

Study: The decline in production and investment in Canada's oil and gas sector and its impact on the economy

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, July 8, 2020

Following the onset of the COVID-19 pandemic and the decline in oil prices in March and April 2020, companies in the oil and gas sector announced reductions in planned capital expenditures and investment. A new study, titled "[The Decline in Production and Investment in Canada's Oil and Gas Sector and its Impact on the Economy](#)," shows that if the announced reductions are realized, gross domestic product (GDP) would be 1.0% to 2.0% lower and jobs would decline by 111,000 to 222,000, compared with the situation where reductions in the oil and gas sector do not occur.

The oil and gas industry is an important contributor to the Canadian economy. Since 2000, the industry has on average accounted for 5.0% of GDP and 0.4% of jobs in the total economy.

In March and April 2020, many companies in the oil and gas sector announced cuts to their planned capital expenditures for 2020 of 20% to 57% and to their planned production of 5% to 8%. Although oil prices have rebounded since their lows in April, widespread revisions to these plans have not been made public.

It is unclear how representative these announcements are and how they will ultimately affect GDP and jobs in 2020. A dollar reduction in production or investment in the oil and gas industry will have a direct effect on the total economy by the same dollar amount. However, this will also lead to a reduction in the oil and gas sector's demand for inputs produced by other sectors, and declines in the incomes and spending of employees in oil and gas and upstream industries. Using multipliers derived from Statistics Canada's supply-use tables, estimates of the total impact of the cuts in production and investment in the oil and gas sector can be calculated.

Given the uncertainty in the magnitude of the reductions, three scenarios are considered. Capital expenditures and production are assumed to decline, respectively, by 30% and 7% in the first scenario; by 40% and 10% in the second scenario; and by 20% and 5% in the third scenario. The declines in investment and production in the oil and gas sector in each of these three scenarios would lead to a drop in the aggregate GDP by 1.5%, 2.0%, and 1.0%, respectively, and a drop in the number of jobs by about 160,000, 222,000, and 111,000, respectively, relative to what they would have been without the price shock to the oil and gas sector.

For more information on energy in Canada, please visit the [Canadian Energy Information Portal](#). For regular updates on the Canadian Centre for Energy Information initiative, please visit the [website](#) and follow [#energynews](#) on social media.

The research article "[The Decline in Production and Investment in Canada's Oil and Gas Sector and its Impact on the Economy](#)," part of the *Economic Insights* series ([11-626-X](#)), and the shorter summary article "[Canada's oil and gas sector: The decline in production and investment and the impact on the economy](#)," part of the series *StatCan COVID-19: Data to Insights for a Better Canada* ([45280001](#)), are now available.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Weimin Wang, (weimin.wang@canada.ca), Economic Analysis Division.

