

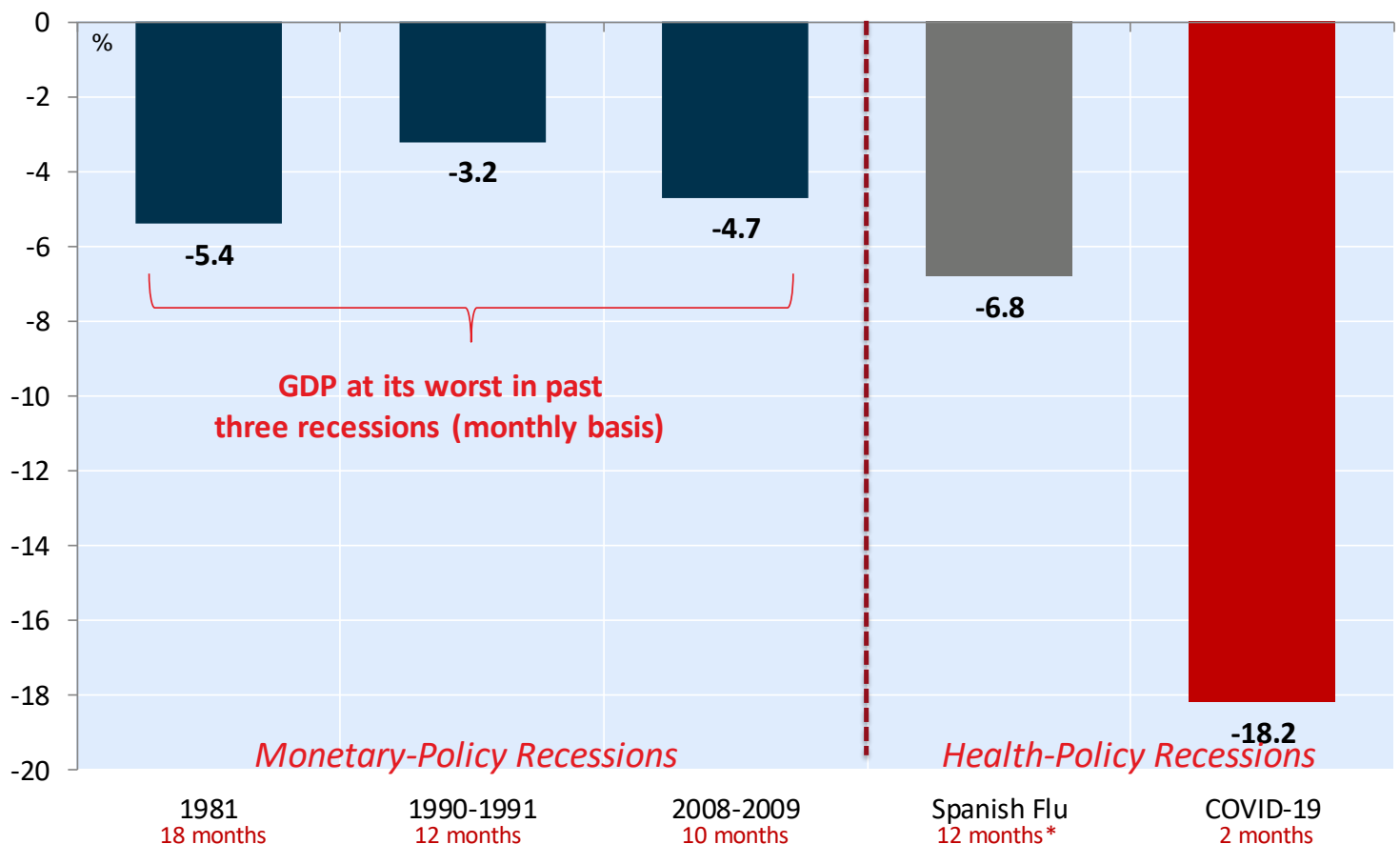
Canada Watch

By Stéfane Marion

Recessions induced by monetary policy have typically resulted in GDP falling between 3.4% and 5.4% over a period ranging between 10 to 18 months. In recessions induced by health-protection policies, the contraction is much greater. In the so-called Spanish Flu episode of 1919, the Canadian economy contracted almost 7% (though part of that decline was also due to a winding down of industrial output at the end of the First World War). In the current episode, the 11.6% plunge in April GDP reported in our *Economic News*, has brought the total retreat of output to 18.2% in only two months. The reason the impact is much greater this time around is that government-ordered shutdowns to uphold social distancing have a disproportionate impact on urban areas and the service sector, which currently employs 80% of the workforce. In 1918, the sector with the largest labour force was agriculture, employing 35% of all workers. Hence the larger hit to GDP (and employment) in the current health-policy-induced recession as per today's Hot Chart. Fortunately, economic activity is on the mend with Statistics Canada predicting a 3% rebound in GDP in May.

Canada: A decline for the record books

Peak to trough GDP drawdown during modern recessions and pandemics (monthly basis)



* Data only available annually
NBF Economics and Strategy (data via Statistics Canada and <http://www.roiw.org/1992/455.pdf>)



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