

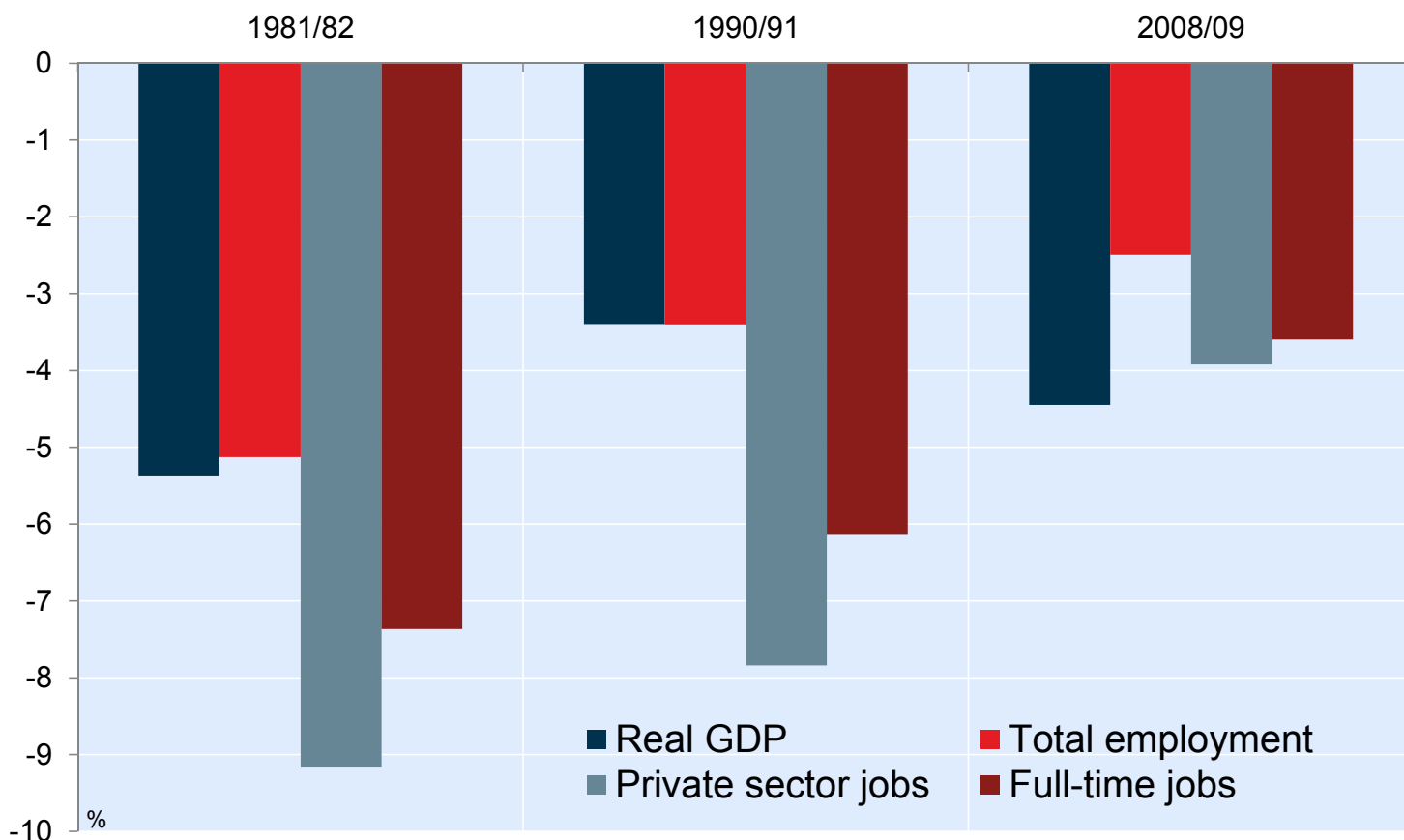
## Canada Watch

By Krishen Rangasamy

What's a recession? According to the C.D. Howe Institute (CDHI), which determines authoritative dates for Canadian economic cycles, a recession is "a pronounced, persistent, and pervasive decline in aggregate economic activity". In other words, even two consecutive quarters of real GDP contraction (i.e. a so-called "technical recession" as was the case in 2015) or rising unemployment rates (as in 2001 and 2015), do not necessarily qualify as recession. The CDHI instead determined that the last three Canadian recessions were in 1981/82 (six consecutive quarters of GDP decline and a jobless rate soaring by six percentage points), 1990/91 (four consecutive quarters of GDP decline and a jobless rate rising by almost five percentage points) and 2008/09 (three consecutive quarters of GDP decline and a jobless rate climbing nearly three percentage points). Will the ongoing coronavirus-related economic downturn also qualify as recession? We'll have to wait some time to have an answer from the CDHI. But if the March handoff is as bad as feared, we may get consecutive GDP contractions as early as Q1/Q2. Employment is likely to take a dive as well as businesses attempt to cut costs amid sinking revenues after operational shutdowns. Just how many jobs could be lost? That will, of course, depend on the severity of the economic slump. If history is any guide, recessions can take down employment as much as 5%, with private sector and full-time positions particularly vulnerable (see today's *Hot Chart*). A 5% drop (*à la* 1981/82) would amount to a loss of nearly a million jobs. That's not our base case scenario at this point, but it could become so if fiscal measures proposed in coming weeks by federal and provincial governments prove inadequate i.e. fail to break the negative feedback loop between economic contraction and layoffs.

### Canada: Just how many jobs are lost during recessions?

Peak to trough decline during recessions for GDP and Employment (Labour Force Survey)





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