Intelligence MEMOS

From: Mariam Ragab

To: Canadian Businesses and Governments

Date: June 2, 2020

Re: **Our Tracker Shows Emerging Signs of Recovery, But We Are Not in the Clear**

Statistics Canada's March GDP numbers showed a 7.2 percent overall fall and projected another 11 percent for April. It contained detailed sectoral breakdowns: arts and entertainment and air transportation down more than 40 percent, not remotely balanced by more modest rises in forestry and rail transportation.

The March numbers, released last week, provide a useful picture of where the greatest impact and need will be headed into recovery.

But March is now two months ago. High frequency, near-term data is more important than ever.

The C.D. Howe Institute's COVID-19 Economic Tracker, is an attempt to collect as much current data as available, to provide information, and to highlight the need for more timely quality economic data.

By no means comprehensive, one can see signs of an emerging recovery. For example, based on credit card transactions, RBC reported that consumer spending was only down 14.6 percent from the pre-COVID average on April 28, compared to 37 percent in March. And mobility levels have increased to more than 80 percent of regular levels in all Canadian cities reported by Apple, compared to just 20-40 percent of regular levels in early April. Google also reported increases in movement in most location categories, with grocery and pharmacy, and parks at or above pre-pandemic levels in all provinces. Google also reported that retail and recreation locations have experienced a significant resurgence.

Surprisingly, container imports to Canada at the Port of Vancouver were 2.8 percent above 2019 levels in April, while exports were only a modest 5.9 percent below April 2019 levels. This is a remarkable improvement over the 20 percent decline in March.

Even restaurants are showing a flicker, with OpenTable reporting a slow return to in-person activity at restaurants in Ontario, Alberta, and BC, although Canada overall has only returned to 11.14 percent of pre-crisis levels.

However, consumers are still retrenching, especially for larger purchases. Rail shipments of motor vehicle and parts remained down 78.6 percent year-over-year for the week ending May 23, and motor vehicle sales were down 74.7 percent year-over-year in April. This suggests that notwithstanding data rebound in credit card transactions, overall consumer spending is not in the clear.

Unsurprisingly, the petroleum sector's woes continue. While refinery production is slowly returning to pre-COVID levels, the number of drilling rigs has remained at an all-time low relative, with little sign of growth or recovery, and rail shipments of crude oil are down 45.3 percent.

Similarly, electricity consumption continues to decline in Alberta, likely due to diminished industrial demand. British Columbia's consumption is rising, but slow to return to pre-pandemic levels or historic levels in previous years.

And, uncaptured by the March GDP report, rail shipments have actually tumbled as the commodity supply chain slows, lead by non-metallic minerals (down 53.4 percent), chemicals (20.7), metallic ores and metals (15.8), and forest products (14.8).

Meanwhile the Canada Mortgage and Housing Corporation reports that up to 20 percent of mortgages could be in arrears this fall, creating a "deferral cliff" that could continue to hold Canadian discretionary spending back and impede recovery. This is especially true as federally emergency assistance programs expire, leaving households with diminished income and increasing debt. 8.25 million individual Canadians have applied to the Canada Emergency Response Benefit (equivalent to 44.4 percent of Canada's labour force), and 1.45 million workers are receiving the Canada Emergency Wage Subsidy as of the latest reporting period – April 12 to May 9.

As policymakers continue to make decisions on how to best support economic recovery, monitoring this data with a critical lens for both sector and geography is essential to ensuring effective response to the COVID pandemic.

These numbers show that there are early signs of activity resuming across the economy, but it also highlights much diminished economic activity, as well as threats for a "swoosh" recovery.

Mariam Ragab is a researcher at the C.D. Howe Institute.

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