

STATCAN COVID-19:
DATA TO INSIGHTS FOR A BETTER CANADA

**COVID-19 Impact Analysis and 2020 Outlook:
Commercial and Industrial Machinery and
Equipment Rental and Leasing Services Price Index**

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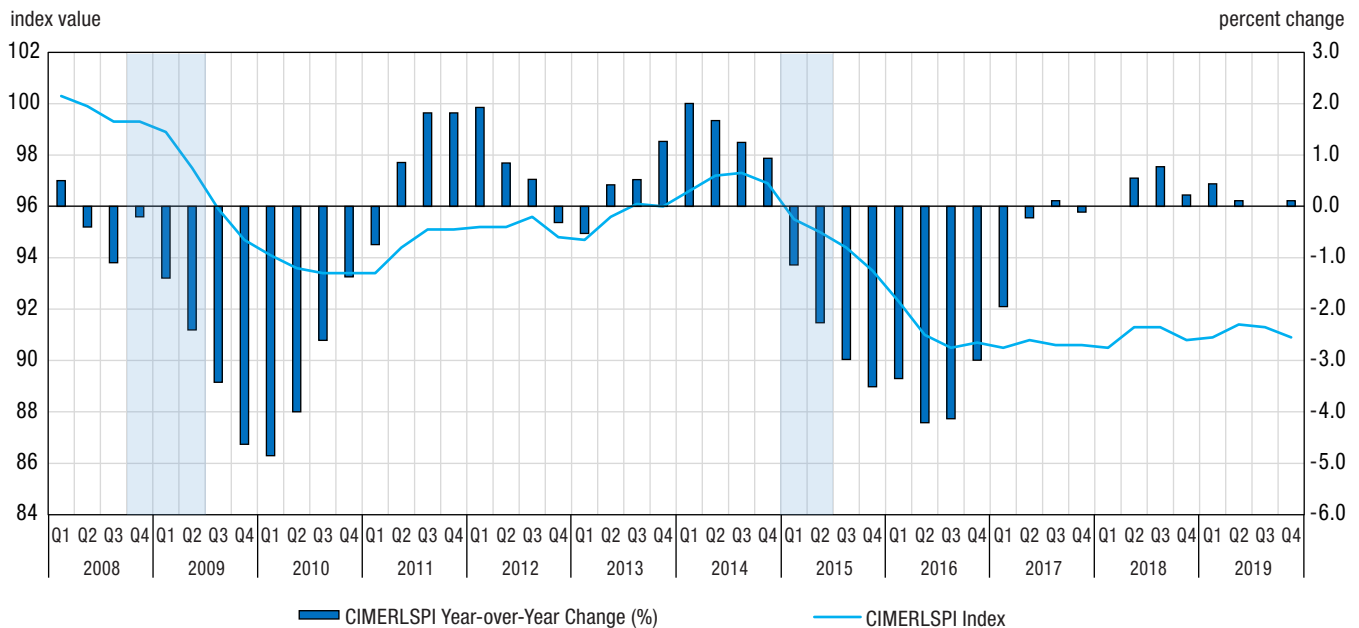
COVID-19 Impact Analysis and 2020 Outlook: Commercial and Industrial Machinery and Equipment Rental and Leasing Services Price Index

Highlights

- CIMERLSPI's movements are cyclical and significantly impacted by crude oil prices and show longer recovery times after economic impacts are observed.
- CIMERLSPI is estimated to show an overall decrease in 2020 and with a long term recovery beyond 2020.

CIMERLSPI measures the change in price of the commercial and industrial machinery and equipment rental and leasing services for the construction, transportation, mining and forestry (NAICS 53241), office (NAICS 53242), and other commercial and industrial machinery and equipment (NAICS 53249) industries.

Chart 1
CIMERLSPI Index and Year-over-Year change (%)



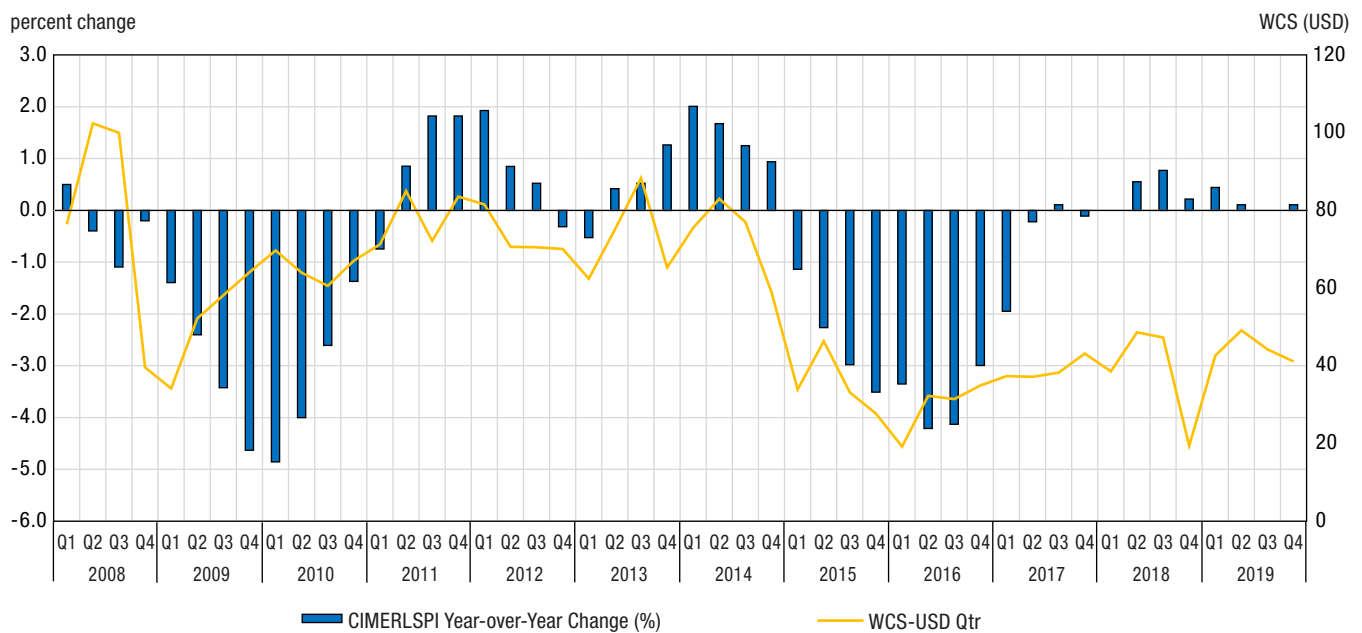
Note: The shaded areas represent the 2008 to 2009 recession (from Q4 2008 to Q2 2009) and the 2015 recession (Q1 2015 to Q2 2015).
Source: Statistics Canada, Table 18-10-0064-01, Commercial and industrial machinery and equipment rental and leasing services price index, quarterly.

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CIMERLSPI movements are cyclical and show response to economic events, however the index takes several quarters to recover after downturns. Prices for crude oil, natural gas, mining products and other natural resources impact demand for equipment, therefore the commodity price influences the equipment requirements and thus rental pricing. Given the relative importance of the construction and heavy equipment rental industry (NAICS 53241) within the index, commodity prices, such as crude oil prices, can be used to help estimate CIMERLSPI trends.

As observed during declining crude oil and other commodity prices during the 2009 and 2015 recessions caused downturns in heavy equipment rental/leasing industry activity. Rental and leasing client companies, primarily in downstream construction, transportation, mining, and forestry market were affected, witnessing an overall decrease in activity. The 2015 recession, in particular, significantly impacted the heavy equipment rental industry (NAICS 53241) as many equipment clients are in oil production, which experienced slow recovery as crude oil and petroleum markets started to pick up on demand.

Chart 2
CIMERLSPI Year-over-Year (%) vs WCS Oil Prices (USD)



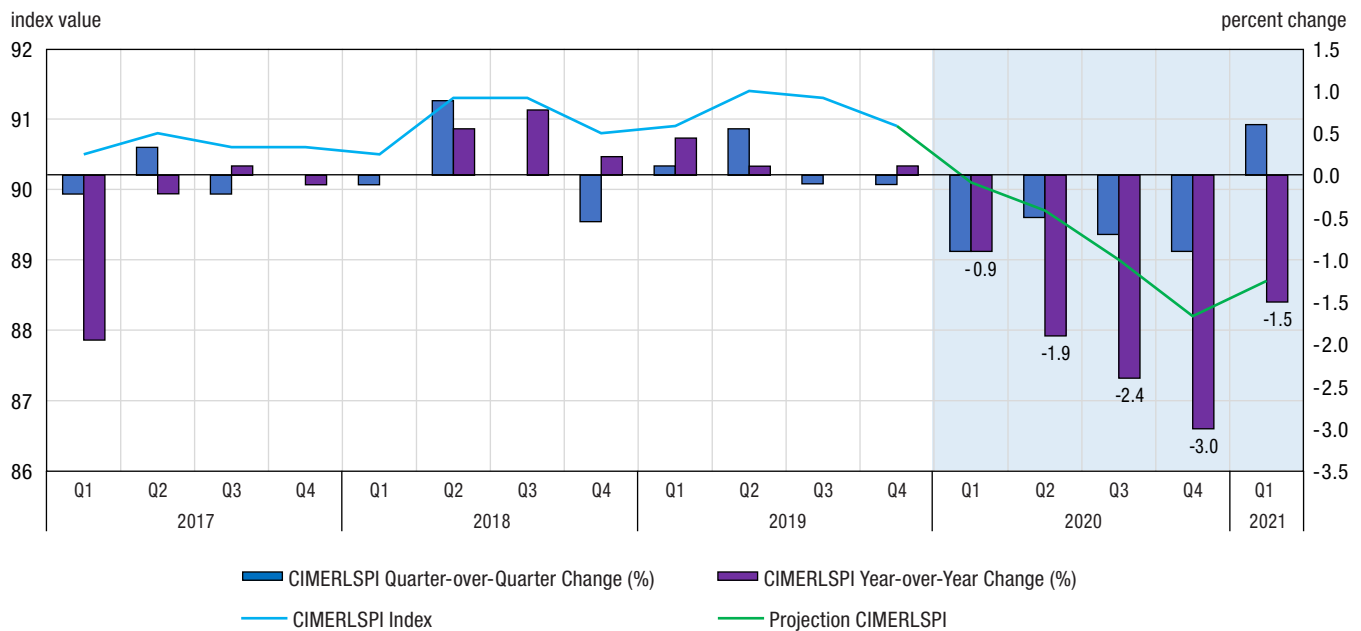
Source: Statistics Canada, Table 18-10-0064-01, Commercial and industrial machinery and equipment rental and leasing services price index, quarterly & Alberta Provincial Government, Oil Prices Price per barrel of WCS oil in US dollars. <https://economicdashboard.alberta.ca/OilPrice>

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To obtain the CIMERLSPI index projections for 2020, an initial comparison from the year-over-year percentage change of both CIMERLSPI and Western Canadian Select (WCS) crude oil prices from previous downturns. Using this comparison as a benchmark, CIMERLSPI 2020 year-over-year percentage change was estimated using 2020 WCS projected (GLJ Petroleum Consulting¹) year-over-year percentage change. Based on the CIMERLSPI 2020 year-over-year percent change the index value was calculated.

Decreases in oil prices at the beginning of 2020 combined with a projected slow recovery (based on the forecasting by GLJ Petroleum Consulting²), will be reflected in CIMERLSPI by an overall decrease in 2020 and with a long term recovery beyond 2020, as seen in prior oil price downturns. From the first quarter of 2020 going forward, CIMERLSPI is expected to decrease year-over-year (-0.9% to -3.0%). Also for quarter over-quarter the index is also expected to decrease in 2020 for all quarters and begin to recover in the first quarter of 2021.

Chart 3
CIMERLSPI Projection 2020 Q1 to 2021 Q1: Index (L), QQ% (R), YY% (R)



Note: CIMERLSPI projection starts Q1 2020.
Source: Statistics Canada, Table 18-10-0064-01, Commercial and industrial machinery and equipment rental and leasing services price index, quarterly.

1. GLJ Petroleum Consulting, <https://www.gljpc.com/>, projections last updated from July 7th 2020
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