

ECONOMIC GROWTH IN CANADA

October 1, 2012

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Is there an economic growth in Canada? Is there are recession? Are all industries growing at the same pace?

HOW ECONOMIC GROWTH IS MEASURED

In every country the economic growth is measured using the Gross Domestic Product (GDP). The GDP is the measurement of the production of goods and services in a country or community for a given period of time, usually a quarter. It is important the amount of GDP, but as well the growth rate in real terms is important. This means, how much was the increase in the production of goods and services in the country compared with the same period (quarter) of a year before. The inflation is eliminated from this growth rate in order to have a number in real terms.

THE RECESSION

Much has been said about the recession in the last years. In economic terms, a recession is defined when there are two consecutive quarters with a negative growth rate, this is, the production in a quarter is smaller than the one in the same quarter a year before. There is a common mistake, intentional or not, to call recession every time there is a deceleration in the growth rate of the GDP or every time there is a problem in another variable of the economy.

Is Canada in a recession? Canada was in a recession the four quarters of 2009, but since the first quarter of 2010 the GDP has had a positive growth rate. Therefore, Canada has been in an economic growing rate for the last two and a half years, and no recession is foreseen in the coming quarters.

Nevertheless, this does not mean that all industries have been growing at the same pace. Even, a specific industry could be in recession, but not all the economy. Also, within an industry, a specific company can have a better or worse behavior compared with the average of the industry.

Also, even in Canada has an economic growth doesn't mean that all provinces and all cities and towns are having the same pattern of growth. Some provinces are experiencing a higher growth rate than others.

Just as a reference, from the first quarter of 2010 to the second quarter of 2012 (ten quarters) the Canadian economy has had a growth rate of 2.7%. The range has been between 1.8% and 3.8%.

WHICH INDUSTRIES ARE GROWING FASTER THAN THE OTHERS

In our table below we have the growth rates in percentage for the Canadian economy as well as for each industry. The information is from 2009 to June 2012. At the right side there is the average rate

for the growth for the years 2010 to June 2012 and for the years 2009 to June 2012. This is, the last column is the yearly average rate including the recession of 2009. The second to last column is the average after the recession of 2009.

As we can see, the Canadian economy as a whole, including all industries, had a growth in 2009 of -3.0% (this is a decrease, the year when there was a clear recession in the country). After that, in 2010 the growth rate was 3.4% and 2.6% in 2011. In the first two quarters of 2012 the growth has been 2.0% (annual rate). When we look at the last two columns, we can see that after the recession the growth rate has been an average of 2.7% for the whole economy, and including 2009, this is, including the year of recession, the average rate has been 1.2%.

But, which are the industries with the best performance since 2009 (including the year of recession)? The winner is “Finance, insurance, real estate, rental and leasing and management of companies and enterprises” with an average annual growth rate of 2.4%. The second place is for “Health care and social assistance” with an average annual growth rate of 2.3%, “Retail trade” with 2.0%, “Public administration” with 1.6% and “Construction” with 1.6%.

On the contrary, which are the industries with the worst performance since 2009? The big loser seems to be “Manufacturing” with a growth rate of -0.4%. Check that it is a negative rate, which means that up to today we do not even have for this industry the same level that we had at the end of 2008. Following this industry is “Utilities” with 0.0%, “Administrative and support, waste management and remediation services” with 0.1%, “Agriculture, forestry, fishing and hunting” with 0.4% and “Arts, entertainment and recreation” with 0.5%.

About Acus Consulting. This firm supports companies, organizations and government agencies in financial and strategic analysis, investment project evaluations, financial planning and decision making. It is based in Toronto.

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**ECONOMIC GROWTH (GDP) FOR
CANADA IN THE LAST YEARS
(percentage change)**

	2009	2010	2011	2012 Jan-Jun	Average 2010- 2012	Average 2009- 2012
All industries	-3.0	3.4	2.6	2.0	2.7	1.2
Goods-producing industries	-9.2	5.4	3.6	2.3	3.8	0.5
Agriculture, forestry, fishing and hunting	-6.4	1.4	2.2	4.4	2.7	0.4
Mining and oil and gas extraction	-7.8	5.5	4.5	1.5	3.8	0.9
Utilities	-2.6	1.3	4.3	-3.2	0.8	0.0
Construction	-9.2	8.0	4.1	3.6	5.2	1.6
Manufacturing	-12.4	5.2	2.4	3.1	3.6	-0.4
Service-producing industries	0.1	2.5	2.2	1.8	2.2	1.6
Wholesale trade	-6.3	5.4	2.7	3.1	3.7	1.2
Retail trade	-0.7	3.9	2.1	2.7	2.9	2.0
Transportation and warehousing	-4.4	4.0	3.9	1.1	3.0	1.2
Information and cultural industries	-0.2	0.9	1.5	0.1	0.8	0.6
Finance, insurance, real estate, rental and leasing and management of companies and enterprises	2.3	2.5	2.6	2.2	2.4	2.4
Professional, scientific and technical services	-1.0	0.5	2.7	3.1	2.1	1.3
Administrative and support, waste management and remediation services	-3.8	1.6	1.4	1.3	1.4	0.1
Educational services	1.8	2.2	1.0	0.6	1.3	1.4
Health care and social assistance	2.8	2.3	2.1	1.9	2.1	2.3
Arts, entertainment and recreation	0.5	0.8	-1.2	1.9	0.5	0.5
Accommodation and food services	-2.8	2.0	2.7	2.8	2.5	1.2
Other services (except public administration)	-0.4	1.3	2.4	1.3	1.7	1.1
Public administration	3.2	2.2	1.3	-0.1	1.1	1.6