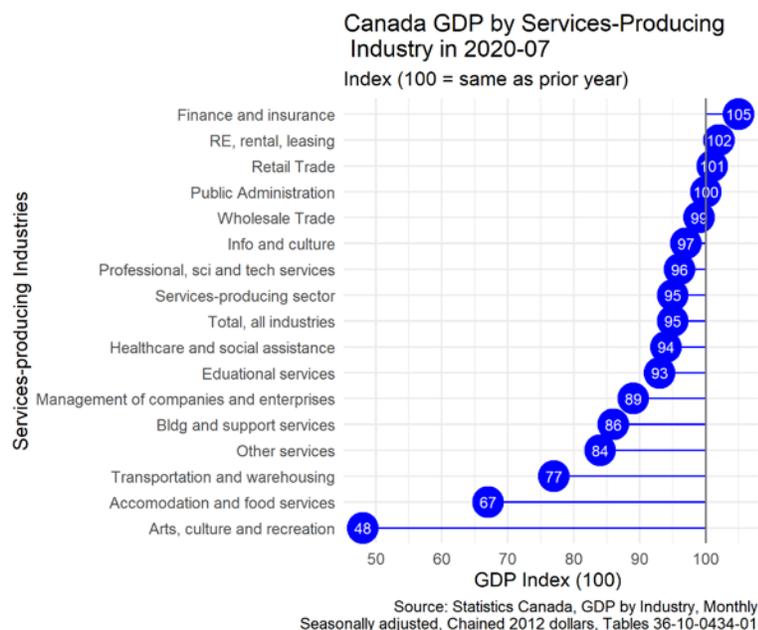
### Mining, quarrying and oil, and gas extraction (Index of 84) is

down 16 per cent year-over-year. When we consider its subcomponents, we see that:

- **Support activities for mining and oil and gas extraction** (Index of 34) is responsible for dragging the index down (it is still down 66 per cent from the year prior).
- The subcomponent of **Oil and gas extraction** (index of 88) is slightly above the joint index of 84, and
- The subcomponent of **mining and quarrying** is nearly recovered (Index of 96).

Support activities in oil and gas extraction is down year-over-year due to the low price of oil. There is much less incentive to explore and drill. **Redeploying staff and capital currently engaged in these sectors is underway, or at least being considered.**

Figure 3: Index of Canada's GDP by **Services-Producing Industries** (100 = same as prior year)



When we consider services-producing industries (**Figure 3**), three industries have dropped sharply year-over-year:

- **Arts, culture, and recreation (index of 48),**
- **Accommodation and food service (index of 67),** and
- **Transportation and warehousing (index of 77).**

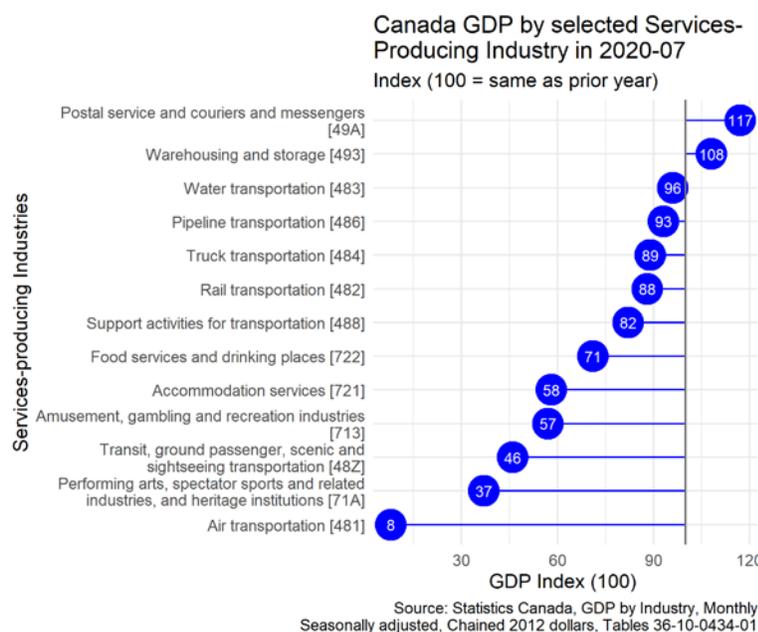
Both subcomponents of **Arts, culture and recreation** are down sharply year-over-year (**Figure 4**):

- Performing arts, spectator sports and related industries, and heritage institutions (index of 37), and
- Amusement, gambling, and recreation industries (index of 57).

When we look at the subcomponents of **Accommodation and food services [NAICS 72]** on a year-over-year basis (**Figure 4**), we see that:

- Accommodations (index 58) is below the overall aggregate, and
- Food services and drinking places (index 71).

Figure 4: Index of Canada's GDP by selected subcomponents of Services-Producing Industries (100 = same as prior year)



Most Transportation and warehousing subcomponents [NAICS 48-49] are well above the index value of 77, with **Postal services, couriers, and messengers up 17 per cent year-over-year**, and **Warehousing and storage up 8 per cent year-over-year (Figure 4).**

The two transportation subcomponents that have lost the most ground is (**Figure 4**):

- **Air transportation (index of 8)** down 92 per cent, and

- **Transit, ground passenger, scenic, and sightseeing transportation (index of 46)** down 54 per cent year-over-year.

These are all service industries where typically large groups of people are closely grouped together in an enclosed space. Firms are adapting their physical environment and safety protocols to allow social distancing; governments are also working to adjust protocols to recognize the improved safety against COVID-19. **It will take some time for customers to feel comfortable using these services during the COVID-19 pandemic. Progress is being made however more explanation of the improved safety may be needed. Until a vaccine is widely available, companies in the service industries will likely need bridging and modification aid.**

The top three gainers on a year-over-year basis amongst services-producing industries at a two-digit NAICS level are (**Figure 2**):

- Retail Trade (Index 101),
- Real Estate, rental and leasing (Index of 102), and
- Finance and insurance (index of 105).

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](mailto:wpginfo@edwinnipeg.com).
- For Marketing & Communications Inquiries, please email [marketingandbranding@edwinnipeg.com](mailto:marketingandbranding@edwinnipeg.com).