Canada: Teacher strikes, rail blockades and coronavirus bring growth to a halt
By Krishen Rangasamy

The drag of coronavirus on Canada’s economy intensified in February as travel restrictions worldwide hurt air travel and caused the steepest decline in accommodation services in years (see left chart). Rail blockades also weighed on the economy during the month, as did teacher strikes in Ontario which caused educational services output to sink (12% annualized decline over the last three months, the worst since 1997). According to Statistics Canada, the economy would have grown 0.2% in February without education and transportation sectors. Manufacturing also disappointed during the month considering an earlier report on factory shipments had raised expectations. In normal times, temporary disruptions as seen in February would have reversed the following month, boosting output in the process. But we know the economy took a dive in March as government-mandated lockdowns were implemented to limit the spread of coronavirus. As such, a large contraction of output is in the cards for March, something that will cause real GDP to drop in Q1, the first quarterly decline since 2016. We expect that to be followed by a steeper drop of output in Q2 considering the extension of lockdowns and other social distancing measures.

HIGHLIGHTS:
- Canada’s real GDP was flat in February, despite gains in 13 of the 20 broad industrial sectors. In the last three months (December–February), the economy grew 2% annualized (see right chart).
- Goods sector output climbed 0.1% in February as gains in mining (+0.6%), utilities (+0.3%), and construction (+0.1%) more than offset declines in agriculture and manufacturing (both down 0.2%). Industrial production rose 0.1% as a result.
- Services-producing industries saw no growth in February as sharp declines in transportation (–1.1% due to rail blockades and declining air travel), education (–1.8% courtesy of teacher strikes in Ontario) and accommodation (–0.9% due to travel restrictions worldwide) exactly offset gains in retailing, wholesaling, finance/insurance, real estate, and others.
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