



Statistics
Canada

Statistique
Canada

Recent Developments in the Canadian Economy: How have the decline in oil prices and a weaker Canadian dollar affected Canada's economy?

www.statcan.gc.ca



CANADA 150

Telling Canada's
story in numbers

Elizabeth Richards
Analytical Studies Branch
April 20, 2017

Catalogue no. 11-631-X
ISSN 2368-6723
ISBN 978-0-660-07587-7

Canada 



Outline

- The objective of the presentation is to highlight key changes in the economic data since oil prices began to decline in mid-2014.
- The presentation focuses on:
 1. Recent trends related to economic growth and labour market conditions
 2. Impact of lower oil prices in current dollar terms
 3. Impact of lower oil prices in volume terms
 4. Impact of the weaker Canadian dollar on merchandise trade and manufacturing.

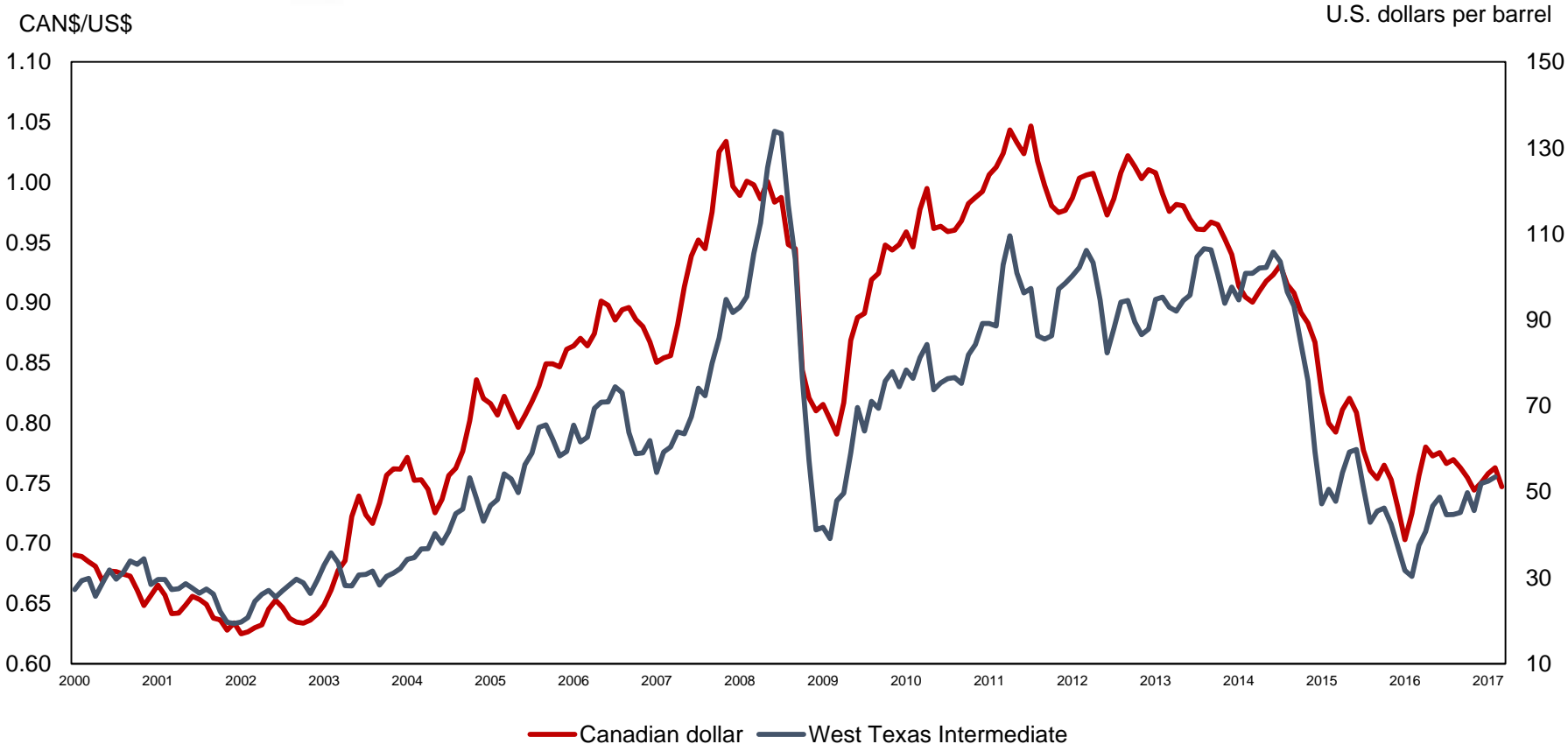


Topic 1

Recent trends related to economic growth and labour market conditions

To what extent has the value of the Canadian dollar been influenced by lower oil prices?

Crude oil prices and the value of the Canadian dollar

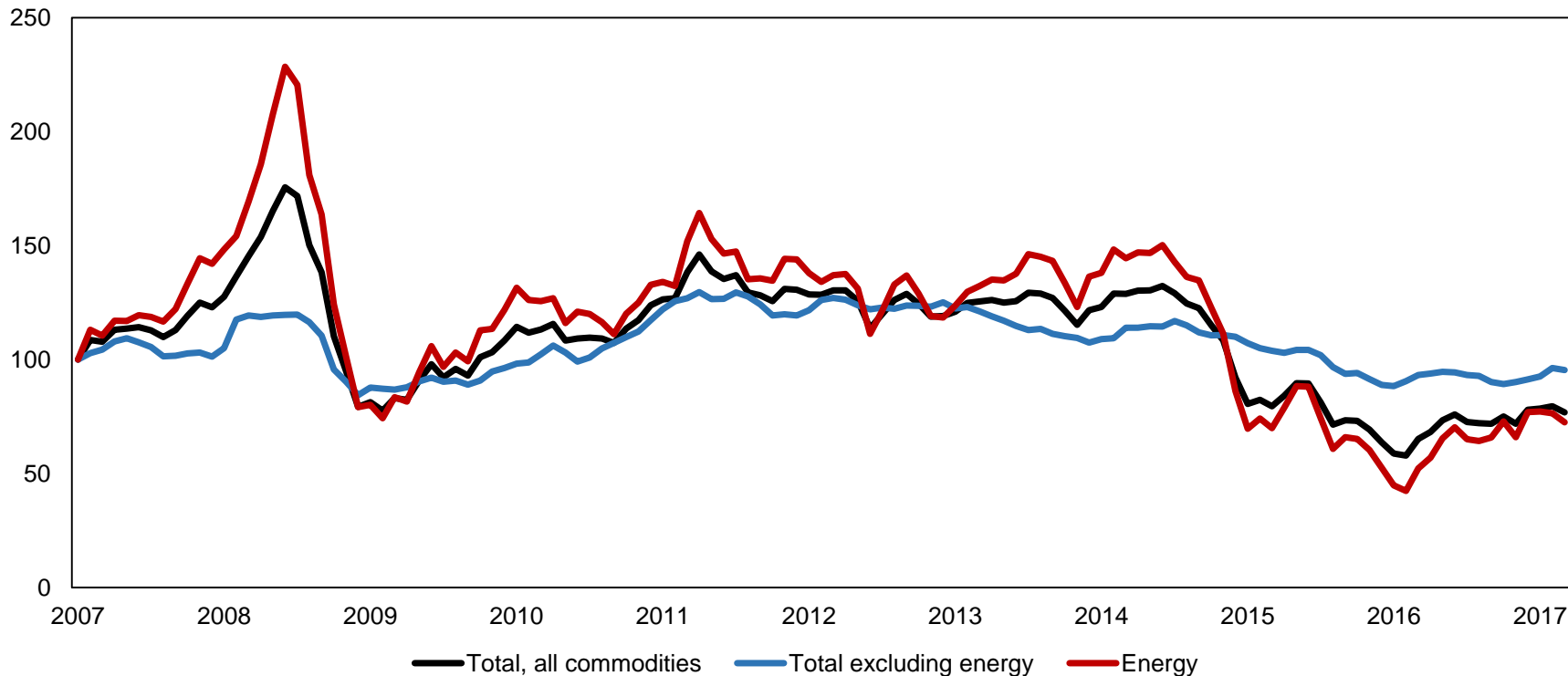


Sources: Statistics Canada, CANSIM table 176-0064, U.S. Energy Information Administration.

To what extent have lower energy prices contributed to recent trends in total commodity prices?

Commodity price index

index (January 2007 = 100)

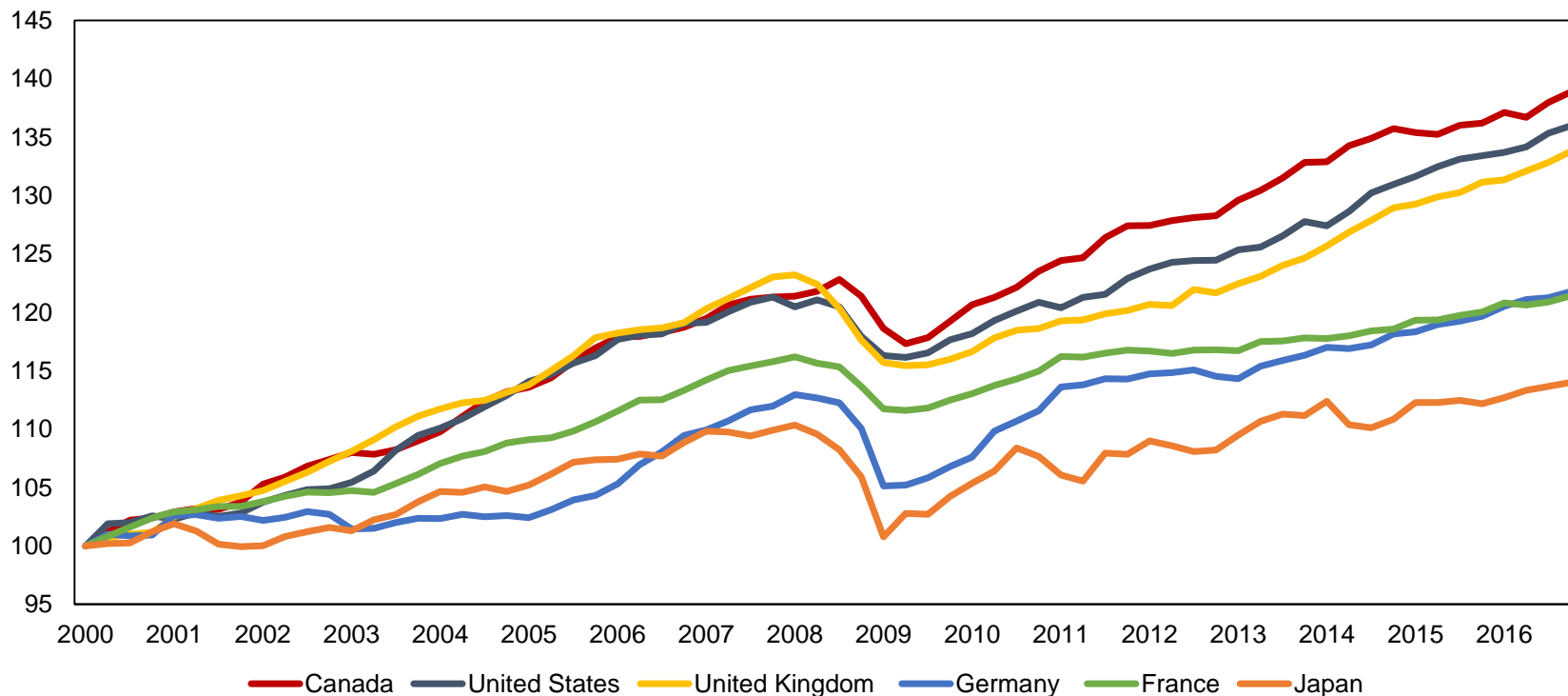


Source: Statistics Canada, CANSIM table 176-0075.

How does Canada's recent economic performance compare with other major economies?

Real Gross Domestic Product (GDP), expenditure-based, chained volumes

index (Q1 2000=100)



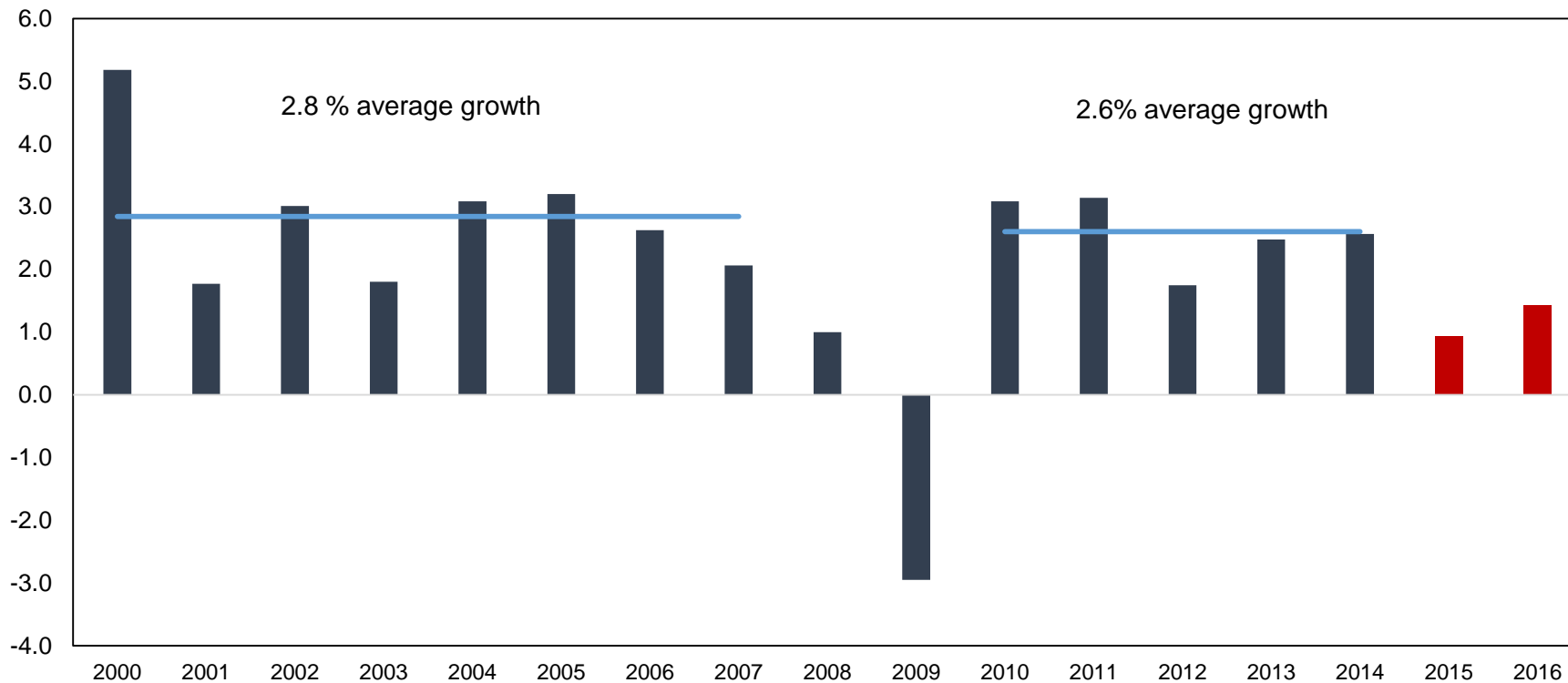
Note: Q1= first quarter.

Source: OECD, Quarterly National Accounts.

At what pace has the economy expanded since the recession?

Real GDP, annual growth

percent

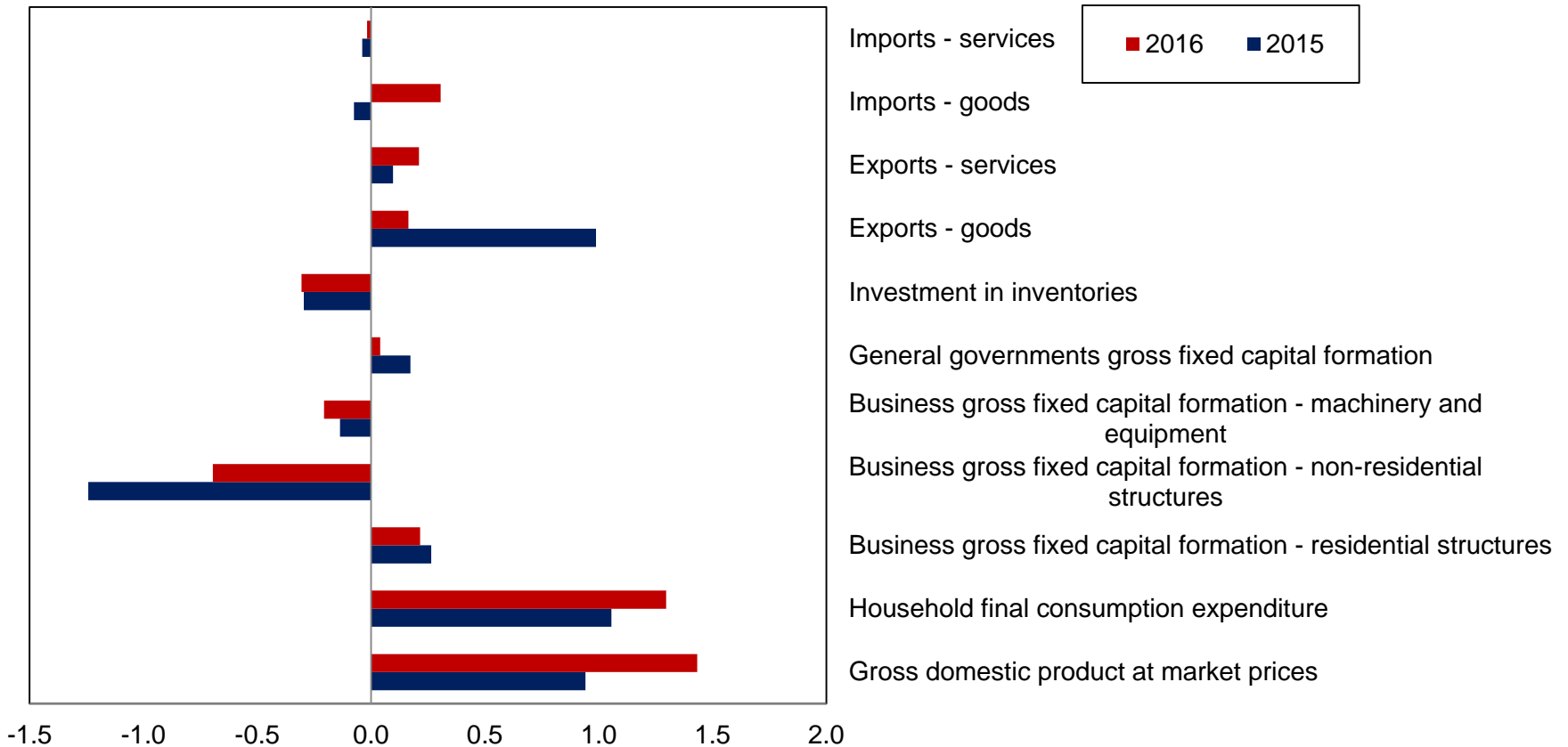


Source: Statistics Canada, CANSIM table 380-0064.



What contributed to the slowdown in economic growth?

Percentage point contribution to real GDP growth, by expenditure component

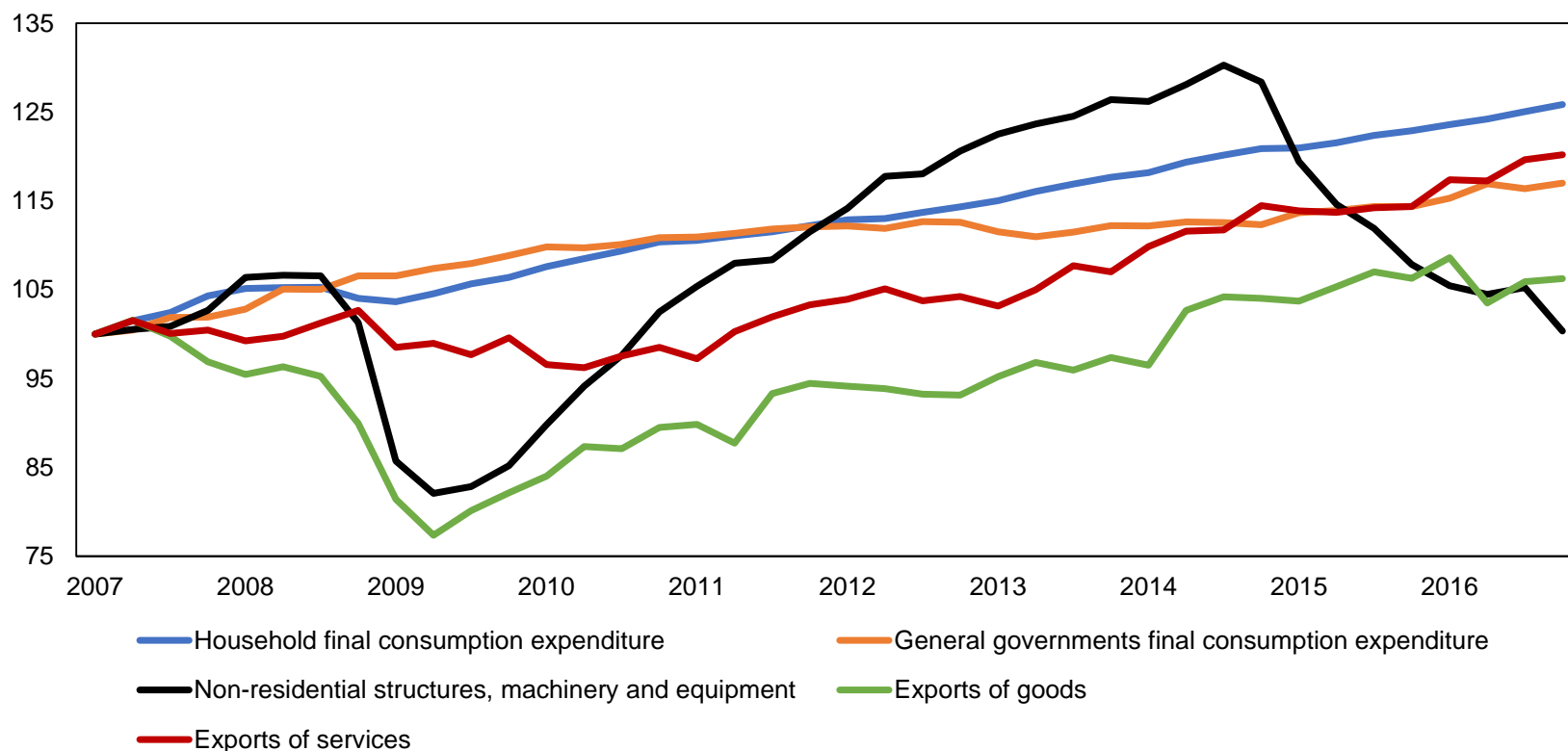


Source: Statistics Canada, CANSIM table 380-0100.

What types of final expenditures contributed to the slowdown in 2015 and 2016?

Real GDP, selected aggregates

index (Q1 2007 = 100)



Note: Q1= first quarter.

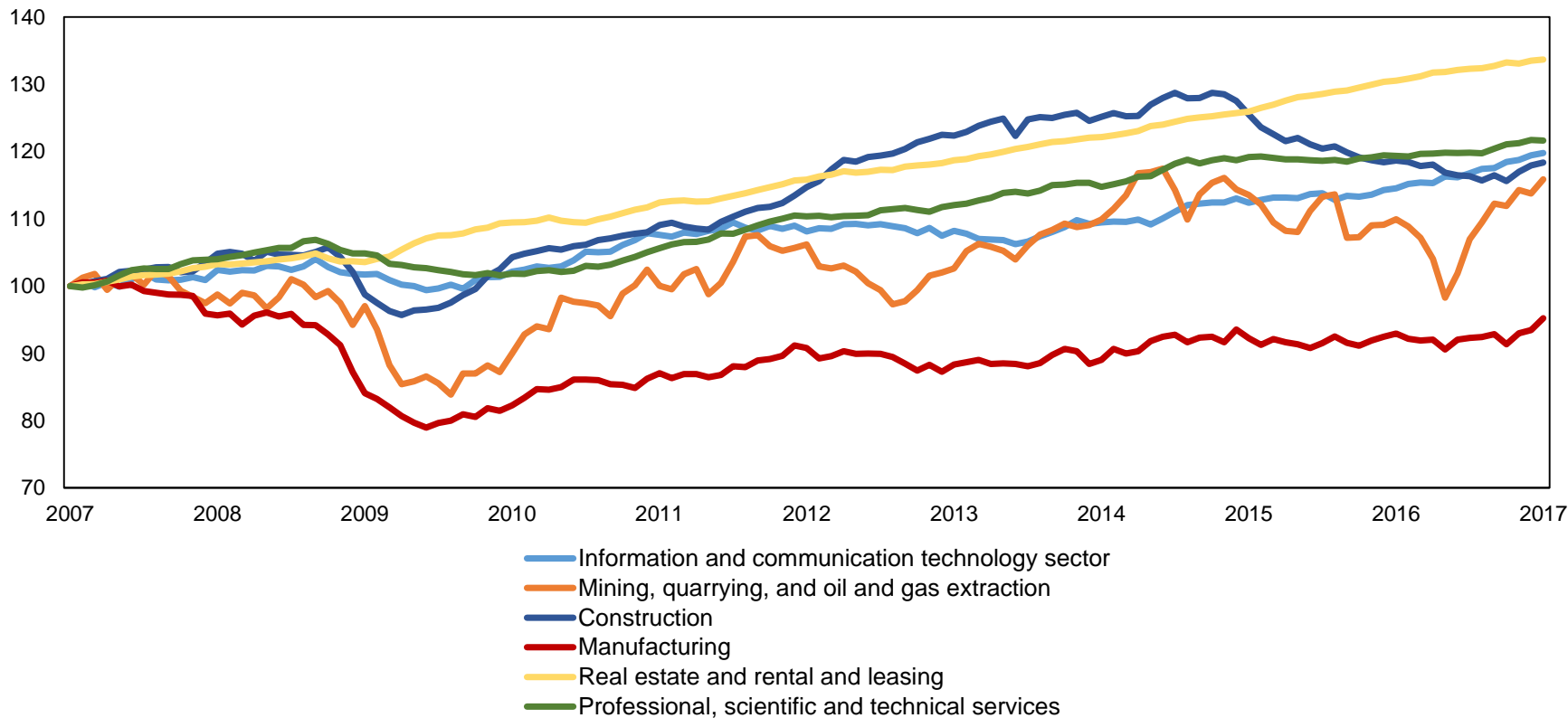
Source: Statistics Canada, CANSIM table 380-0064.



Which industries contributed to slower economic growth in 2015 and 2016?

Real GDP, by selected industries

index (January 2007 = 100)

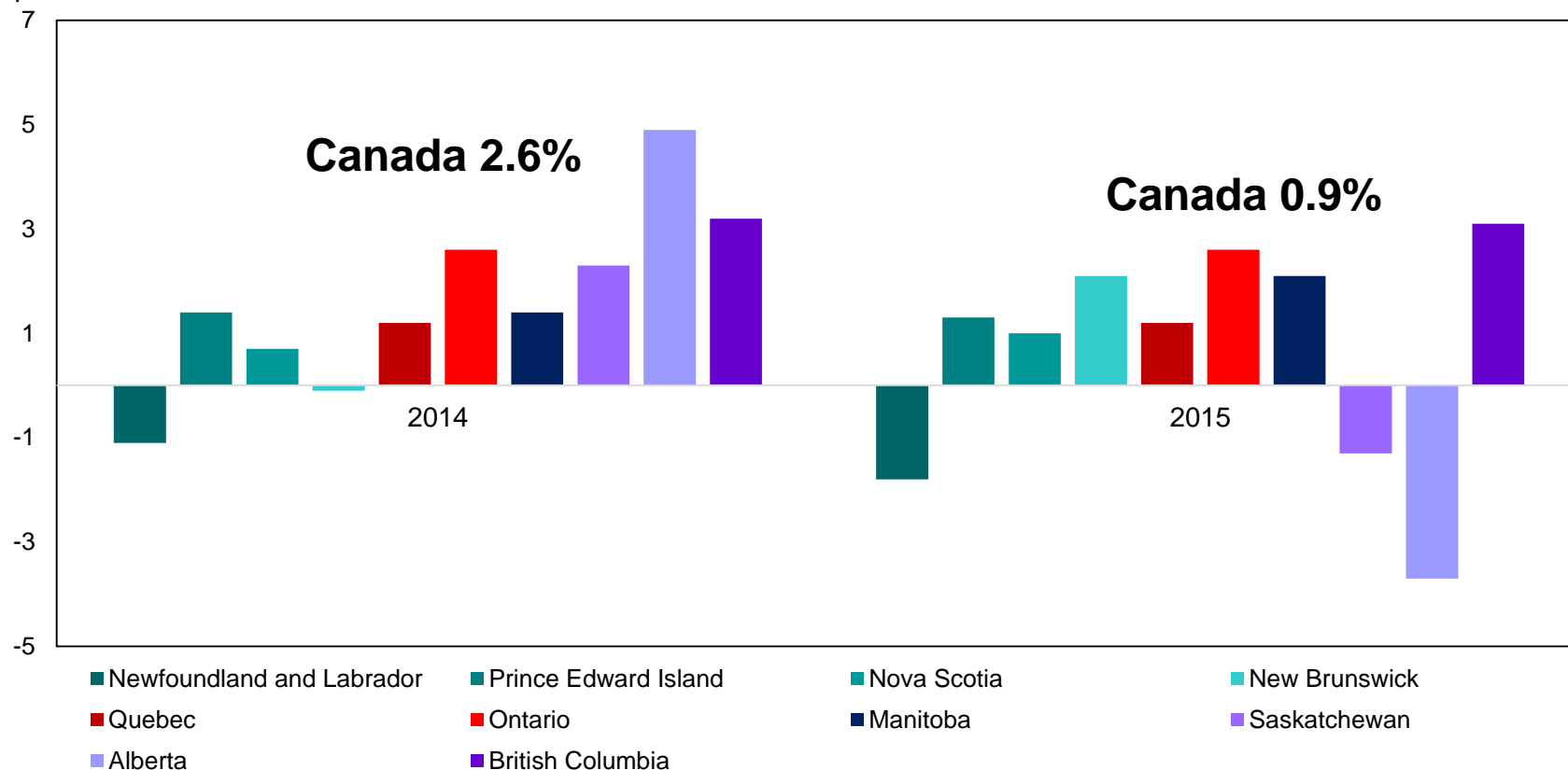


Source: Statistics Canada, CANSIM table 379-0031.

Which provinces experienced the sharpest declines in 2015?

Annual growth of real GDP by province, 2014 and 2015

percent



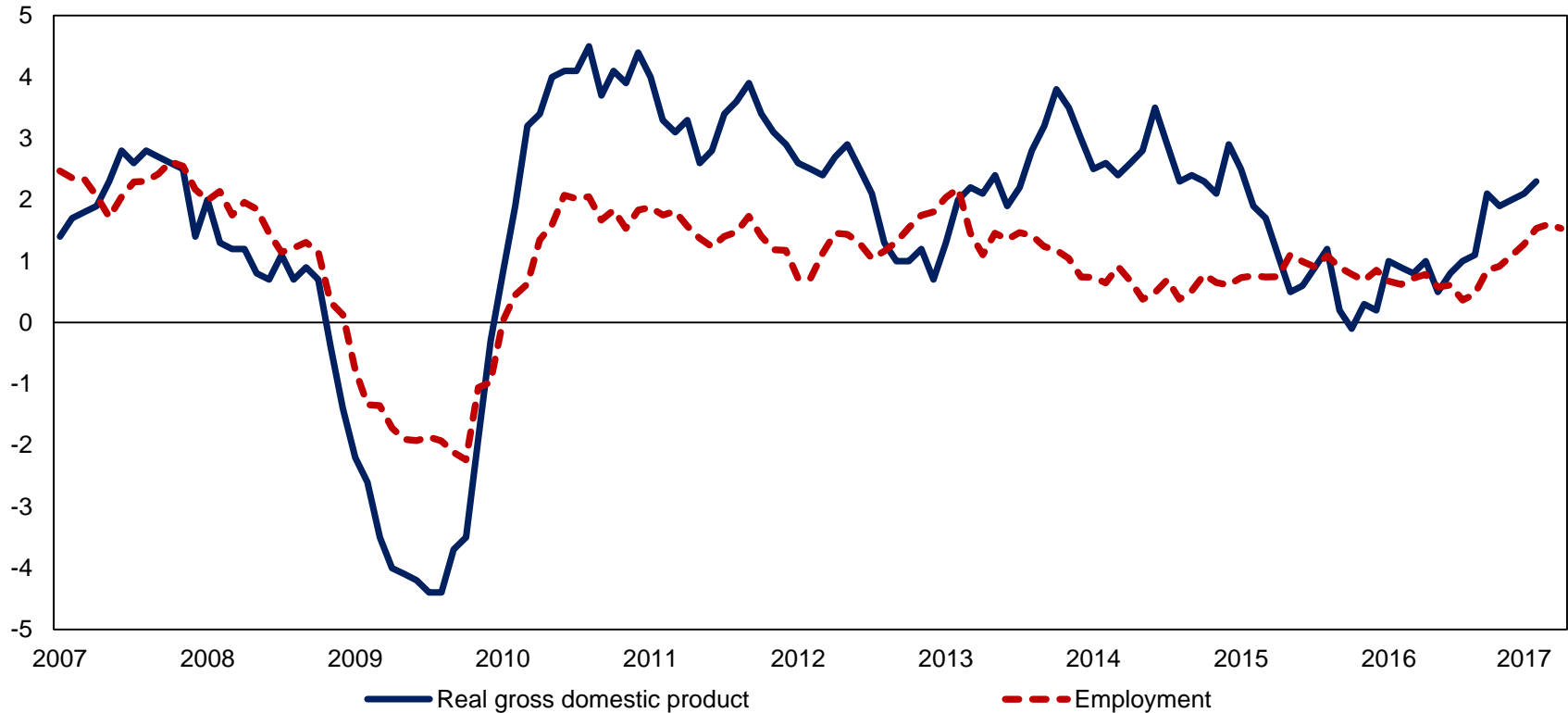
Sources: Statistics Canada, CANSIM tables 379-0030 and 379-0031.



How did employment adjust as output slowed in 2015 and 2016?

Real GDP and employment

year-over-year change (percent)



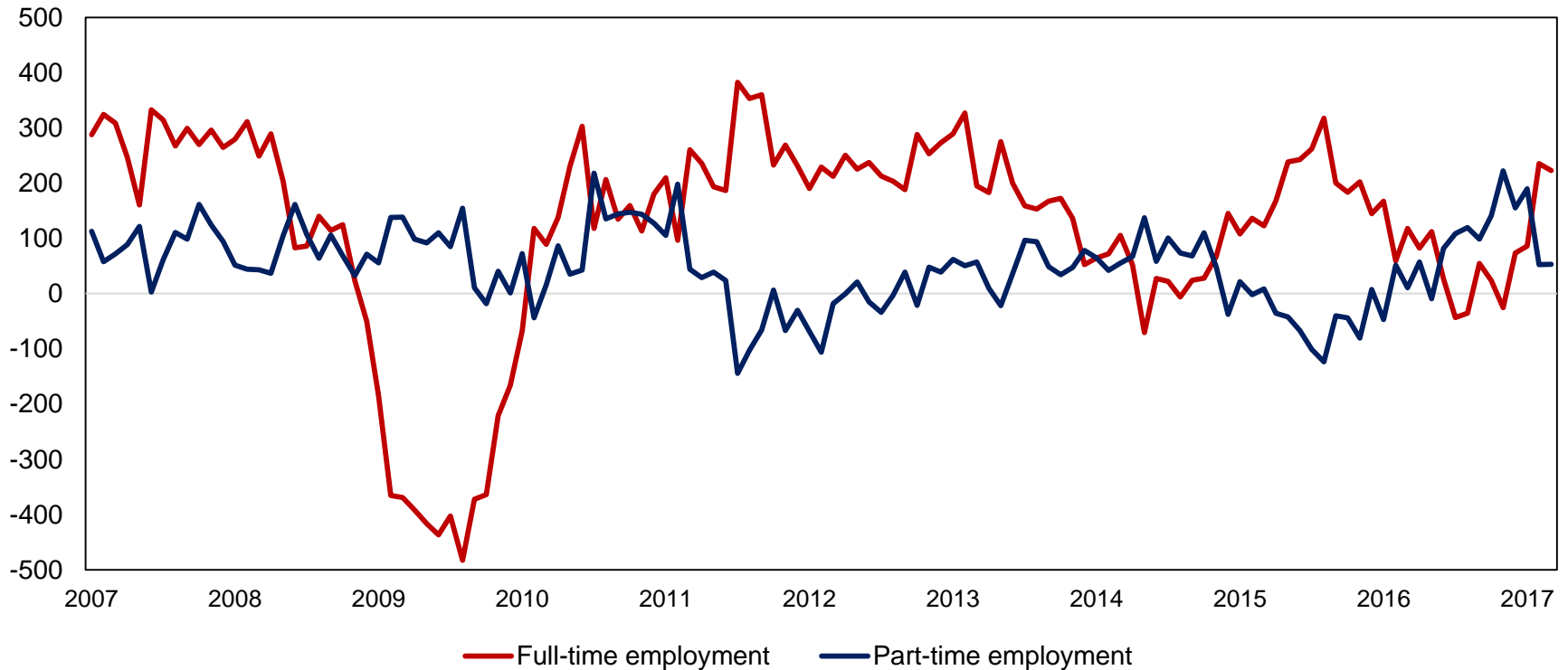
Sources: Statistics Canada, CANSIM tables 282-0087 and 379-0031.



How did the composition of employment growth adjust based on recent events?

Type of employment

year-over-year change (thousands of persons)



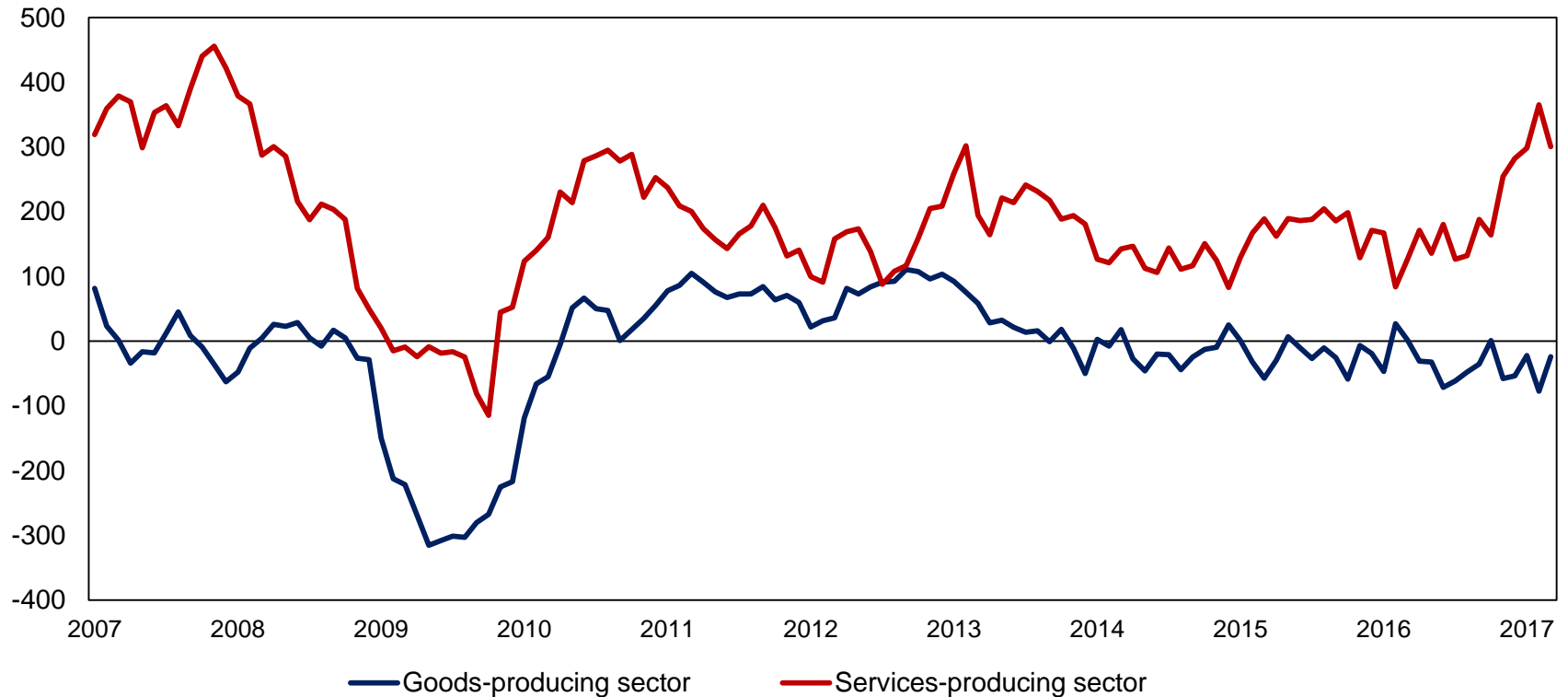
Source: Statistics Canada, CANSIM table 282-0087.



To what extent did gains in services offset employment declines in goods industries?

Employment in goods and services

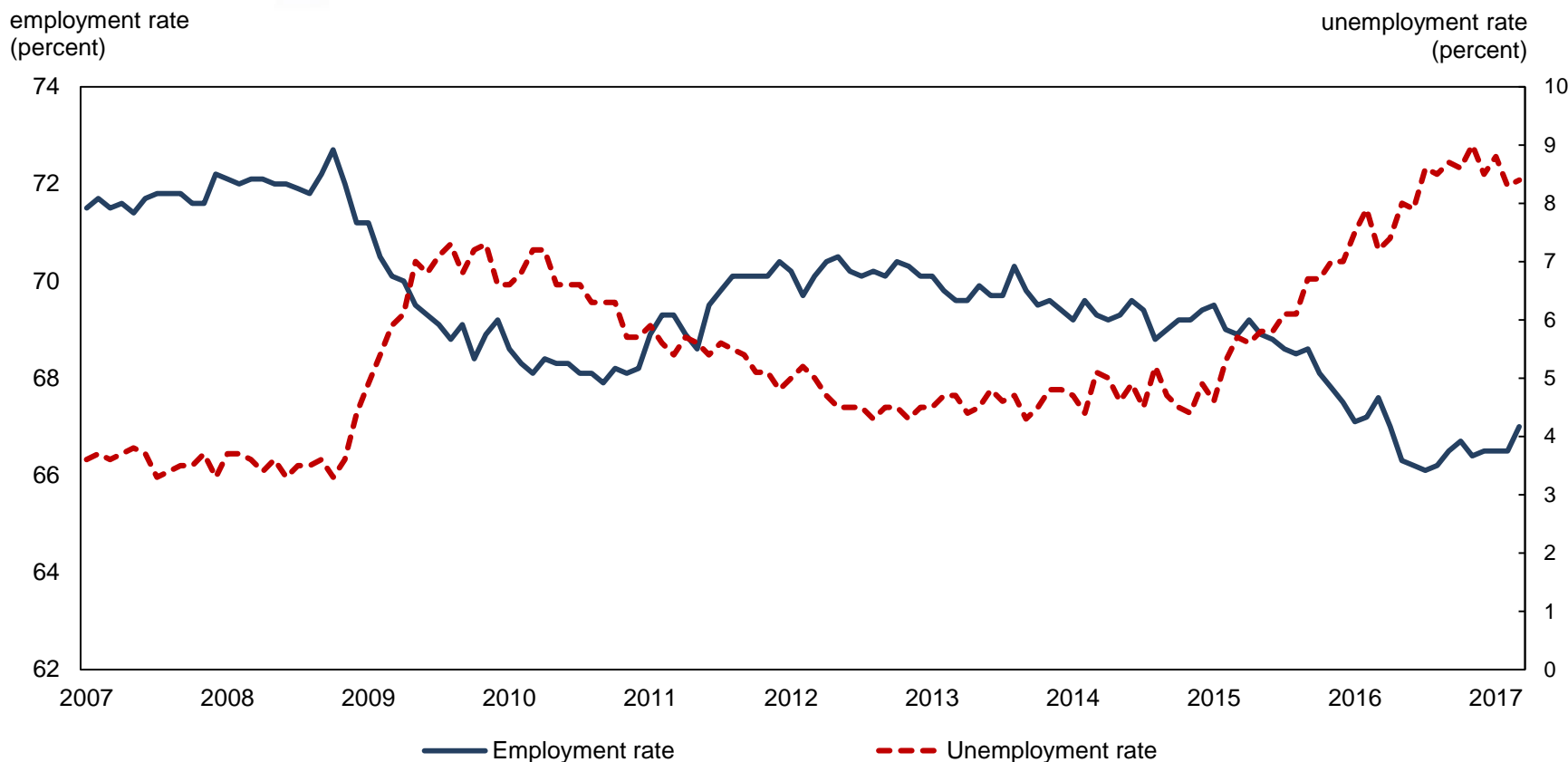
year-over-year change (thousands of persons)



Source: Statistics Canada. CANSIM table 282-0088.

How did the labour market in Alberta adjust to lower activity in oil and gas industries?

Employment and unemployment rates, Alberta



Source: Statistics Canada, CANSIM table 282-0087.

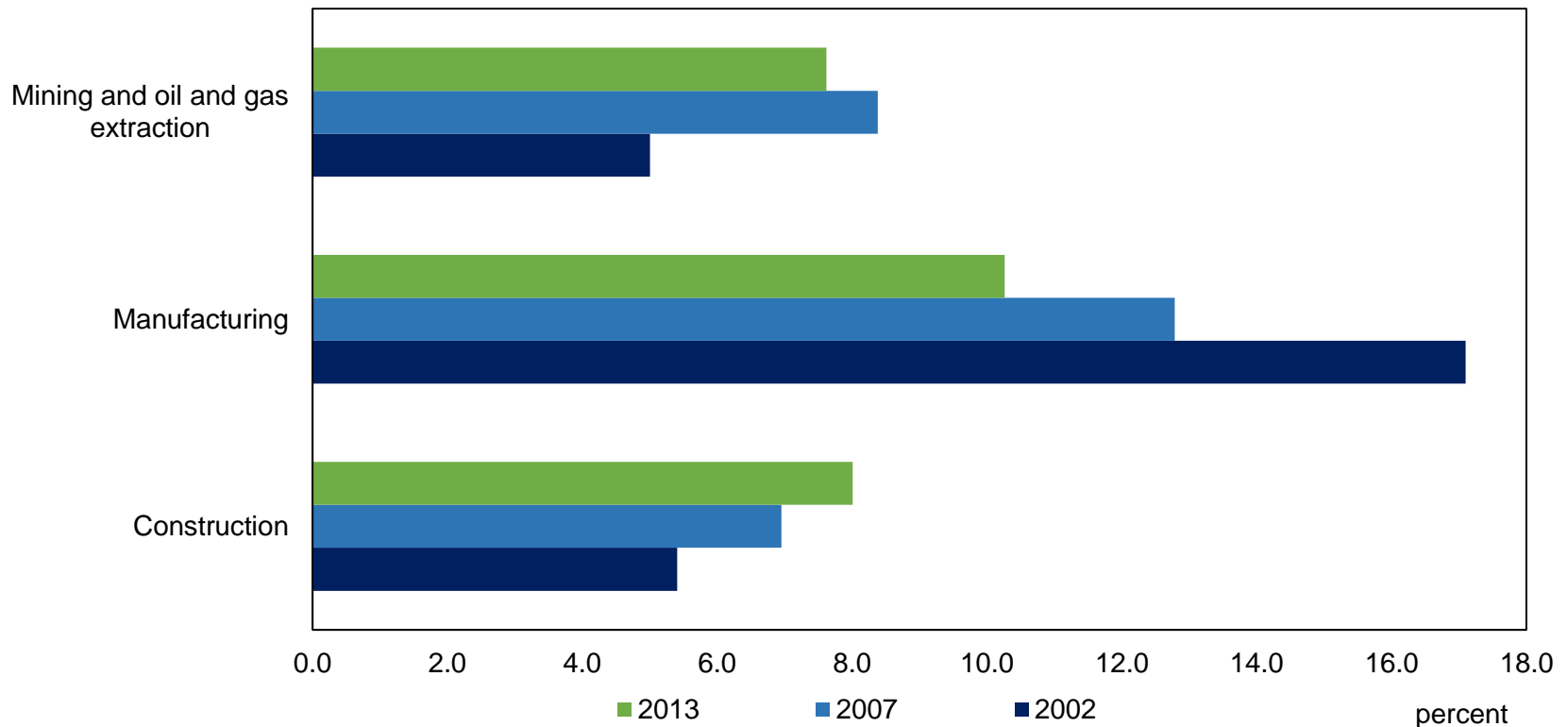


Topic 2

Impact of lower oil prices in current dollar terms

To what extent did Canada's industrial composition shift towards energy prior to the recent drop in oil prices?

Contribution to nominal GDP for selected industries

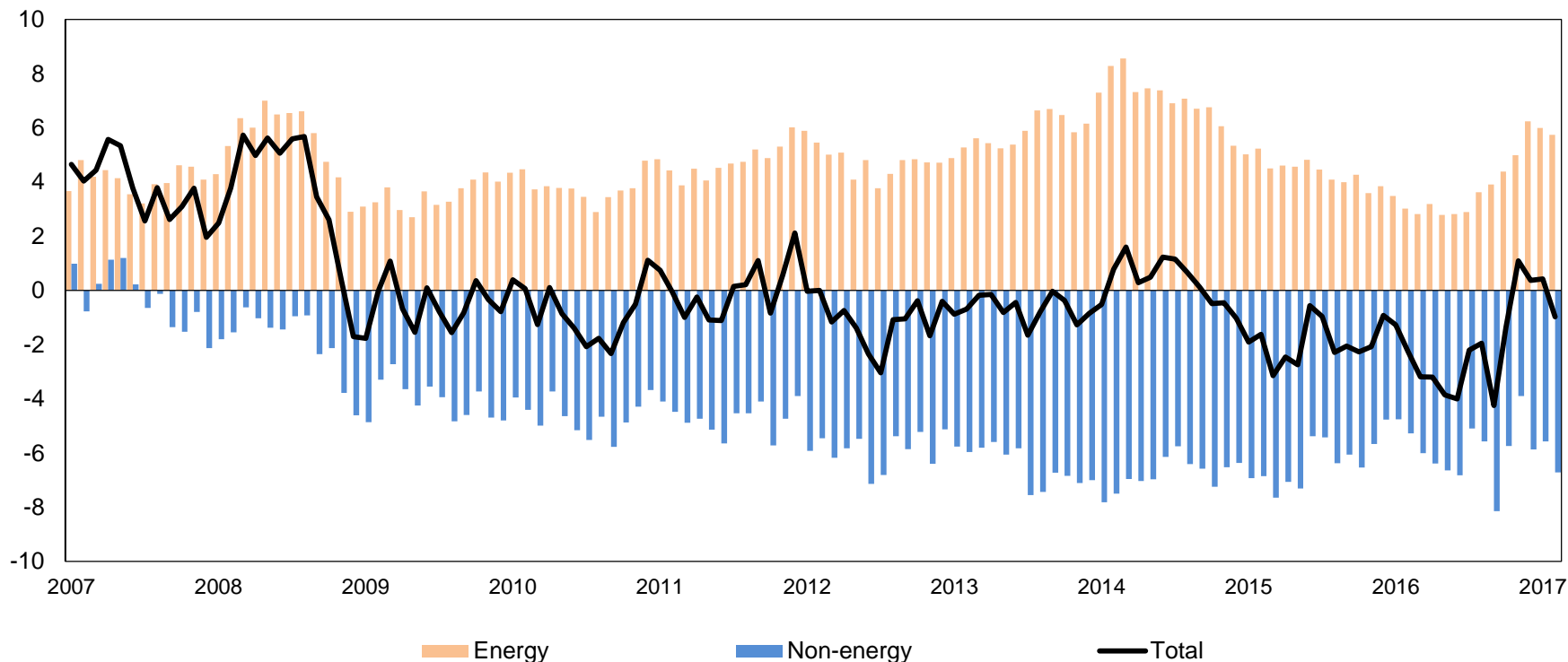


Sources: Author's calculations; Statistics Canada, CANSIM table 379-0029, 379-0024 and 379-0023.

How has Canada's trade balance been affected by the decline in oil prices?

Merchandise trade balance, energy and non-energy commodities

billions of dollars



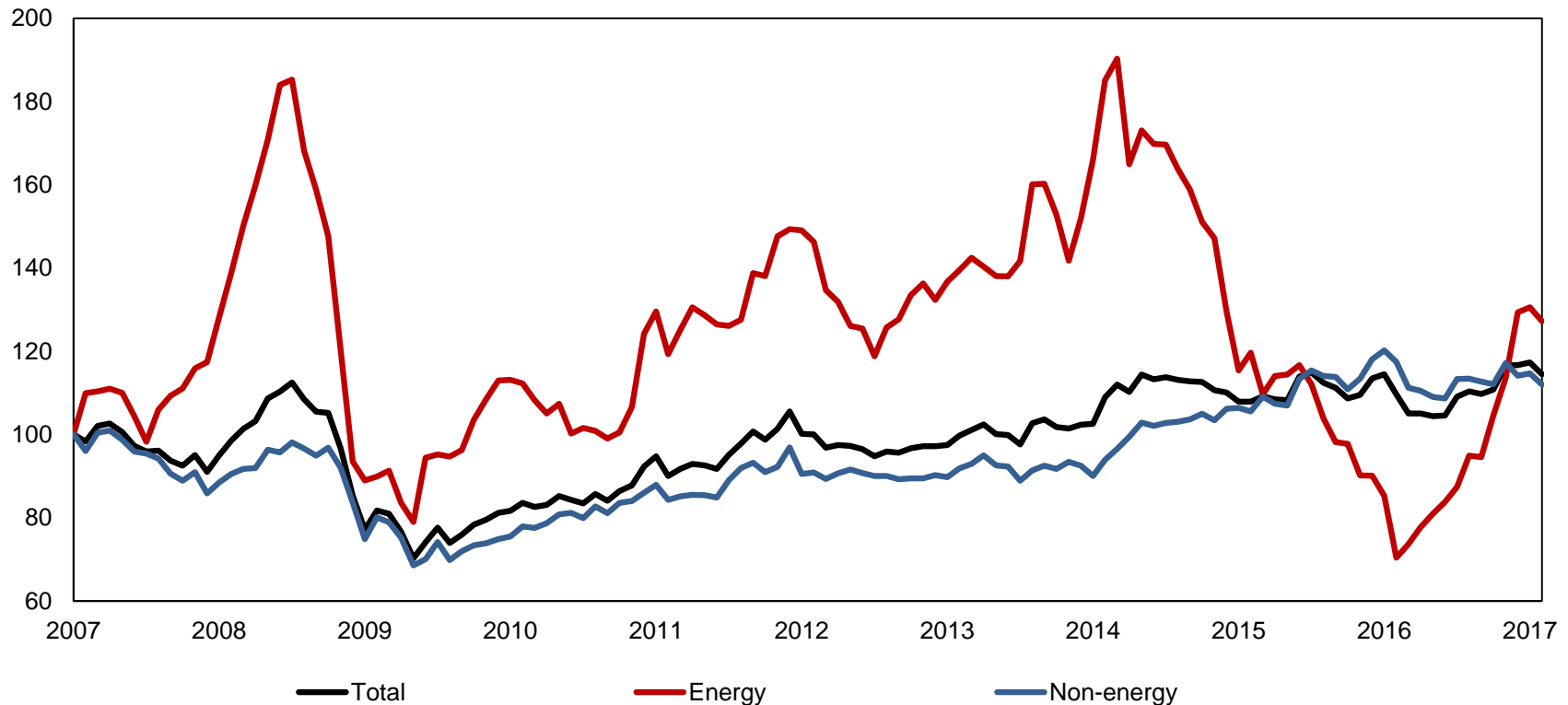
Source: Statistics Canada, CANSIM table 228-0059.



To what extent have non-energy exports offset the energy-related declines?

Merchandise exports by commodity group

index
(January 2007=100)



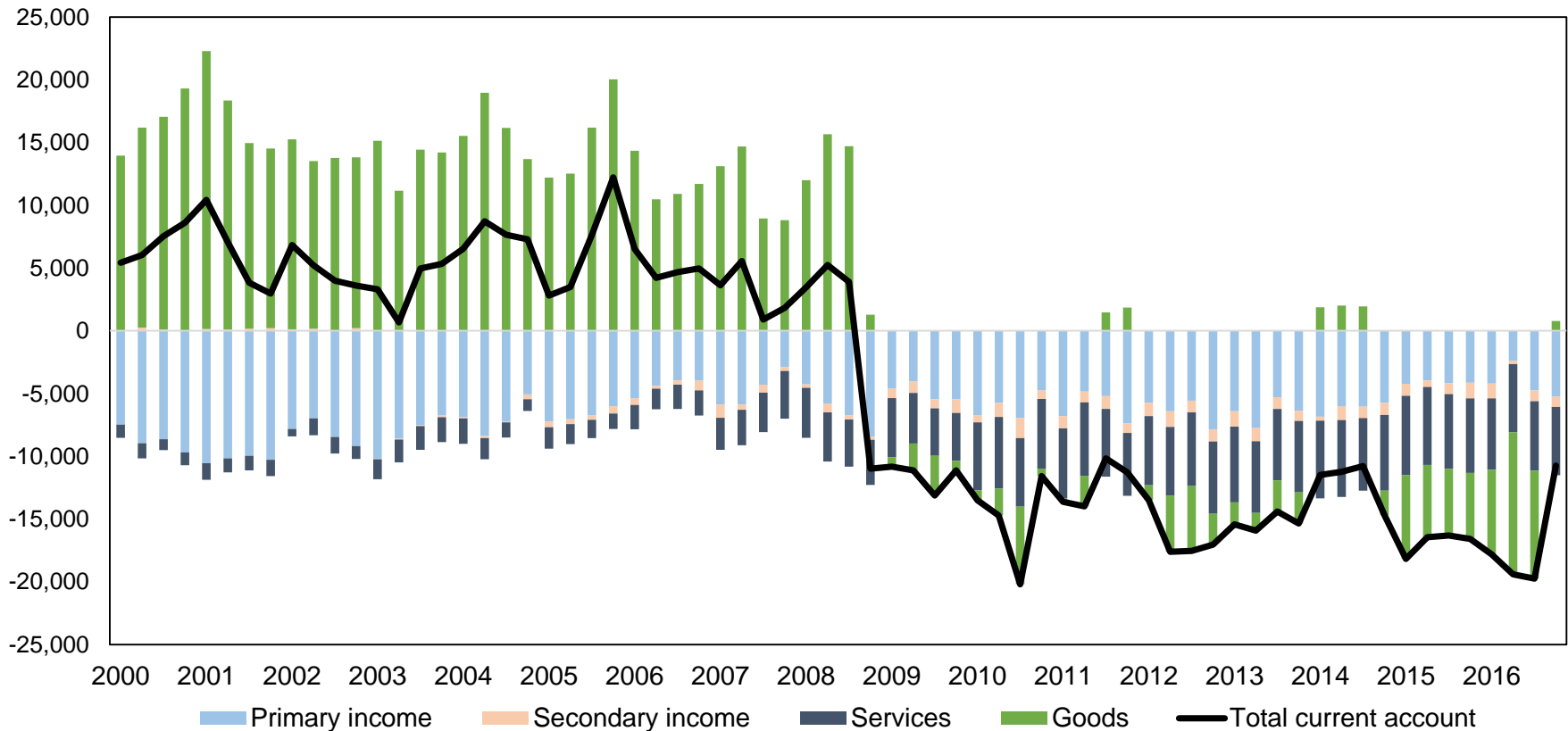
Source: Statistics Canada, CANSIM table 228-0059.



How did lower exports of energy products impact Canada's current account position?

Current account balances, by income source

millions of dollars

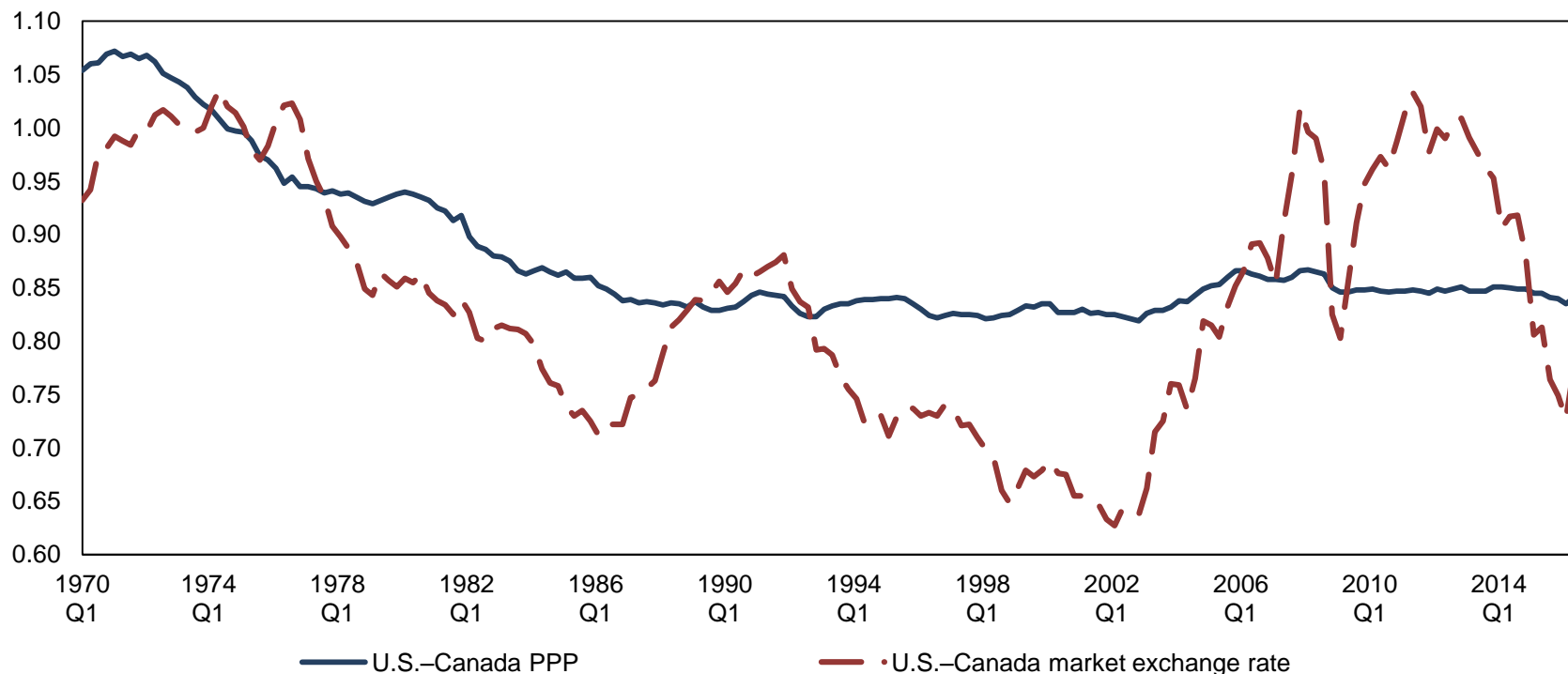


Source: Statistics Canada, CANSIM table 376-0105.

Has the weaker exchange rate led to a lower US-Canada purchasing power parity (PPP)?

Purchasing power parity versus exchange rate

US\$ per CAN\$



Note: PPP refers to purchasing power parity. Q refers to quarter.

Sources: Macdonald and Rispoli, *A Historical Perspective on Recent Movements in Canada's Purchasing Power Parity*; Statistics Canada, CANSIM table 176-0064.



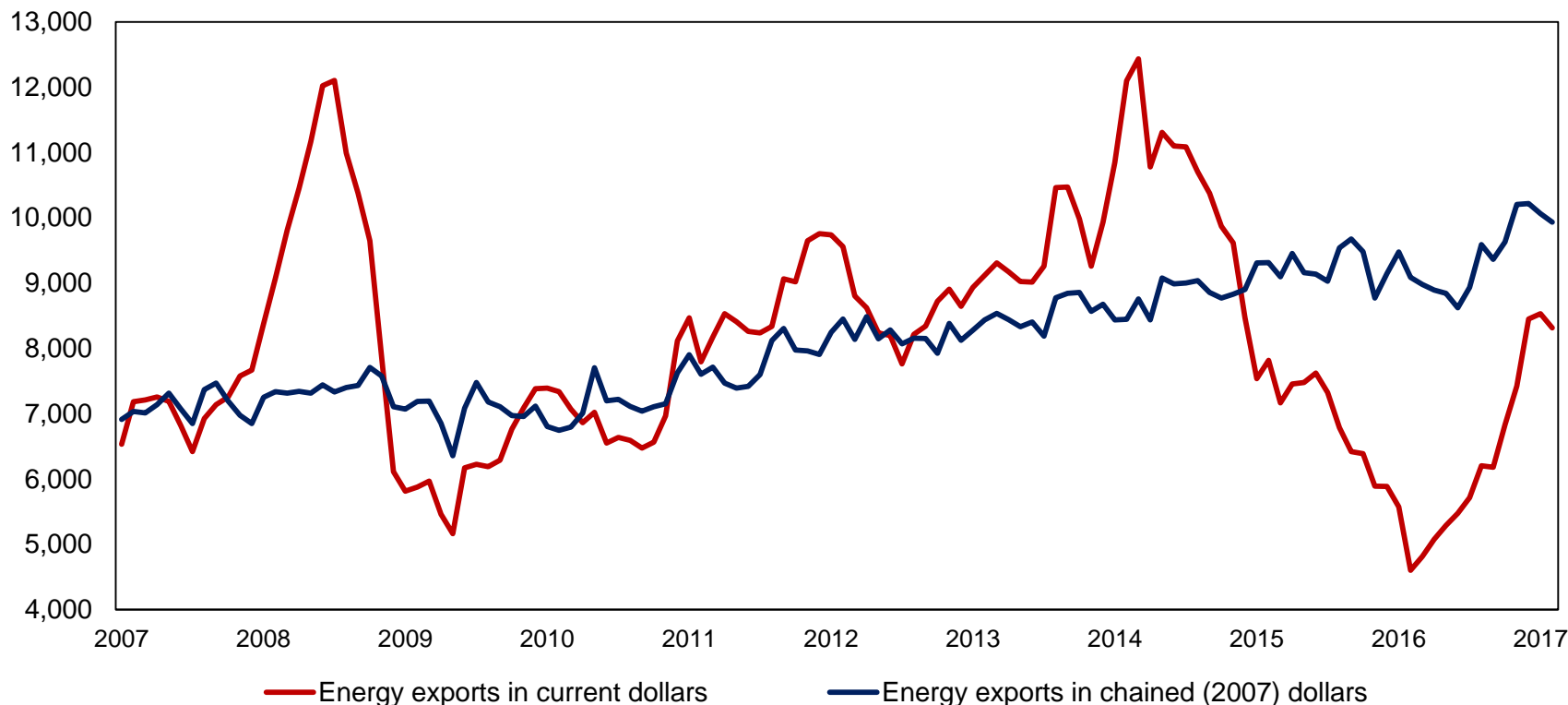
Topic 3

Impact of lower oil prices in volume terms

Have lower energy prices led to lower volumes of energy products exported?

Energy exports, in current and chained (2007) dollars

millions of dollars

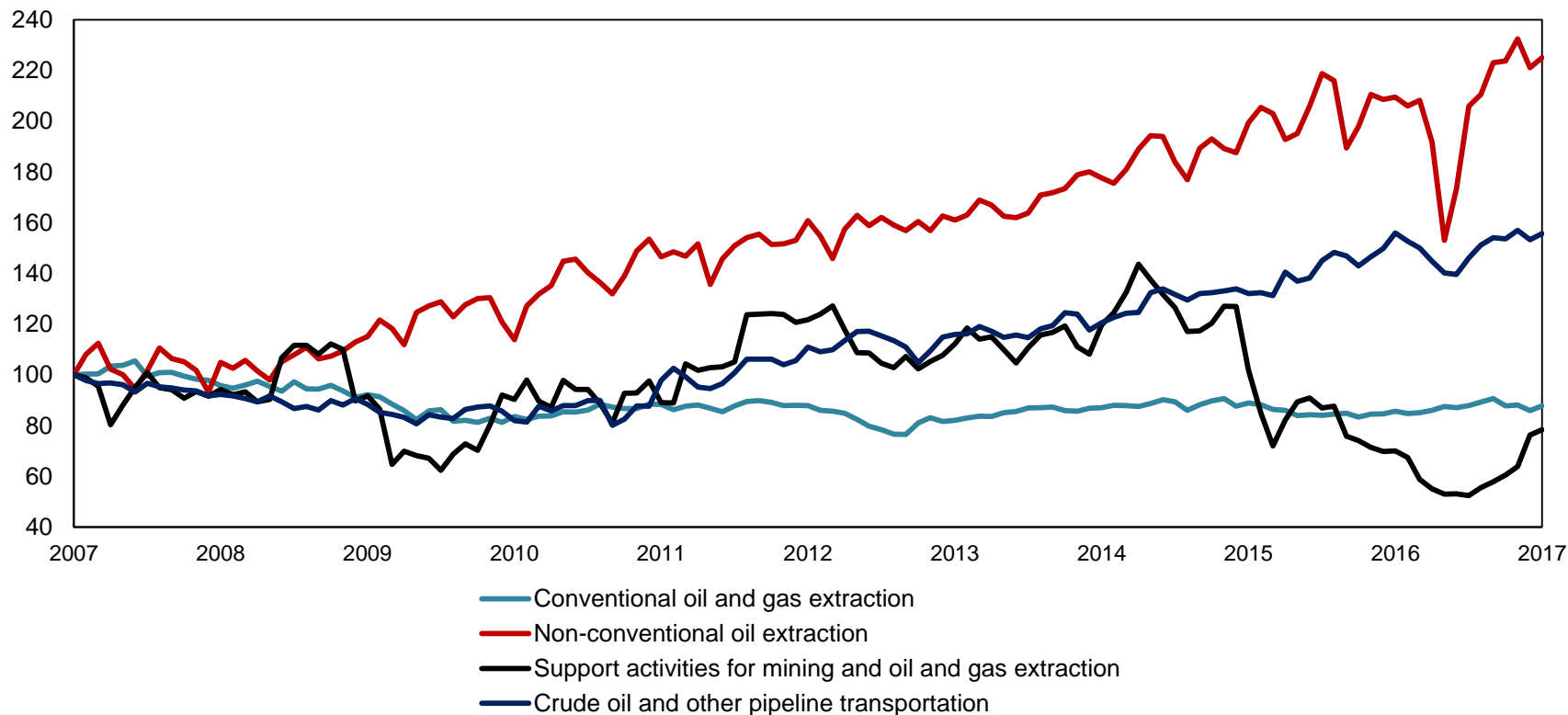


Sources: Statistics Canada, CANSIM 228-0059, 228-0061.

Which industries were affected by the decline in oil prices?

Real GDP, selected industries

index
(January 2007=100)



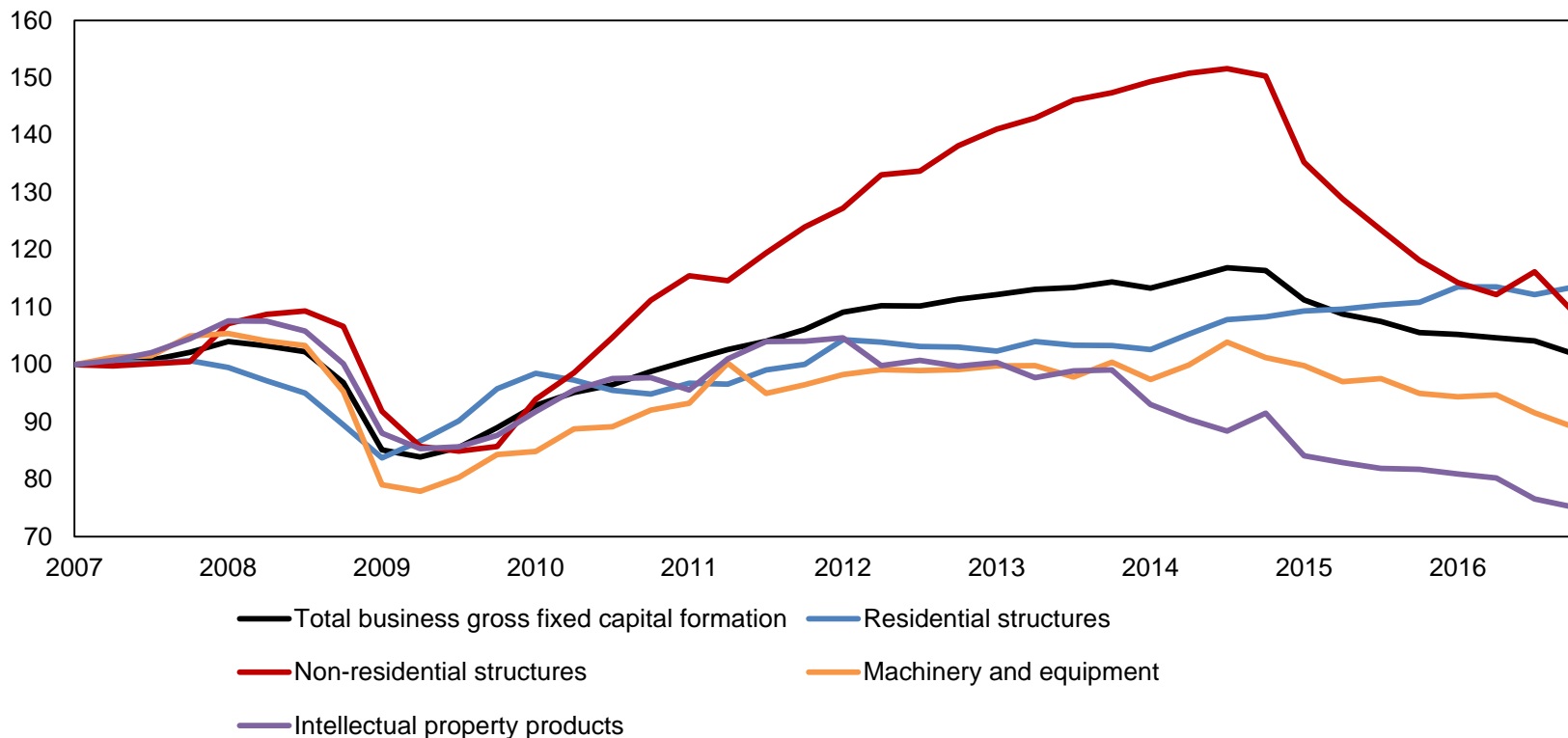
Source: Statistics Canada, CANSIM table 379-0031.



What type of investments contributed to lower output growth?

Business gross fixed capital formation

index
(Q1 2007=100)



Note: Q1=first quarter.

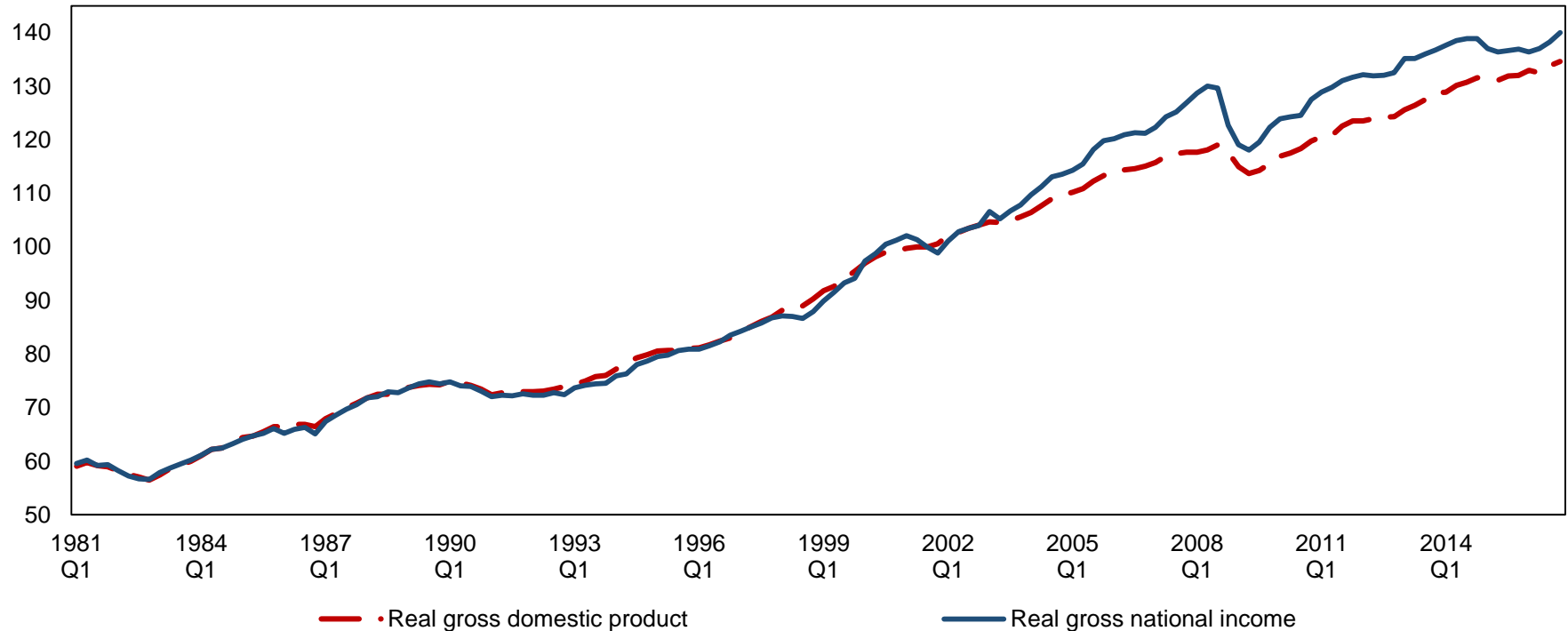
Source: Statistics Canada, CANSIM table 380-0068.



Have trends in real gross national income differed from those in real GDP given recent events?

Cumulative growth of real gross domestic product versus real gross national income

index (2001 Q3=100)



Note: Q3 stands for third quarter.

Source: Macdonald and Rispoli, *How big was the Effect of Falling Commodity Prices on Canadian Real Incomes between mid-2014 and mid-2016?*; Statistics Canada CANSIM table 380-0065.



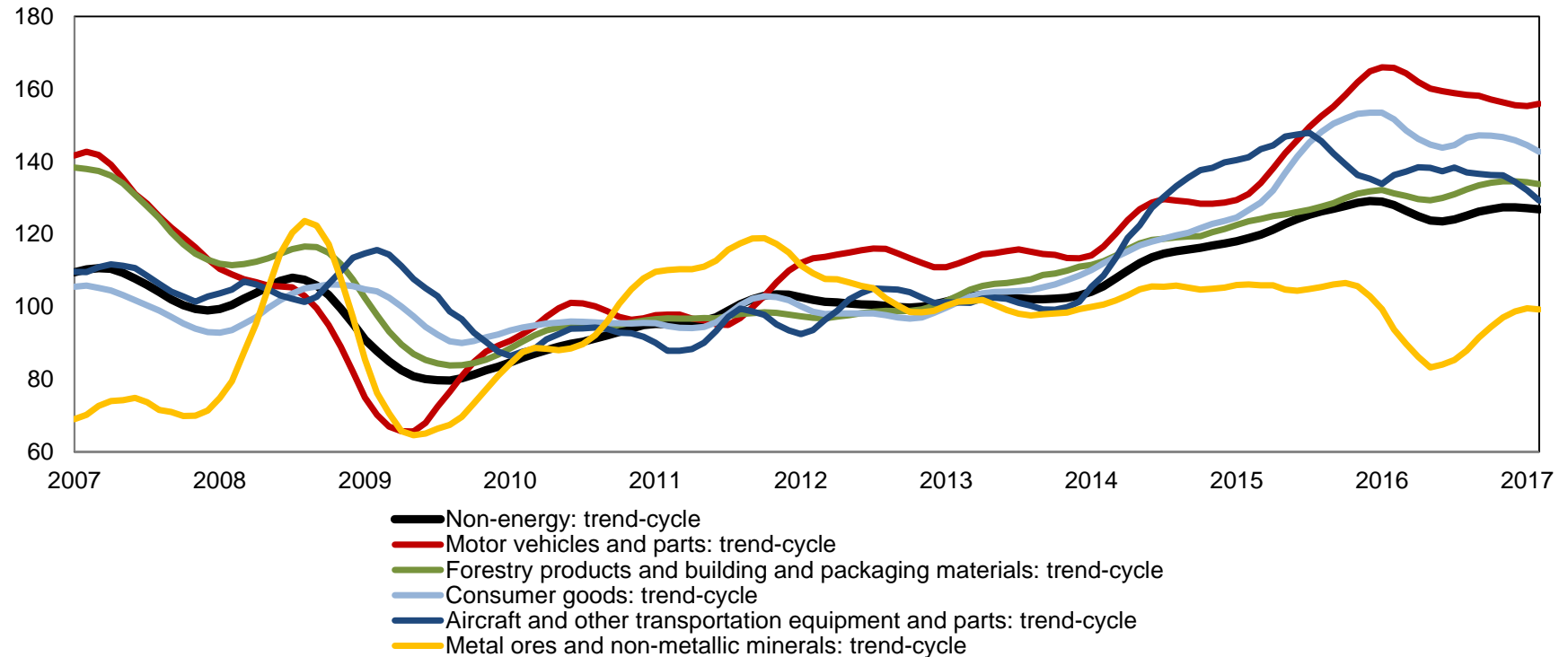
Topic 4

Impact of the weaker Canadian dollar on merchandise trade and manufacturing

Which commodity groups led non-energy trends in 2015 and 2016?

Exports, trend-cycle estimates, selected commodities

index (January 2013=100)



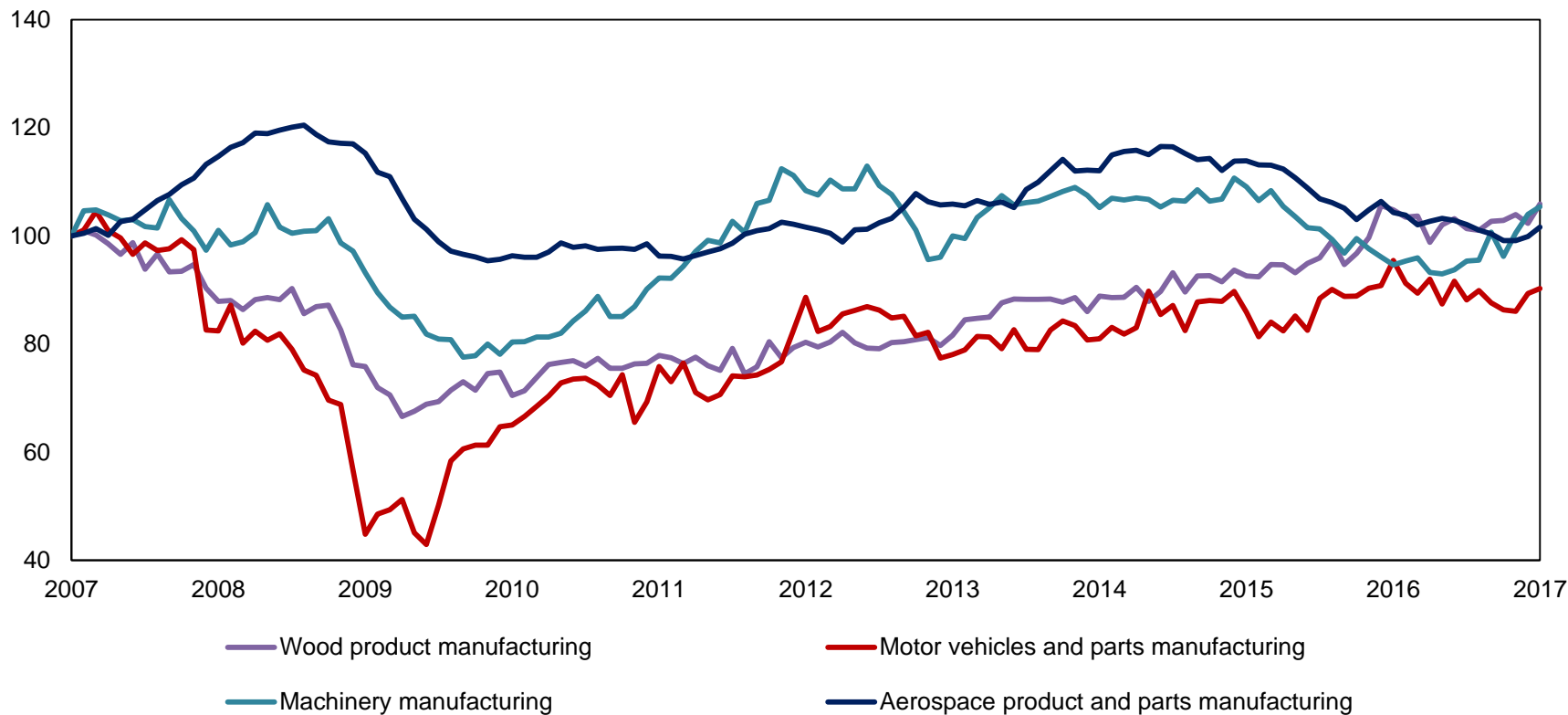
Source: Author's calculations, Statistics Canada, CANSIM table 228-0059.



Which manufacturing industries experienced growth in 2015 and 2016?

Real GDP, selected manufacturing industries

index (January 2007=100)

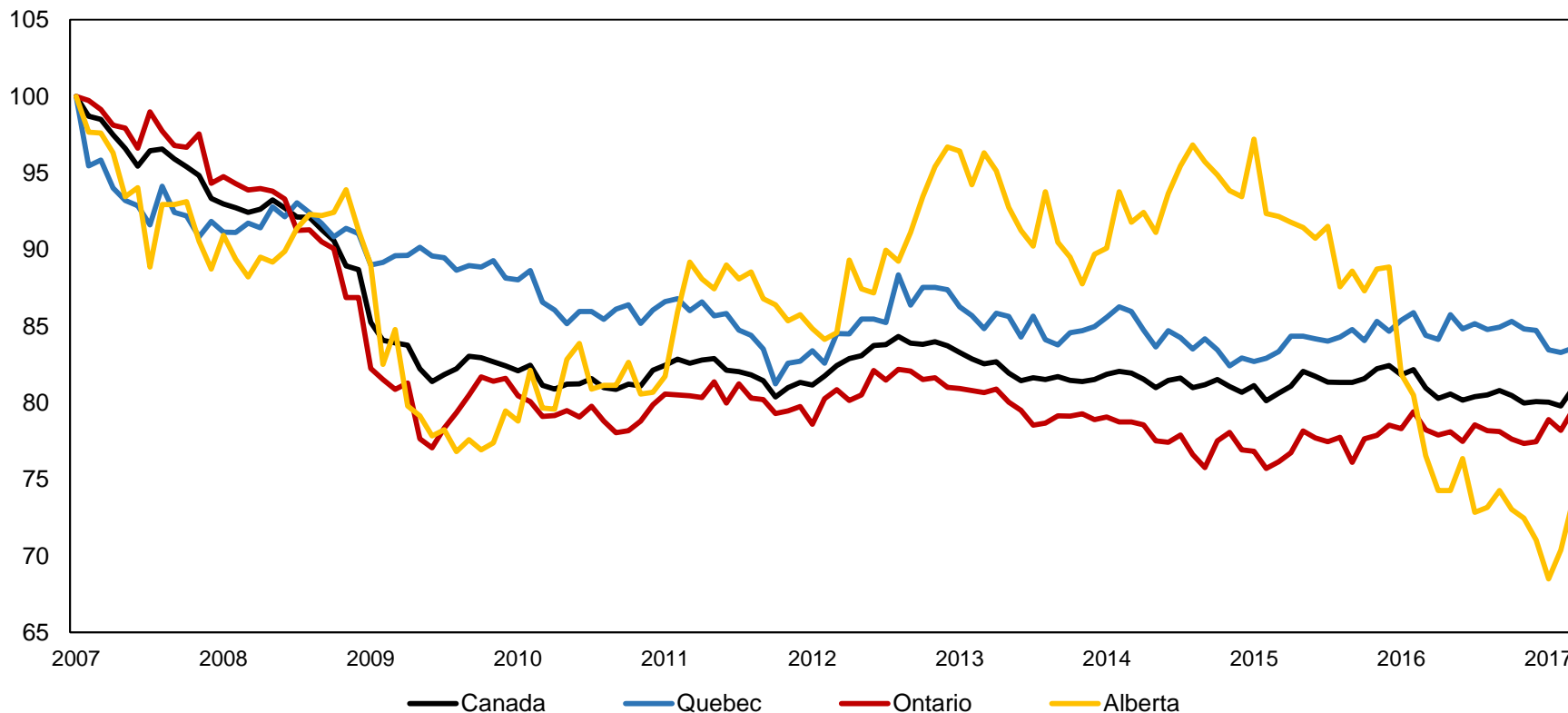


Source: Statistics Canada, CANSIM table 379-0031.

How has manufacturing employment adjusted given recent economic events?

Manufacturing employment, Canada and selected provinces

index (January 2007=100)



Source: Statistics Canada, CANSIM table 282-0088.

Recent developments in the Canadian economy

- Since oil prices started to decline in mid-2014, the pace of economic growth has slowed, reflecting lower business investment, while exports and household spending have continued to support growth.
- Non-energy exports have not offset energy-related declines.
- The composition of employment growth has changed, as full-time declines, concentrated in Alberta, have been more than offset by broad-based gains in part-time work in 2016. Full-time employment has increased in early 2017.
- Economic conditions in Alberta have changed markedly since mid-2014.

References

- Macdonald R., and L. Rispoli. 2016a. *A Historical Perspective on Recent Movements in Canada's Purchasing Power Parity*. Economic Insights, no. 065. Statistics Canada Catalogue no. 11-626X. Ottawa: Statistics Canada.
- Macdonald R., and L. Rispoli. 2016b. *How big was the Effect of Falling Commodity Prices on Canadian Real Incomes between mid-2014 and mid-2016?* Economic Insights, no. 066. Statistics Canada Catalogue no. 11-626X. Ottawa: Statistics Canada.
- OECD (Organisation for Economic Co-operation and Development). 2017. "Quarterly National Accounts: Gross domestic product – expenditure approach." OECD Quarterly National Accounts (database). Available at: <https://stats.oecd.org/Index.aspx?DataSetCode=qna> (accessed March 9, 2017).
- U.S. Energy Information Administration. 2017. "Cushing, OK, WTI Spot Price FOB Monthly." Spot Prices for Crude Oil and Petroleum Products (table). Available at: <https://www.eia.gov/opendata/qb.php?sdid=PET.RWTC.M> (accessed April 4, 2017).