

# Gross domestic product, income and expenditure, second quarter 2020

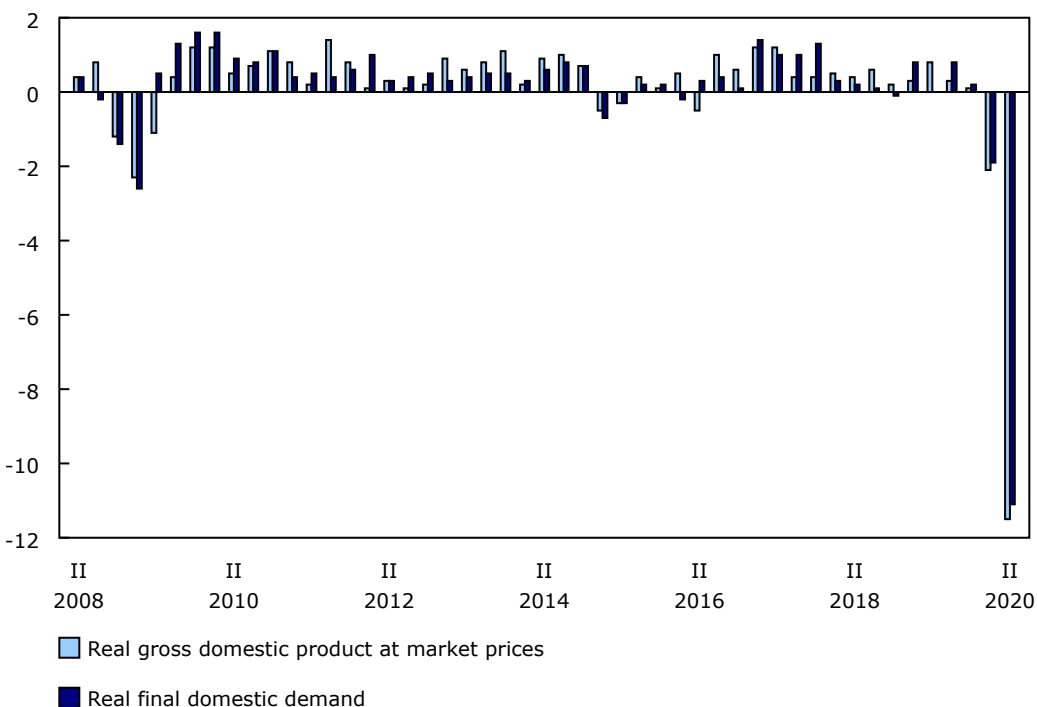
Released at 8:30 a.m. Eastern time in *The Daily*, Friday, August 28, 2020

Real gross domestic product (GDP) fell 11.5% in the second quarter, following a 2.1% decline in the first quarter. The second quarter decline—the steepest since quarterly data were first recorded in 1961—reflected sharp decreases in household spending, business investment, and international trade owing to widespread shutdowns of non-essential businesses, border closures, and restrictions on travel and tourism in response to the COVID-19 pandemic.

Final domestic demand fell 11.1%, continuing the 1.9% drop in the first quarter.

**Chart 1**  
**Gross domestic product and final domestic demand**

quarterly % change, chained (2012) dollars



Source(s): Table 36-10-0104-01.

Expressed at an annualized rate, real GDP fell 38.7% in the second quarter. In contrast, real GDP in the United States fell 31.7%.

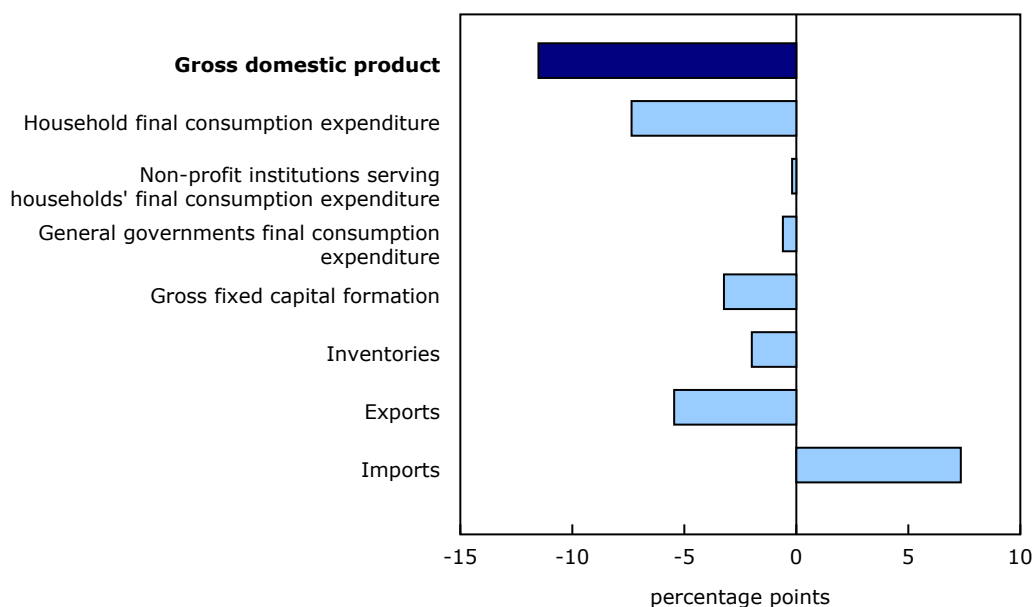


## Impacts of the COVID-19 pandemic

With the constraints imposed on economic activities to curtail the pandemic, the Canadian economy contracted sharply in the second quarter of 2020. The impacts of shutdowns of non-essential businesses, restrictions of travel and tourism, and border closures were exacerbated by sharp quarterly declines in major trading partners' economies, such as the United States (-9.1%), the United Kingdom (-20.4%), France (-13.8%), Italy (-12.4%) and Japan (-7.8%).

As measures by governments to contain the pandemic have been relaxed, economic activity has increased. Therefore, third-quarter GDP is expected to rise.

**Chart 2**  
Contributions to percentage change in real gross domestic product, second quarter of 2020



Source(s): Table 36-10-0104-01.

Most GDP components posted a record decline in the second quarter. A 13.1% drop in household spending was attributable to substantial job losses and limited opportunities to spend because of closures of stores and restaurants and restrictions on travel and tourism.

Business investment fell 16.2%, reflecting limited construction activities, plant closures, low oil prices and heightened uncertainty. Export volumes declined 18.4% and import volumes dropped 22.6%, as major trading partners' economies shrank owing to their adoption of measures to contain the pandemic.

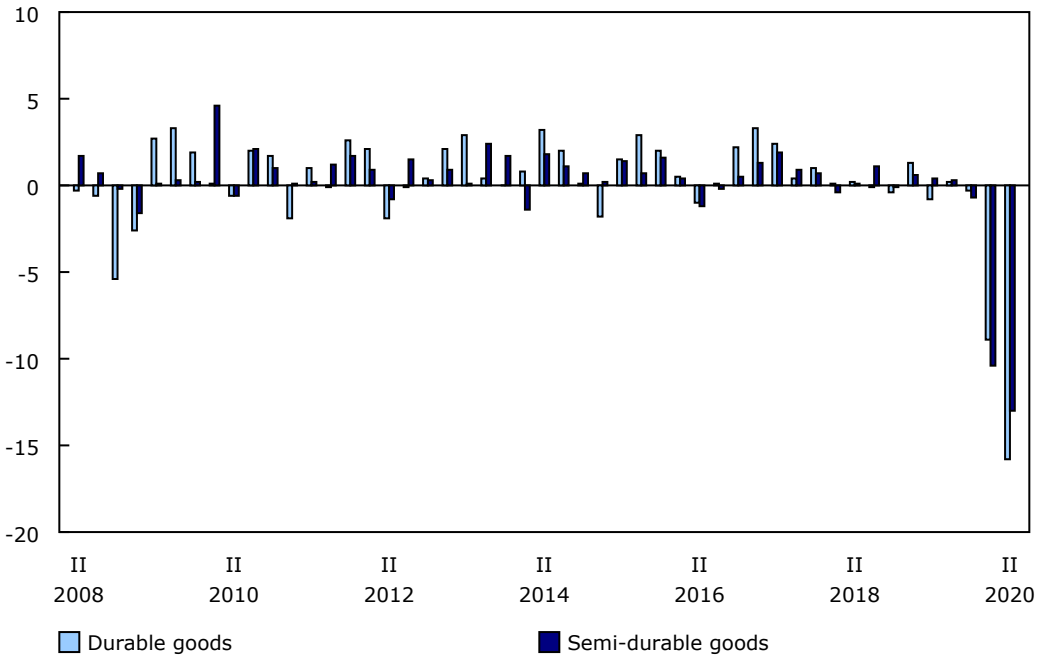
Faced with lower imports and supply chain disruptions, businesses drew down \$37.7 billion in inventories. A large decline in sales volumes, which resulted from store closures and lower household demand, pushed the economy-wide stock-to-sales ratio from 0.878 in the first quarter to 0.976 in the second quarter.

## Record decline in household spending

Declines in household spending were pronounced and widespread, affecting both goods (-8.4%) and services (-16.7%).

### Chart 3 Household final consumption: durable and semi-durable goods

quarterly % change, chained (2012) dollars

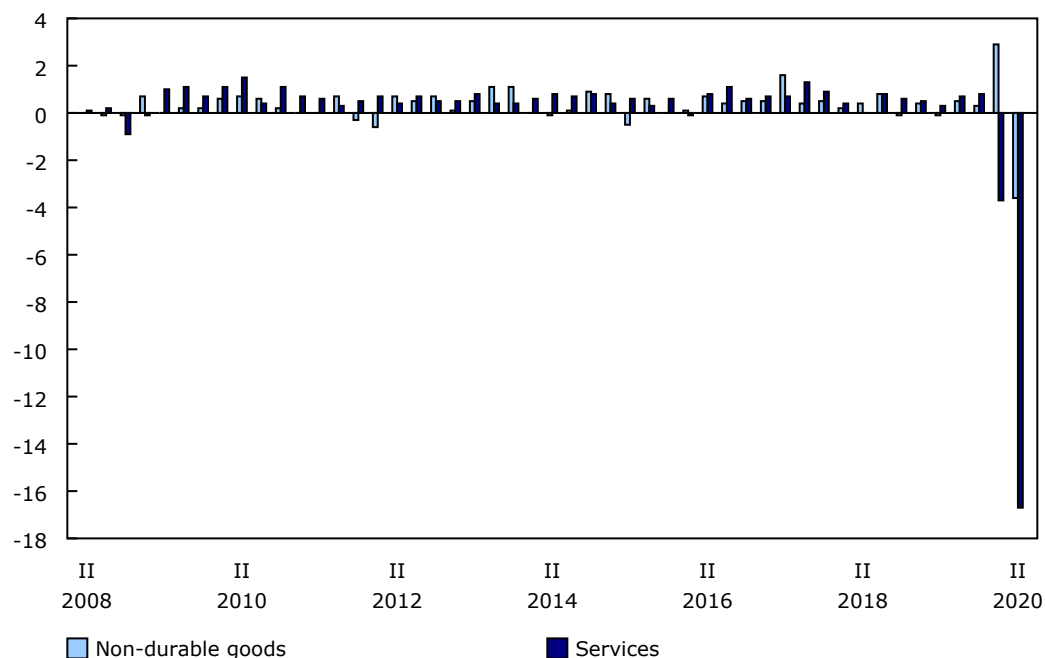


Source(s): Table 36-10-0104-01.

Outlays for durable goods fell 15.8%, the steepest drop ever recorded. Substantial declines occurred in purchases of new passenger cars (-37.8%), new trucks, vans and sport utility vehicles (-26.4%), and used motor vehicles (-23.9%), reflecting closures of car dealerships, income uncertainty, and reduced transportation needs as working remotely became more widespread for some professions. Outlays for semi-durable goods fell 13.0%, led by garments (-25.3%), clothing materials (-38.3%) and footwear (-20.3%).

## Chart 4 Household final consumption: non-durable goods and services

quarterly % change, chained (2012) dollars



Source(s): Table 36-10-0104-01.

Outlays for non-durable goods fell 3.6%, after rising 2.9% in the first quarter. The decline in outlays for services (-16.7%) was attributable to food, beverage, and accommodation services (-45.6%) and transportation services (-79.2%).

### Housing investment falls

A sharp decline in housing investment (-14.9%) was attributable to physical distancing measures as well as construction stoppages.

The decline was led by ownership transfer costs (-34.3%), followed by renovations (-11.0%) and new construction (-8.1%). The drop in ownership transfer costs was widespread, but particularly pronounced in British Columbia and Ontario, as home resale activities in nearly all major urban centres were halted in April. New construction of single-unit and multiple-unit dwellings was down substantially, with Quebec posting the largest decline.

With the relaxation of restrictions and reductions in uncertainty, housing investment is expected to increase.

### Non-residential business investments contract at record pace

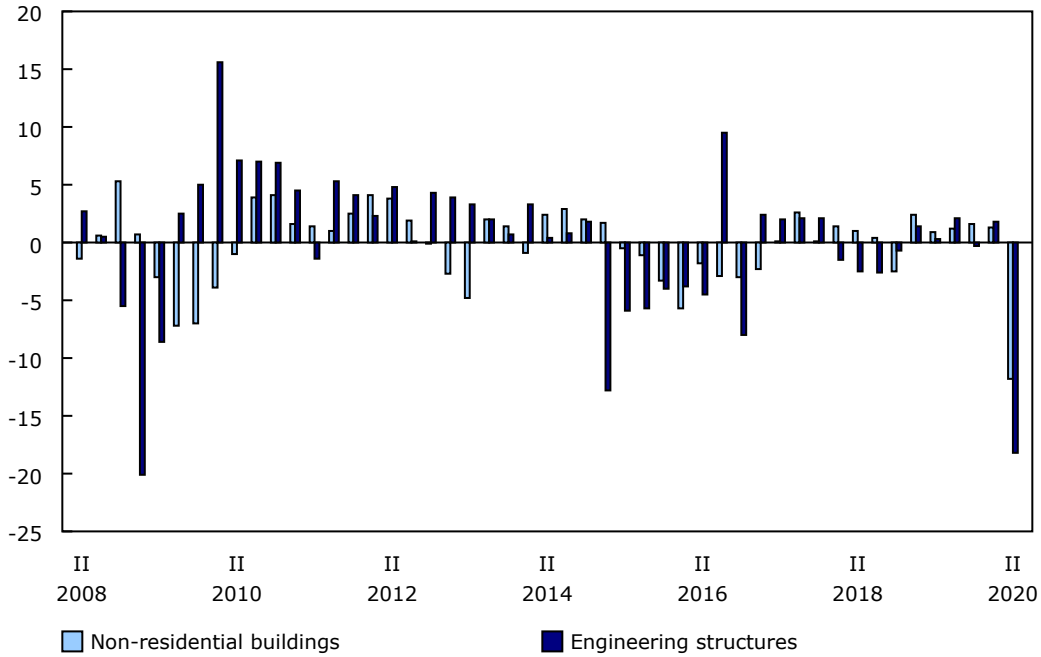
A record decrease in business investment (-16.2%) was due to shutdowns, reduced demand for transportation because of travel restrictions and the growing prevalence of working and schooling at home, and uncertainty about the global economy.

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**Chart 5**  
**Business investments in non-residential buildings and engineering structures**

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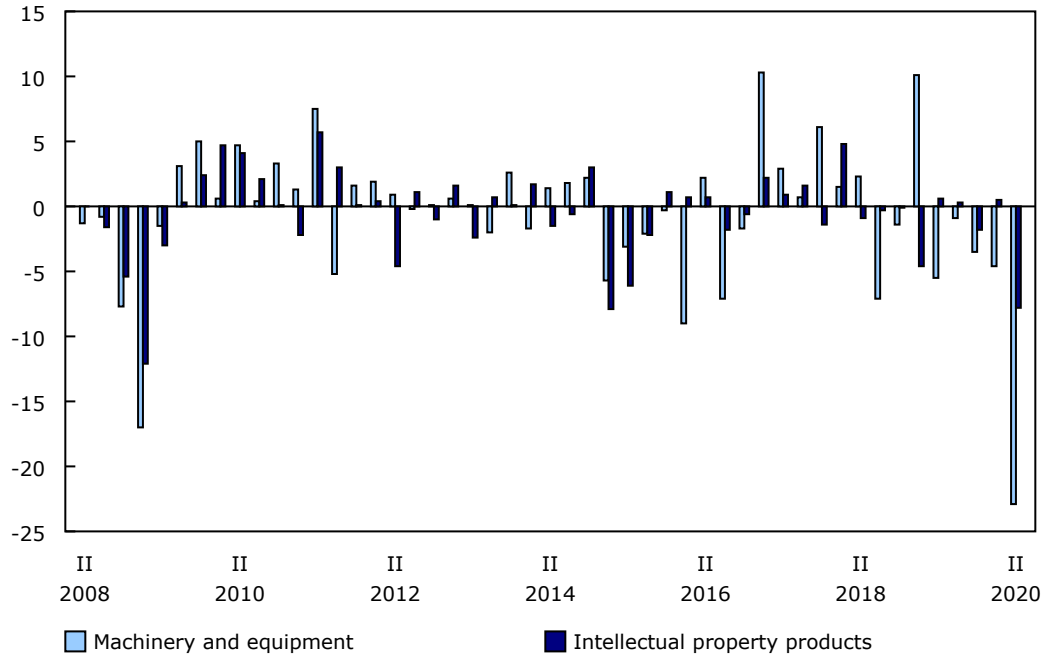
quarterly % change, chained (2012) dollars



Source(s): Table 36-10-0108-01.

**Chart 6  
Business investments in machinery and equipment and intellectual property products**

quarterly % change, chained (2012) dollars



Source(s): Table 36-10-0108-01.

Business investment in machinery equipment fell 22.9%, led by declines in passenger cars (-93.8%), trucks, buses and motor vehicles (-89.4%), and aircraft and other transportation equipment (-43.4%). Business investments fell in engineering structures (-18.2%) and non-residential buildings (-11.8%).

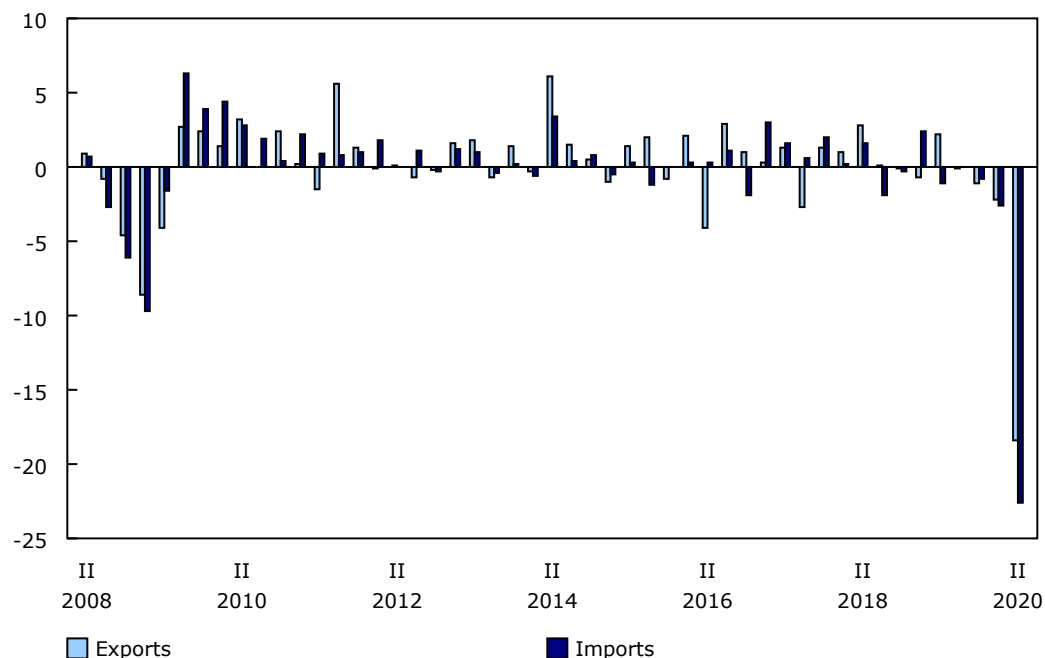
Investment in intellectual property products dropped 7.8%. Sharp declines in research and development (-14.3%) and mineral exploration (-29.0%) were moderated by a smaller decline in software (-0.7%).

**Sharp decline in export and import volumes**

Sharp declines in export (-18.4%) and import (-22.6%) volumes occurred, as major trading partners (the United States, China, and most European countries) also shut down production plants, closed borders to tourism, and curtailed non-essential travel.

## Chart 7 Exports and imports

quarterly % change, chained (2012) dollars



Source(s): Table 36-10-0104-01.

Substantial declines in export volumes occurred in motor vehicles and parts (-56.6%), industrial machinery and equipment (-22.7%), aircraft and aircraft engines (-38.4%), intermediate metal products (-13.6%), travel services (-53.2%) and transportation services (-31.3%). These declines were slightly moderated by increased exports of farm and fishing products (+12.8%), nuclear fuel (+24.2%), and pharmaceutical and medicinal products (+4.1%).

Steep declines in import volumes were led by motor vehicles and parts (-67.5%), aircraft and aircraft engines (-50.3%), crude oil and crude bitumen (-29.7%), industrial machinery and equipment (-21.2%), travel services (-86.3%) and transportation services (-37.5%). These declines were partly offset by increases in imports of metal ores and concentrates (+45.8%) and intermediate metal products (+11.1%).

### Terms-of-trade deteriorates and real gross national income drops

A 5.7% decline in export prices was attributable to a sharp drop (-54.7%) in prices of exported crude oil and crude bitumen and lower international demand for most products. Import prices fell 2.2%, owing to lower demand on the world market. Consequently, the terms-of-trade—the ratio of the price of exports to the price of imports—fell 3.6%. Decreased terms-of-trade contributed to lower real gross national income (-12.5%), which captures the real purchasing power of income earned by Canadian-owned production factors.

The GDP implicit price index, which reflects the overall price of domestically produced goods and services, fell 1.2% in the second quarter.

## **Corporate earnings fall, but household savings rise**

In nominal terms, the gross operating surplus declined for both non-financial (-13.3%) and financial (-6.0%) corporations. Low oil prices affected the revenue of businesses involved in the oil and gas sector; pandemic-related restrictions affected all non-essential businesses, including those involved with transportation, tourism and accommodation services. Further declines were mitigated by the Canadian Emergency Wage Subsidy, which made it possible for employers to continue to pay employees.

Compensation of employees fell 8.9%—the steepest drop ever recorded. The majority of industries experienced declines, led by personal and professional services, construction, manufacturing, and wholesale and retail trade.

Although compensation of employees dropped considerably in the quarter, this was more than offset by a significant increase in government transfers to households, meant to blunt the impact of the COVID-19-related measures; the result was a 10.8% increase in household disposable income. This increase, coupled with a 13.7% decline in household spending (in nominal terms), pushed the household saving rate to 28.2% from 7.6% in the previous quarter. The household savings rate is aggregated across all income brackets; in general, savings rates are higher for higher income brackets.



## Note to readers

### Revisions to first-quarter gross domestic product

When first-quarter data were released on May 29, Statistics Canada's data collection and compilation were hampered by the sudden imposition of work restrictions and technical and operational constraints. Subsequently, Statistics Canada was able to overcome those limitations and produce revised first-quarter data, which are included with this release. The following surveys had been impacted, but are now fully operational:

**Building construction investment:** Source data on building construction, including work-put-in-place for residential and non-residential building investment were not available when first-quarter data were compiled. First-quarter results were estimated using proxy indicators of labour and material costs, as well as data from the Canada Mortgage and Housing Corporation. The present release incorporated the previously unavailable source data, along with other indicators, for both quarters.

**Financial data on corporations:** Data from the Quarterly Survey of Financial Statements were unavailable at the time of first quarter gross domestic product (GDP) estimation; consequently, data were based on in-progress estimates rather than the final results. This release applied the final results for both quarters.

**Spending on motor vehicles:** Data from the monthly New Motor Vehicle Sales Survey (NMVS) for March were not available at the time of compilation of the first quarter. Results were estimated using alternative sources, including the volume of motor vehicle registrations, combined with prices from the auto industry. With the availability of NMVS data, first-quarter estimates were revised.

In addition to previously unavailable data sources, first-quarter estimates were revised with updates to source data for many GDP components. These updates include late-filler data for trade, updated surveys, and input prices. Notably the overall revision was negligible as downward revisions in some components were nullified by upward revisions in other components.

### Support measures by governments

To alleviate the economic impact of the COVID-19 pandemic, governments have implemented a number of programs, including Canada Emergency Wage Subsidy and Canada Emergency Response Benefit. For a comprehensive explanation of how government support measures were treated in compilation of the estimates, see the report "[Recording COVID-19 measures in the national accounts.](#)"

Percentage changes for expenditure-based statistics (such as household spending, investment, and exports) are calculated from volume measures that are adjusted for price variations. Percentage changes for income-based statistics (such as compensation of employees and operating surplus) are calculated from nominal values; that is, they are not adjusted for price variations.

There are two ways of expressing growth rates for GDP and other time series:

1. Unless otherwise stated, growth rates represent the percentage change in the series from one quarter to the next, such as from the fourth quarter of 2019 to the first quarter of 2020.
2. Quarterly growth can also be expressed at an annual rate by using a compound growth formula, similar to the way in which a monthly interest rate can be expressed at an annual rate. This growth rate is cited for comparisons with the United States. Both formulas represent the latest period-to-period quarterly growth.

For information on seasonal adjustment, see [Seasonally adjusted data – Frequently asked questions.](#)

For more information on GDP, see the video "[What is Gross Domestic Product \(GDP\)?](#)"

### Revisions

Data on GDP for the second quarter have been released along with revised data for the first quarter of 2020. These data incorporate new and revised data, as well as updated data on seasonal trends.

### Real-time tables

Real-time tables 36-10-0430-01 and 36-10-0431-01 will be updated on September 8.

### Next release

Data on GDP by income and expenditure for the third quarter will be released on December 1.

## Sustainable development goals

On January 1, 2016, the world officially began implementing the [2030 Agenda for Sustainable Development](#)—the United Nations' transformative plan of action that addresses urgent global challenges over the next 15 years. The plan is based on 17 specific sustainable development goals.

Data on gross domestic product, income and expenditure are an example of how Statistics Canada supports the reporting on the global sustainable development goals. This release will be used to measure the following goals:



**Table 1**  
**Gross domestic product by income account – Seasonally adjusted at annual rates**

	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	First quarter 2020	Second quarter 2020
	quarter-to-quarter % change				millions of dollars			
Compensation of employees	1.0	1.5	1.2	1.3	-1.0	-8.9	1,182,012	1,076,812
Gross operating surplus	1.2	4.6	-2.5	0.7	-4.3	-10.8	577,780	515,504
Gross mixed income	1.5	1.2	1.3	1.8	-0.1	-2.8	284,852	276,824
Taxes less subsidies on production	3.0	-0.8	2.5	0.3	-15.5	-90.4	88,008	8,444
Taxes less subsidies, on products and imports	5.1	-2.3	0.8	-1.0	-4.9	-22.0	141,956	110,680
Statistical discrepancy (millions of dollars)	-600	1,100	-460	40	1,324	808	712	1,520
<b>Gross domestic product at market prices</b>	<b>1.5</b>	<b>1.9</b>	<b>0.3</b>	<b>1.0</b>	<b>-2.6</b>	<b>-12.5</b>	<b>2,275,320</b>	<b>1,989,784</b>

Source(s): Table 36-10-0103-01.

**Table 2**  
**Real gross domestic product by expenditure account, quarterly change – Seasonally adjusted at annual rates, chained (2012) dollars**

	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	First quarter 2020	Second quarter 2020
	quarter-to-quarter % change				millions of dollars			
Final consumption expenditure	0.6	0.2	0.5	0.4	-2.4	-10.2	1,606,926	1,443,196
Household final consumption expenditure	0.6	0.1	0.5	0.4	-3.2	-13.1	1,148,851	998,375
Non-profit institutions serving households' final consumption expenditure	1.3	-0.1	0.2	0.7	-1.0	-12.0	30,252	26,636
General governments final consumption expenditure	0.4	0.5	0.4	0.4	-0.3	-2.7	427,653	416,091
Gross fixed capital formation	1.9	-0.6	1.8	-0.6	-0.3	-14.1	437,942	376,060
Business gross fixed capital formation	1.7	-0.3	1.7	-0.7	-0.6	-16.2	356,336	298,520
Residential structures	-1.0	1.8	3.3	0.3	-0.8	-14.9	141,401	120,299
Non-residential structures, machinery and equipment	5.0	-2.0	0.8	-1.2	-0.7	-18.9	181,850	147,549
Intellectual property products	-4.6	0.6	0.3	-1.8	0.5	-7.8	33,224	30,638
General governments gross fixed capital formation	2.7	-1.9	2.3	-0.3	1.2	-4.8	79,720	75,888
Investment in inventories (millions of dollars)	9,263	-4,974	-10,372	953	-5,051	-42,162	4,311	-37,851
Exports of goods and services	-0.7	2.2	-0.1	-1.1	-2.2	-18.4	653,457	533,300
Less: imports of goods and services	2.4	-1.1	0.0	-0.8	-2.6	-22.6	645,590	499,728
Statistical discrepancy (millions of dollars)	540	-1,015	424	-44	-1,191	-751	-640	-1,391
<b>Gross domestic product at market prices</b>	<b>0.3</b>	<b>0.8</b>	<b>0.3</b>	<b>0.1</b>	<b>-2.1</b>	<b>-11.5</b>	<b>2,057,186</b>	<b>1,820,369</b>
Final domestic demand	0.8	0.0	0.8	0.2	-1.9	-11.1	2,043,347	1,817,240

Source(s): Table 36-10-0104-01.

**Table 3**  
**Real gross domestic product by expenditure account, annualized change – Seasonally adjusted at annual rates, chained (2012) dollars**

	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020	First quarter 2020	Second quarter 2020
	quarter-to-quarter % change, annualized				millions of dollars			
Final consumption expenditure	2.2	0.8	2.0	1.7	-9.3	-34.9	1,606,926	1,443,196
Household final consumption expenditure	2.4	0.4	2.2	1.8	-12.4	-43.0	1,148,851	998,375
Non-profit institutions serving households' final consumption expenditure	5.2	-0.5	0.9	2.8	-4.0	-39.9	30,252	26,636
General governments final consumption expenditure	1.6	1.9	1.6	1.5	-1.1	-10.4	427,653	416,091
Gross fixed capital formation	7.6	-2.4	7.4	-2.4	-1.1	-45.6	437,942	376,060
Business gross fixed capital formation	6.8	-1.2	7.1	-2.6	-2.4	-50.7	356,336	298,520
Residential structures	-4.0	7.2	13.8	1.2	-3.0	-47.6	141,401	120,299
Non-residential structures, machinery and equipment	21.5	-7.8	3.1	-4.8	-2.7	-56.7	181,850	147,549
Intellectual property products	-17.0	2.4	1.1	-6.9	1.9	-27.7	33,224	30,638
General governments gross fixed capital formation	11.1	-7.4	9.4	-1.4	5.0	-17.9	79,720	75,888
Investment in inventories (millions of dollars)	9,263	-4,974	-10,372	953	-5,051	-42,162	4,311	-37,851
Exports of goods and services	-2.7	9.0	-0.4	-4.5	-8.6	-55.6	653,457	533,300
Less: imports of goods and services	10.0	-4.4	0.2	-3.2	-9.9	-64.1	645,590	499,728
Statistical discrepancy (millions of dollars)	540	-1,015	424	-44	-1,191	-751	-640	-1,391
<b>Gross domestic product at market prices</b>	<b>1.2</b>	<b>3.2</b>	<b>1.1</b>	<b>0.6</b>	<b>-8.2</b>	<b>-38.7</b>	<b>2,057,186</b>	<b>1,820,369</b>
Final domestic demand	3.4	0.1	3.2	0.8	-7.5	-37.4	2,043,347	1,817,240

Source(s): Table 36-10-0104-01.

**Table 4**  
**Real gross domestic product by expenditure account – Seasonally adjusted at annual rates**

	First quarter 2020	Second quarter 2020	Second quarter 2020		
			Contributions to percent change in real gross domestic product	Contributions to percent change in implicit price indexes	Annualized contributions to percent change in real gross domestic product
	millions of chained (2012) dollars		percentage points		
Final consumption expenditure	1,606,926	1,443,196	-8.145	0.028	-27.372
Household final consumption expenditure	1,148,851	998,375	-7.356	-0.363	-24.721
Goods	512,406	469,425	-2.033	-0.401	-6.835
Durable goods	141,573	119,145	-1.071	-0.039	-3.599
Semi-durable goods	76,571	66,626	-0.452	-0.082	-1.519
Non-durable goods	293,851	283,139	-0.511	-0.281	-1.717
Services	636,354	530,245	-5.322	0.038	-17.886
Non-profit institutions serving households' final consumption expenditure	30,252	26,636	-0.189	0.016	-0.635
General governments final consumption expenditure	427,653	416,091	-0.600	0.375	-2.016
Gross fixed capital formation	437,942	376,060	-3.231	-0.079	-10.860
Business gross fixed capital formation	356,336	298,520	-3.030	-0.025	-10.184
Residential structures	141,401	120,299	-1.153	-0.041	-3.875
Non-residential structures, machinery and equipment	181,850	147,549	-1.745	0.023	-5.865
Non-residential structures	116,882	97,565	-0.966	-0.050	-3.247
Machinery and equipment	64,730	49,925	-0.779	0.073	-2.618
Intellectual property products	33,224	30,638	-0.132	-0.007	-0.444
Non-profit institutions serving households' gross fixed capital formation	2,037	1,949	-0.005	0.001	-0.017
General governments gross fixed capital formation	79,720	75,888	-0.196	-0.055	-0.659
Investment in inventories	4,311	-37,851	-1.988	-0.119	-6.681
Exports of goods and services	653,457	533,300	-5.454	-1.662	-18.326
Goods	535,936	438,066	-4.377	-1.583	-14.710
Services	116,841	94,720	-1.076	-0.080	-3.616
Less: imports of goods and services	645,590	499,728	-7.343	-0.659	-24.678
Goods	526,404	418,056	-5.336	-0.755	-17.933
Services	119,616	83,098	-2.007	0.096	-6.745
Statistical discrepancy	-640	-1,391	-0.036	0.001	-0.121
<b>Gross domestic product at market prices</b>	<b>2,057,186</b>	<b>1,820,369</b>	<b>-11.512</b>	<b>-1.173</b>	<b>-38.682</b>
Final domestic demand	2,043,347	1,817,240	-11.376	-0.051	-38.232

Source(s): Tables 36-10-0104-01 and 36-10-0106-01.

**Table 5**  
**Canadian economic accounts key indicators – Seasonally adjusted**

	First quarter 2019	Second quarter 2019	Third quarter 2019	Fourth quarter 2019	First quarter 2020	Second quarter 2020
<b>Economy-wide</b>						
Real gross domestic income (index 2012=100)	111.3	112.6	112.6	112.9	109.5	95.9
Gross domestic product deflator (index 2012=100)	109.0	110.2	110.2	111.1	110.6	109.3
Terms of trade (index 2012=100)	94.2	95.2	94.3	94.7	91.8	88.5
<b>Household sector</b>						
Household disposable income (millions of dollars)	1,265,284	1,287,444	1,294,624	1,313,832	1,330,264	1,474,308
Household net saving (millions of dollars)	28,680	40,028	39,380	47,268	101,264	416,136
Household saving rate (%)	2.3	3.1	3.0	3.6	7.6	28.2
<b>Government sector</b>						
General government disposable income (millions of dollars)	496,216	493,356	500,568	507,508	447,308	72,144
General government net saving (millions of dollars)	16,660	8,464	10,720	11,204	-50,540	-420,160
<b>Corporate sector</b>						
Non-financial corporations' net operating surplus (millions of dollars)	237,872	258,456	243,272	244,288	218,288	157,412
Financial corporations' net operating surplus (millions of dollars)	38,160	42,272	41,488	41,928	40,828	37,712
Non-financial corporations' net saving (millions of dollars)	-6,012	19,360	4,812	2,276	-21,780	-72,232
Financial corporations' net saving (millions of dollars)	29,172	28,872	26,488	28,660	34,728	24,448
<b>National</b>						
National net saving (millions of dollars)	61,408	90,232	74,976	84,064	58,520	-45,492
National saving rate (%)	3.3	4.7	3.9	4.4	3.1	-2.9

Source(s): Tables [36-10-0105-01](#), [36-10-0106-01](#), [36-10-0111-01](#), [36-10-0112-01](#), [36-10-0118-01](#) and [36-10-0116-01](#).

**Available tables:** [12-10-0134-01](#), [34-10-0163-01](#), [36-10-0103-01](#) to [36-10-0109-01](#) , [36-10-0111-01](#), [36-10-0112-01](#), [36-10-0114-01](#) to [36-10-0118-01](#) , [36-10-0121-01](#) to [36-10-0127-01](#) , [36-10-0205-01](#), [36-10-0477-01](#) and [36-10-0484-01](#).

**Definitions, data sources and methods:** survey numbers [1901](#), [2602](#), [2820](#) and [5169](#).

The document, "[Recording COVID-19 measures in the national accounts](#)," which is part of *Latest Developments in the Canadian Economic Accounts* ([13-605-X](#)), is available.

The product *Cannabis Stats Hub* ([13-610-X](#)) is available.

The [Economic accounts statistics](#) portal, accessible from the *Subjects* module of our website, features an up-to-date portrait of national and provincial economies and their structure.

The *User Guide: Canadian System of Macroeconomic Accounts* ([13-606-G](#)) is available.

The *Methodological Guide: Canadian System of Macroeconomic Accounts* ([13-607-X](#)) is available.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; [STATCAN.infostats-infostats.STATCAN@canada.ca](mailto:STATCAN.infostats-infostats.STATCAN@canada.ca)) or Media Relations (613-951-4636; [STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca](mailto:STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca)).