Canada: The economic recovery continued in August (and September)

By Kyle Dahms

Canadian GDP registered yet another advance in August but the economic recovery remains highly uneven (see left chart). Some sectors have now fully recovered from the COVID-19 shock and currently stand above their pre-pandemic peaks. That is the case for agriculture/forestry/fishing and hunting (+2.5% compared with February), finance/insurance (+2.1%), real estate (+1.5%), wholesale (+1.3%), retail (+1.2%) and utilities (+0.8%). That said, certain industries continue to suffer. For instance, production in the mining/quarrying/oil and gas extraction segment remains 17.2% below its February level thanks in large part to depressed energy prices. The sectors most affected by social distancing measures are also struggling to recover. Output in the arts/entertainment segment is roughly half what it was before COVID. Production in accommodation/food services, meanwhile, remains 28.2% short of pre-pandemic levels. Transportation and warehousing for its part is tracking 20.5% below February. While the economic rebound is likely to have extended into September – the Statistics Canada advance estimate suggests production expanded another 0.7% in the month – the steep gap between the best and worst performing industries is likely to endure until a vaccine. Looking further ahead, the real question remains whether the recent momentum can be sustained into the fourth quarter. The latest surge in COVID-19 cases has forced some provincial governments to reintroduce stricter measures which could prove to be a substantial headwind for the recovery in the last three months of the year.

HIGHLIGHTS:

- Real GDP continued to recover in August, gaining 1.2% m/m, a result above the +0.9% print expected by consensus.
- This marks the fourth monthly gain in a row for this indicator, however total output is still down 4.6% from its pre-pandemic (February) level (see right chart).
- Production rose in 15 of the 20 industrial sectors covered, with two remaining flat in the month.
- Goods sector output climbed 0.5% on decent rises for construction (+1.5%) and manufacturing (+1.2%) but was partially offset by declines in utilities (-2.1%) and mining/quarrying/oil and gas extraction (-1.7%). Industrial production edged up 0.1%.
- Services-producing industries, meanwhile, experienced a 1.5% surge in production, with the steepest progressions occurring in arts/entertainment (+13.7%), accommodation/food services (+7.3%), other services (+3.7%) and educational services (+3.4%).
- Year on year, total economic output was down 3.8%.

Canada: Highly uneven economic recovery extended into August

Real GDP by industry, peak to February vs. peak to August

Change in output from February [%]

<table>
<thead>
<tr>
<th>Industry</th>
<th>April</th>
<th>August</th>
</tr>
</thead>
<tbody>
<tr>
<td>All industries</td>
<td>-18.1</td>
<td>-4.6</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>-0.4</td>
<td>-2.5</td>
</tr>
<tr>
<td>Mining, quarrying and oil and gas extraction</td>
<td>-15.9</td>
<td>-17.2</td>
</tr>
<tr>
<td>Utilities</td>
<td>-2.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Construction</td>
<td>-23.6</td>
<td>-1.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-28.8</td>
<td>-4.4</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>-22.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Retail trade</td>
<td>-29.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>-32.4</td>
<td>-20.5</td>
</tr>
<tr>
<td>Information and cultural industries</td>
<td>-4.6</td>
<td>-3.5</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>-1.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Real estate and rental leasing</td>
<td>-4.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td>-12.9</td>
<td>-3.9</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>-13.9</td>
<td>-11.9</td>
</tr>
<tr>
<td>Administrative and support, waste management and remodelling services</td>
<td>-28.3</td>
<td>-13.0</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>-19.9</td>
<td>-4.0</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>-38.1</td>
<td>-47.0</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>-40.5</td>
<td>-28.5</td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>-38.5</td>
<td>-11.9</td>
</tr>
<tr>
<td>Public administration</td>
<td>-6.2</td>
<td>-1.3</td>
</tr>
</tbody>
</table>

Var. (%) from peak

NBF Economics and Strategy (data via Statistics Canada)

Canada: Historical perspective on GDP in recessions

GDP during recessions, monthly data

Includes September flash estimate provided by Statistics Canada

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Economic News
Economics and Strategy

Montreal Office
514-879-2529

Stéfane Marion  
Chief Economist and Strategist  
stefane.marion@nbc.ca

Matthieu Arseneau  
Deputy Chief Economist  
matthieu.arseneau@nbc.ca

Paul-André Pinsonnault  
Senior Economist  
paulandre.pinsonnault@nbc.ca

Marc Pinsonneault  
Senior Economist  
marc.pinsonneault@nbc.ca

Kyle Dahms  
Economist  
kyle.dahms@nbc.ca

Jocelyn Paquet  
Economist  
jocelyn.paquet@nbc.ca

Angelo Katsoras  
Geopolitical Analyst  
angelo.katsoras@nbc.ca

Alexandra Ducharme  
Intern Economist  
alexandra.ducharme@nbc.ca

Toronto Office
416-869-8598

Warren Lovely  
Chief Rate Strategist, Economics and Strategy  
warren.lovely@nbc.ca

Taylor Schleich  
Associate, Rates Strategist, Economics and Strategy  
taylor.schleich@nbc.ca

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