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Impacts of COVID-19 on Selected Sectors of Canada's Economy

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(Disponibile en français : [Impacts de la COVID-19 sur certains secteurs de l'économie canadienne](#))

The COVID-19 pandemic is having a major impact on Canada's economy as a whole. Some industries have been particularly affected or will take a long time to return to normal.

Risk Factors

The following factors explain not only the extent of the negative effects on a given industry, such as job losses and bankruptcies, but also the speed of any recovery. Some of these include:

- **The nature of the production process** – Does producing the good or delivering the service require employees to be close together? Are the processes primarily automated?
- **Demand for products and services** – Demand drops for products and services considered non-essential when most Canadians stay home. Provincial governments determine whether or not each industry is essential.
- **Proximity to others when providing goods or services** – Most cultural, sports and educational activities have been cancelled due to the proximity of participants in the

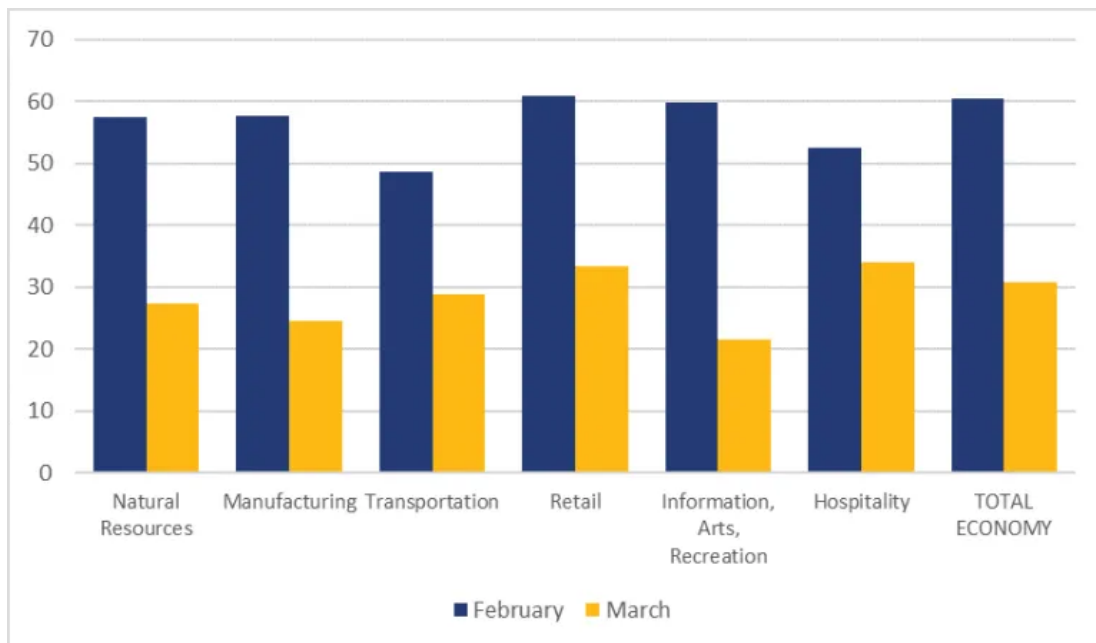
delivery of the good or service. This was also the case for several other business activities (e.g., esthetics, restaurants).

- **Worker availability** – Many people have had to self-isolate in order to protect their health or care for a child. As well, most seniors have limited their activities as they are at greater risk of complications if they contract the virus. As a result, the voluntary sector has been understaffed.
- **Vulnerability of businesses in the industry** – Some sectors of Canada’s economy are made up of a larger share of small and medium-sized enterprises (SMEs), which may not have the cash flow to offset significant revenue losses over a prolonged period.

Sectors at Risk

The Business Barometer, the Canadian Federation of Independent Business’s index of levels of confidence among SMEs, fell from 60.5 in February 2020 to 30.8 in March. The index is based on SME owners’ outlook on the health of their business for the coming year. As shown in Figure 1, the drop in confidence has been more pronounced in certain sectors.

Figure 1 – Business Barometer, Selected Sectors, 2020



Source: Figure prepared by the authors using data obtained from the Canadian Federation of Independent Business, *Business Barometer – March 2020*. Accessed 26 March 2020.

The six sectors presented in Table 1 account for approximately 29% of employment and 25% of output in Canada’s entire economy.

Table 1 – Employment and Output in Canada, Selected Sectors

| Sector | Employment | | Output | |
|------------------------------------|------------------|------------|---------------|------------|
| | Jobs (thousands) | % of total | (\$ billions) | % of total |
| Accommodation and food services | 1,320 | 7.9 | 45.2 | 2.3 |
| Arts, entertainment and recreation | 356 | 2.1 | 21.3 | 1.1 |
| Transportation* | 226 | 1.4 | 39.7 | 2.0 |
| Retail trade** | 1,280 | 7.7 | 72.2 | 3.6 |
| Manufacturing | 1,553 | 9.3 | 199.2 | 10.0 |
| Oil and gas extraction | 56 | 0.3 | 109.8 | 5.5 |
| Total selected sectors | 4,791 | 28.7 | 487.4 | 24.5 |
| Canada's economy as a whole | 16,623 | 100.0 | 1,985.3 | 100.0 |

* Includes mainly passenger transportation other than urban transit.

** Excludes food stores and health and personal care stores.

Source: Table prepared by the authors using data obtained from Statistics Canada, [Table 14-10-0202-01 – Employment by industry, annual](#), and [Table 36-10-0434-02 – Gross domestic product \(GDP\) at basic prices, by industry, monthly, growth rates \(x 1,000,000\)](#). Accessed 20 March 2020.

Accommodation and Food Services

A Restaurants Canada survey of food service companies across the country shows that many are considering permanent closure in the wake of COVID-19. According to the [Hotel Association of Canada](#), as of 21 March 2020 hotel occupancy was less than 10% across the country. According to [data](#) from the Tourism Industry Association of Canada, the tourism sector could lose up to \$6 billion per month during the pandemic and nearly 778,000 jobs in total. However, domestic tourism spending by Canadians accounts for 80% of the economic activity of tourism in Canada and this could increase if Canadians spend their summer holidays in Canada after the pandemic.

Arts, Entertainment and Recreation

The cancellation or postponement of many events in the cultural sector has had an impact on workers and several related tourism sectors. For example, Saskatoon Tourism estimated the economic impact of the Juno Awards at \$9 million before they were cancelled in March 2020. The Banff Centre for Arts and Creativity and the Winnipeg Symphony Orchestra laid off 400 and 100 employees, respectively.

Transportation

Airlines – and the companies that serve them – have laid off thousands of employees. As well, some taxi companies have seen their ridership drop by nearly 75% since the beginning of the pandemic. However, road transportation is under a lot of pressure: truckers are considered essential workers during the crisis and continue to deliver freight between Canada and the United States. There has also been a significant increase in deliveries of online orders of all kinds.

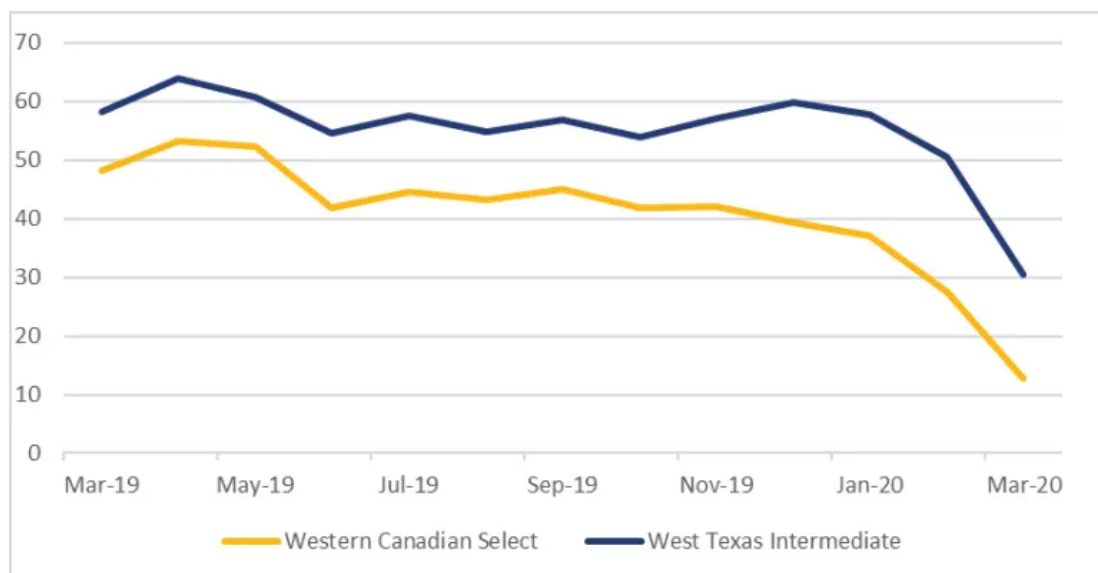
Retail Trade

Grocery stores have been overwhelmed as consumers are stocking up more and eating out less. For other businesses, many purchases are not being made because they are being put off or will never happen. In some cases, online shopping is seeing stronger growth.

Oil and Gas Extraction

The price of oil has fallen significantly, as shown in Figure 2. The decline in prices is attributable to a decrease in demand for petroleum products used in transportation and a price war between some producing countries, including Saudi Arabia and Russia. Oil development projects such as the Bay du Nord project off the coast of Newfoundland and Labrador have been put on hold.

Figure 2 – North American Oil Price Per Barrel, March 2019 to March 2020 (\$US)



Source: GLJ Petroleum Consultants, [Price Charts](#).

Manufacturing

Major auto companies in Ontario have temporarily halted production to ensure the safety of their workers, but also in response to weaker global demand. Elsewhere in Canada, other companies have ceased operations; however, aluminum smelters will cut production. The manufacturing sector may be somewhat less affected than other sectors because manufacturers are able to build inventories.

Examples of Business Layoffs

Table 2 provides some examples of large layoffs announced in Canada. While some employers have laid off some of their employees, others have cut wages instead.

**Table 2 – Selected Examples of Announced Layoffs in Canada
(As of 8 April 2020)**

| Business | Number of Jobs Lost | Sector |
|------------------------------|----------------------------|-------------------------------------|
| Air Transat | 3,600 | Air transportation |
| Westjet | 6,900 | Air transportation |
| Fiat Chrysler Automobiles | 8,900 | Automobile manufacturing |
| Bombardier | 12,400 | Aerospace and rail manufacturing |
| Irving Shipbuilding Inc. | 1,373 | Shipbuilding |
| Cirque du Soleil | 4,679 (worldwide) | Arts |
| Mountain Equipment Coop | 1,300 | Retail |
| Leon's | 3,900 | Retail |

Source: Table prepared by the authors using data obtained from *Maclean's*, [COVID-19: Canada layoff tracker](#), 8 April 2020.

Temporary or Permanent Changes?

It is possible that some of the changes already underway before, and amplified by, the pandemic may continue. This could be the case in the following areas:

- **Production of goods and services** – Telework may become more popular as many businesses have had to use it, sometimes for the first time. Companies have laid off

employees in “non-core” areas and some of these organizational changes may continue.

- **Supply of goods and services** – E-commerce was already booming, but some consumers who had not yet used it – especially older ones – may continue to do so. Another example is the growth of telehealth and distance education.

Overall, the impacts of the pandemic on various sectors are not yet measurable since official data on output and employment in Canada’s overall economy are not yet available. That said, using China as an example, the first monthly estimates show a drop of more than 20% in retail sales in January and February 2020 over the previous year.

Authors: André Léonard and Sarah Lemelin-Bellerose, Library of Parliament

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