

## Economic and Social Reports

# COVID-19: New data and analysis for monitoring Canada's economic recovery

by Guy Gellatly

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# ***COVID-19: New data and analysis for monitoring Canada's economic recovery***

by Guy Gellatly

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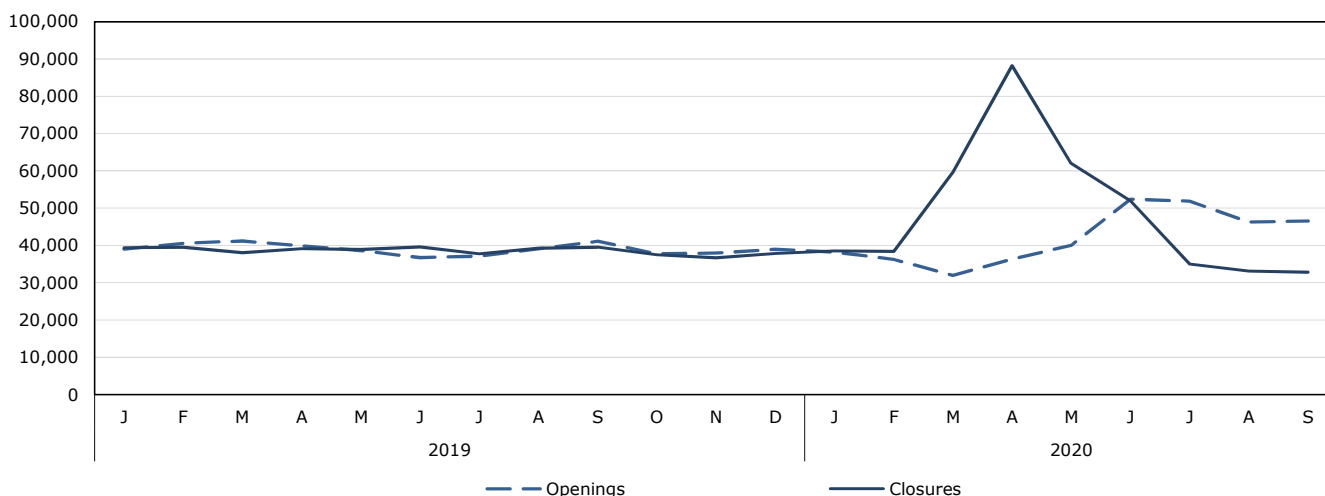
The pace of the economic recovery had begun to slow as tighter public health restrictions took effect in many parts of the country late in the year. After six months of gains, economy-wide output in October was about 4% below its pre-COVID level, while the number of Canadian workers impacted by COVID-19, either through employment losses or substantial reductions in hours worked, stood at 1.1 million. The offsetting movements in employment and hours worked during November and December left the number of Canadian workers affected by the economic shutdowns at 1.1 million heading into the new year.

The pandemic, as widely documented, has affected economic activity in a myriad of ways. Consumers adjusted their spending patterns toward home-related purchases as pandemic support programs bolstered household disposable income and saving. Businesses enhanced their digital capacity while employees transitioned to working from home. Firms downgraded their capital plans in light of heightened uncertainty. Export activity among small companies fell sharply as the near-term trade outlook remains uncertain in light of escalating COVID-19 case numbers in the U.S. and abroad. Examples of the pandemic's sudden and far-reaching impacts on economic activity—on work, consumption, saving, investment, earnings and wealth—are legion, and underscore the scope of the public health crisis.

Several new products introduced in recent months highlight the disruptive effects of the pandemic on Canadian businesses. The new monthly estimates of business openings and closures measure the amount short-run turbulence occurring in different economic sectors as businesses adjust to changes in COVID-related restrictions. These data underscore the sizable reductions in the number of active businesses in many sectors, owing to the large net closures observed during the initial lockdowns (Chart 1). By September, the number of active employer businesses in the business sector, despite four months of positive net openings (with openings exceeding closures), remained about 7% below pre-pandemic levels.

**Chart 1**  
**Monthly business openings and closures**

number of businesses



**Note:** Data are for business sector industries.

**Source:** Statistics Canada, Table 33-10-0270-01 Experimental estimates for business openings and closures for Canada, provinces and territories, census metropolitan areas, seasonally adjusted.

While data on openings and closures are designed to monitor short-run changes in business dynamics, the Canadian Survey on Business Conditions provides detailed guidance on the stressors facing specific business populations (including, in addition to traditional groupings such as industry, firm size and age, special tabulations on women-owned and visible-minority owned businesses).

The survey provides key forward-looking benchmarks on the challenges facing businesses as containment restrictions continue to evolve. As an example, the survey data collected from mid-September to late October, prior to the introduction of more restrictive measures late in the year, found that over 40% of businesses were unable to take on additional debt, a proportion that increased to 50% or more among businesses in arts and entertainment, other private services (which include personal services), and construction. The survey also found that small businesses were less able than large companies to take on more debt, highlighting the continued stress facing many smaller firms with thinner margins and limited financial reserves.

Businesses that responded to the survey also provided guidance on their expected resiliency in the event that revenue and expenditure levels remain largely unchanged. Overall, 30% of businesses were unable to report how long they could continue to operate at current revenue and expenditure levels, while 6% indicated that they were able to operate for less than three months. About 5% of businesses reported that they were actively considering bankruptcy or closure.

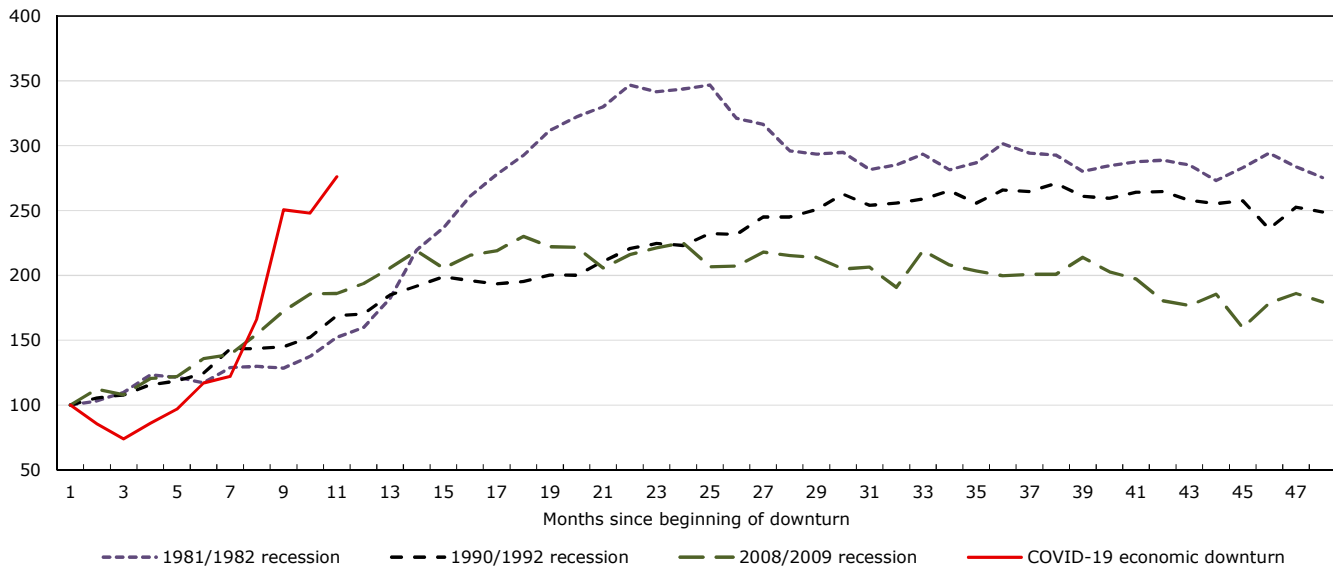
Since the onset of the pandemic, *The Daily* article that accompanies the release of new data from the Labour Force Survey has featured an extensive amount of supplementary analysis documenting how COVID-19 has impacted different segments of the labour market. Much of this analysis has highlighted the impacts of the pandemic on specific groups, including younger workers, women, working families, new Canadians, different ethno-cultural groups, and low-wage employees.

The monthly analysis of new labour force data also includes more in-depth information on how the dynamics of the labour market continue to change as the pandemic evolves. One recent example, featured in October's employment report, highlighted the sharp rise in the number of Canadians experiencing long-term unemployment—defined as unemployed individuals who have been looking for work or on temporary layoff for 27 weeks or more. Their numbers rose sharply in September and October

as many workers transitioned into long-term unemployment as a result of job losses in March and April. As of December, the number of long-term unemployed stood at 493,000, accounting for just over 28% of all unemployed individuals.

## Chart 2 Long-term unemployment

index of unemployed persons who have been searching for work or on temporary layoff for 27 weeks or more



**Notes:** Index begins in the month of peak employment immediately prior to each economic downturn. Data for the COVID-19 economic downturn are available for 11 months.

**Source:** Statistics Canada, Table 14-10-0342-01 Duration of unemployment, monthly, seasonally adjusted.

## Author

Guy Gellatly is with the Strategic Analysis, Publications and Training Division, Analytical Studies Branch, at Statistics Canada.

## Selected references

Data on business openings and closures for the September reference month is available at:

[The Daily — Monthly estimates of business openings and closures, September 2020](https://www150.statcan.gc.ca/n1/daily-quotidien/201224/dq201224c-eng.htm)

(<https://www150.statcan.gc.ca/n1/daily-quotidien/201224/dq201224c-eng.htm>).

A summary of recent results from the Canadian Survey on Business Conditions is available at:

[The Daily — Canadian Survey on Business Conditions](https://www150.statcan.gc.ca/n1/daily-quotidien/201113/dq201113a-eng.htm) (<https://www150.statcan.gc.ca/n1/daily-quotidien/201113/dq201113a-eng.htm>).

(<https://www150.statcan.gc.ca/n1/daily-quotidien/201113/dq201113a-eng.htm>).

A detailed presentation on the social, economic and health impacts of the pandemic is available at:

[The Social and Economic Impacts of COVID-19: A Six-Month Update](https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2020004-eng.htm)

(<https://www150.statcan.gc.ca/n1/pub/11-631-x/11-631-x2020004-eng.htm>).