

December 17, 2020

## End of Recession Too Early to Call

### Statement from the C.D. Institute Business Cycle Council

The C.D. Howe Institute's Business Cycle Council met on December 7, 2020 to review the case for calling April 2020 as the end of the recession based on signs of economic recovery since then.

The C.D. Howe Institute Business Cycle Council, co-chaired by Steve Ambler and Jeremy Kronick, is the main arbiter of business cycle dates in Canada. The Council typically meets annually, but also when economic conditions indicate the possibility of entry to, or exit from, a recession. The Council is comprised of Canada's preeminent economists active in the field. Members of the Council participate in their personal capacities, and the views collectively expressed do not represent those of any institution or client.

Entering and exiting a recession implies a change in the direction of economic activity, not its level. In March and April, we saw unprecedented declines in economic activity, with regard to both their amplitude and the breadth of industries that suffered. Real GDP fell 7.1 percent in March, and 11.4 percent in April, vastly exceeding anything since the Great Depression. Similarly, employment fell by 5.3 percent in March, and 11.0 percent in April – both records. In March, economic output fell in 80 percent of industries relative to their February levels, and in April, output fell in 90 percent of industries relative to March. The Council met in April and [declared](#) a recession had been entered, with February being the peak of the previous expansionary period.

Since the end of April, Canada has experienced broad economic growth, in terms of both real GDP and employment. As a result, the question the Council debated at this meeting was whether Canada had exited the recession. There was consensus among members of the group that it was extremely unlikely that real GDP would, in the current cycle, again fall to or below the level seen in April.

However, output is still well below its February 2020 peak, the improvement observed to date has been sustained for only a few months, and the underlying catalyst for the recession – COVID-19 – has not yet been fully resolved. Consequently, the Council is not prepared at this time to label April 2020 the end of



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the current recession. Should a significant decline in economic activity subsequently occur, it could still be considered a continuation of the current recession even if economic activity remains above the level of last April.

This judgment is based on the Business Cycle Council's methodology and chronology and does not use fixed formulas to determine whether Canada has entered or exited a recession.

## Members of the C.D. Howe Institute Business Cycle Council

*Members of the Council participate in their personal capacities, and the views collectively expressed do not represent those of any institution or client.*

**Steve Ambler**, Co-Chair, Professor, Université du Québec à Montréal. David Dodge Chair in Monetary Policy, C.D. Howe Institute.

**Jeremy Kronick**, Co-Chair, Associate Director, Research, C.D. Howe Institute.

**Ted Carmichael**, Founding Partner, Ted Carmichael Global Macro.

**Philip Cross**, Former Chief Economic Analyst, Statistics Canada.

**Stephen Gordon**, Professor of Economics, Laval University.

**Eric Lascelles**, Chief Economist, RBC Global Asset Management.

**Stéfane Marion**, Vice President & Chief Economist, National Bank of Canada.

**Angelo Melino**, Professor of Economics, University of Toronto.