



# The path to recovery

November 2020



# Ordre du jour



- ① **Economic recovery**
- ② **New consumer trends**

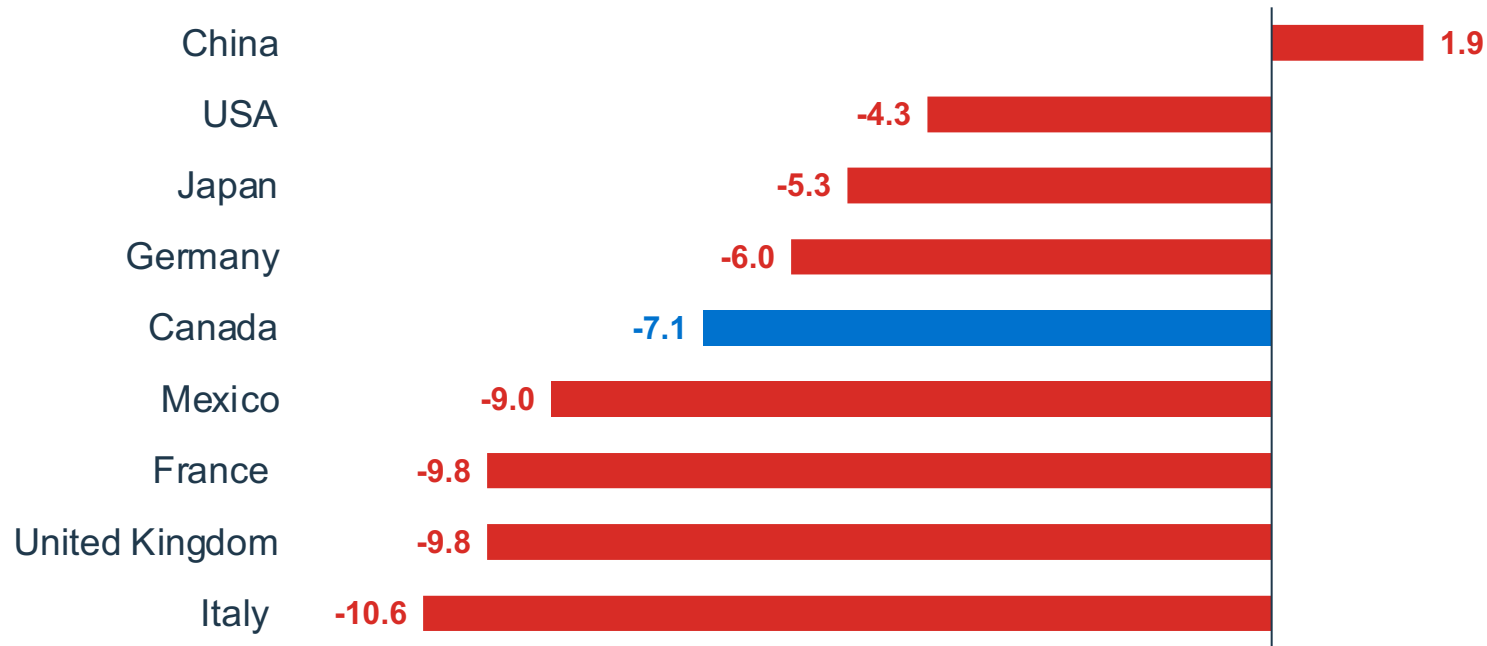
A dark blue, semi-transparent world map is centered in the background of the slide, showing the continents in a slightly lighter shade of blue.

# The World Economy

# COVID-19 has had a severe impact on the world economy

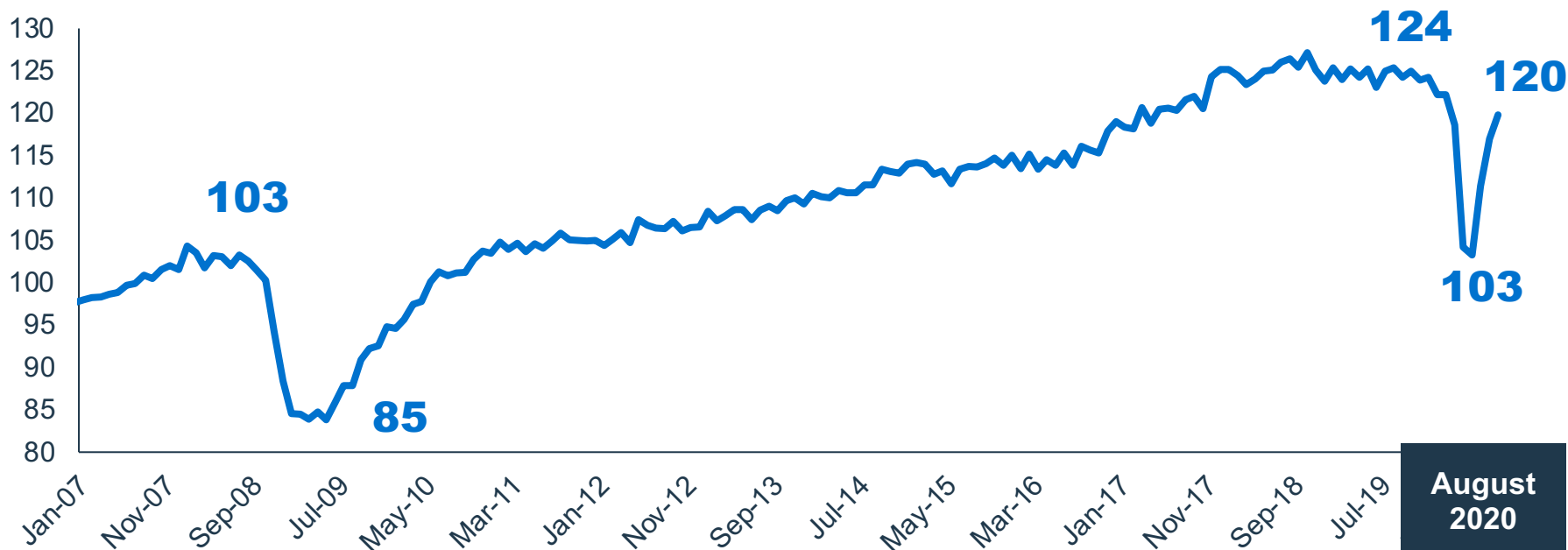


2020 projected change in GDP, Canada and main trade partners, %



# World trade took a hit but is rebounding faster than in 2009

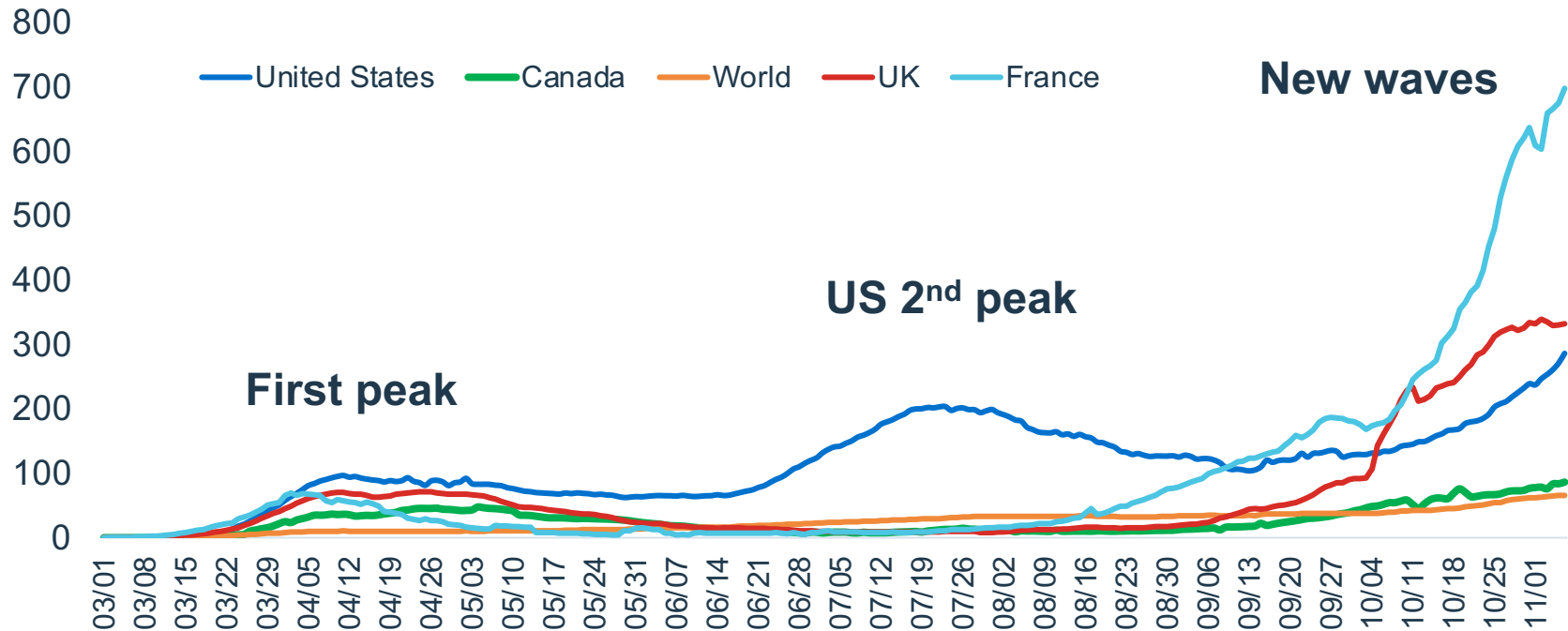
World trade volume, seasonally adjusted, 2010=100



# New waves of COVID-19 infections are slowing the global recovery



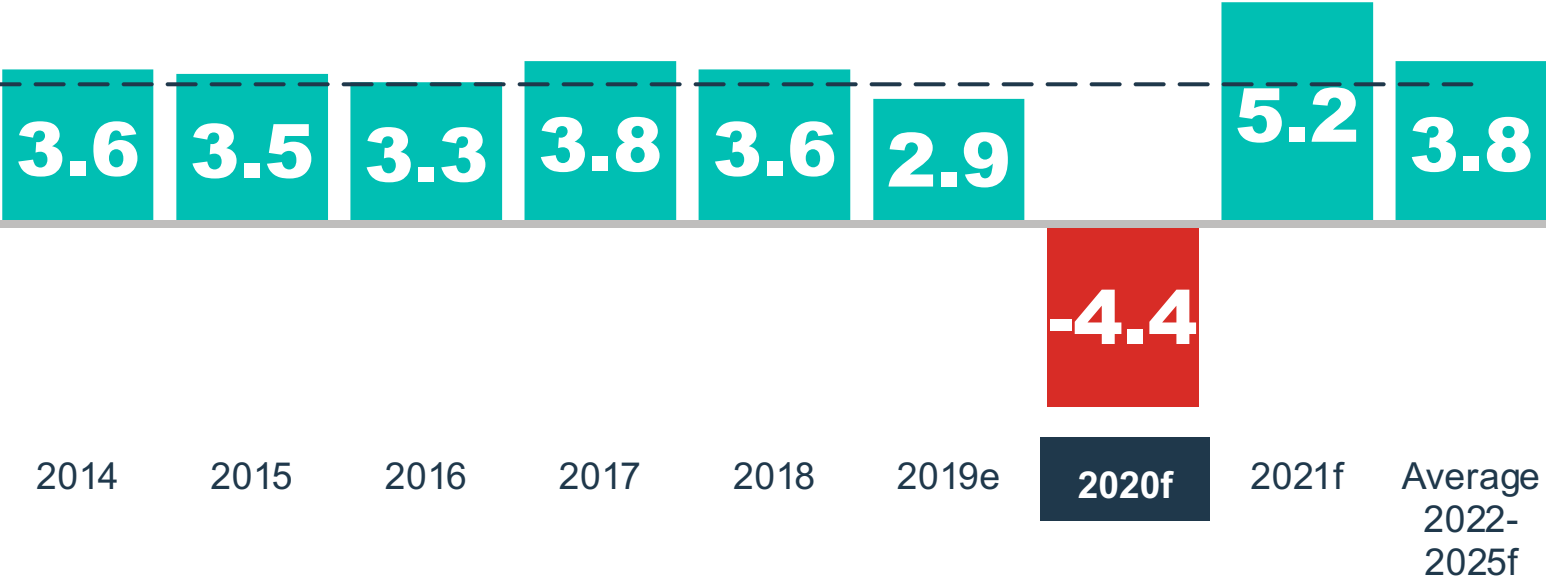
Daily new cases per 1M people, seven-day moving average



# The world economy should be back to its pre-crisis level in 2022

## Real global GDP growth (%)

Potential\*:  
3.25%



\*Potential growth is the estimated growth of output that an economy can produce at a constant inflation rate. Potential growth depends on the capital stock, the potential labour force, the non-accelerating inflation or natural rate of unemployment and the level of labour efficiency (OECD). Note: GDP 2010 constant prices; f = forecast.

SOURCES: International Monetary Fund. World Economic Outlook Update (October 2020), and Bank of Canada.



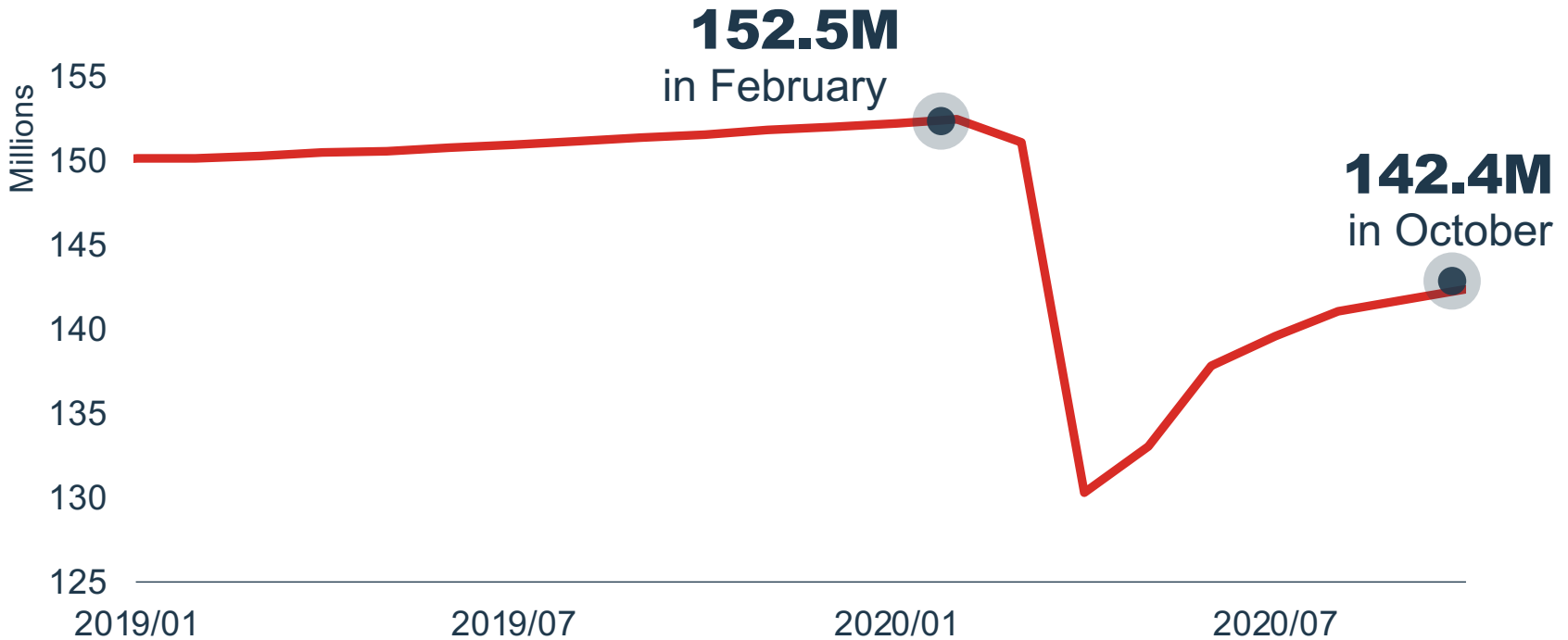
# The recovery in the U.S.



# The initial U.S. recovery has been solid



## U.S. employment, non-farm payroll



# Major early stimulus programs increased disposable income



## Key early stimulus programs



**\$293B**

one-time tax  
rebates to  
individuals



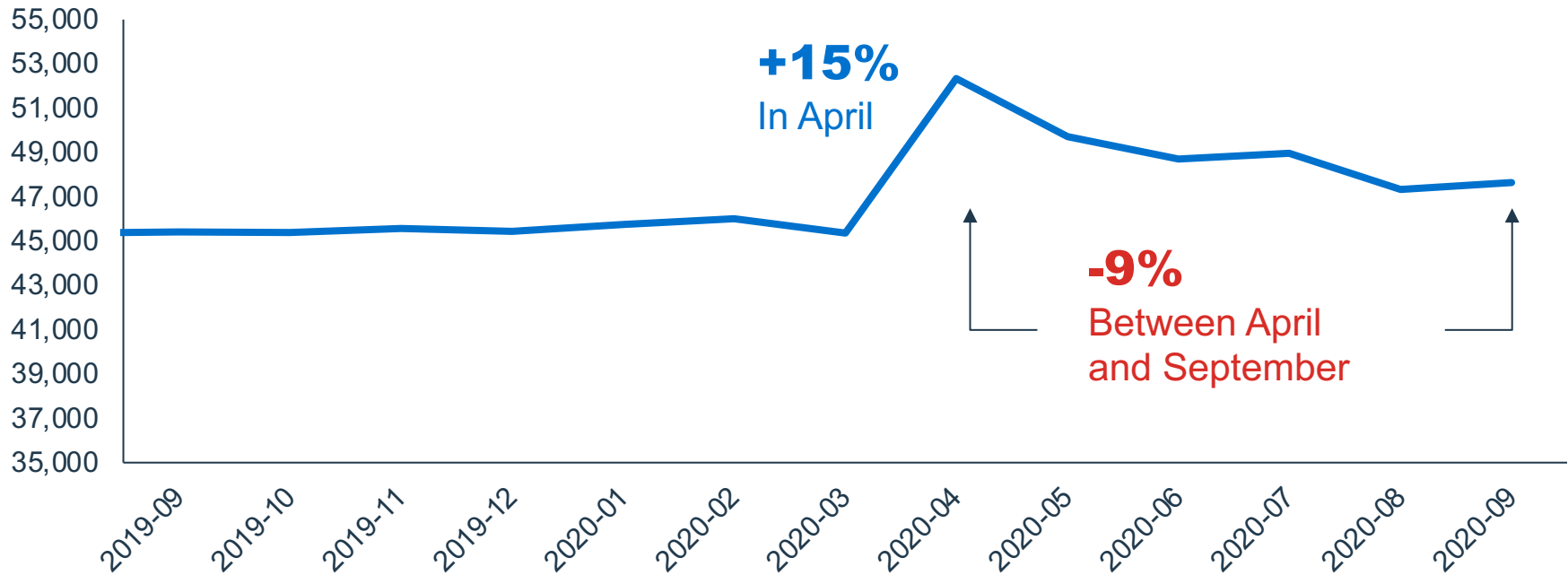
**\$268B**

expand  
unemployment  
benefits

# Disposable income remains above pre-pandemic level but is falling



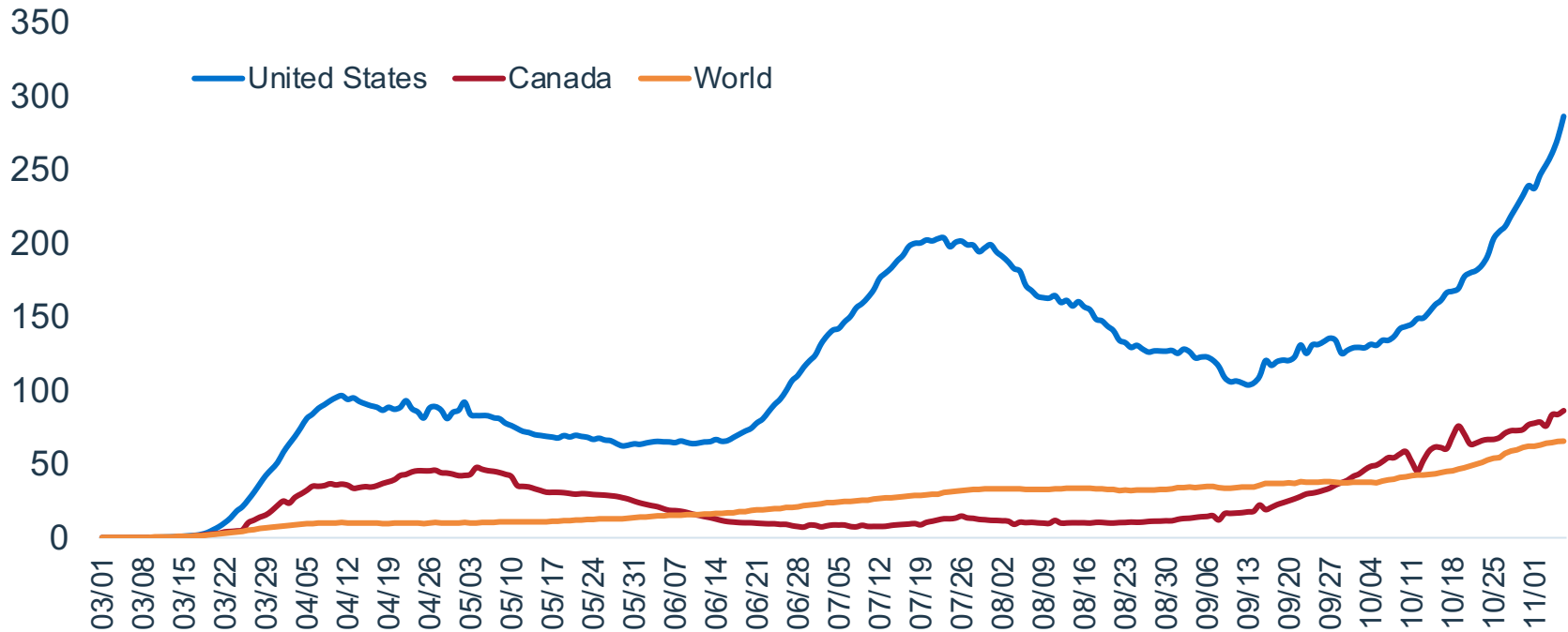
Real disposable personal income per capita, seasonally adjusted at annual rates, chained 2012 dollars



# Second wave is slowing the U.S. recovery



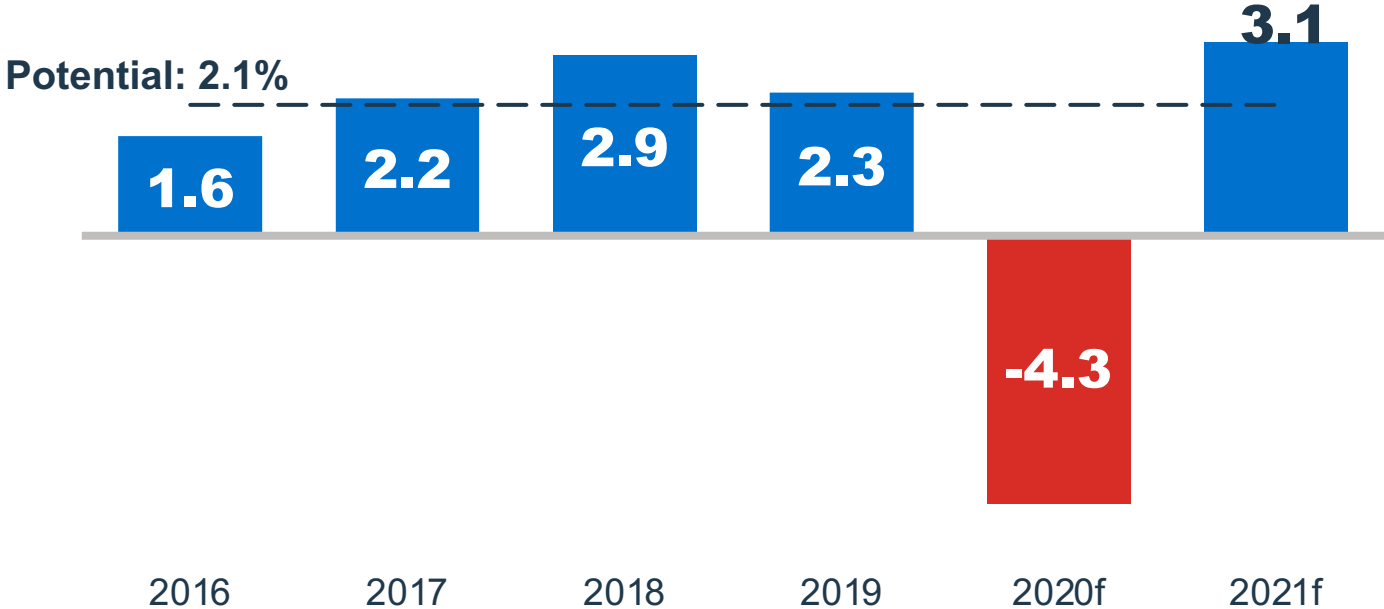
Daily new cases per 1M people, seven-day moving average



# Full recovery not expected before early 2022



Real annual GDP growth (%)



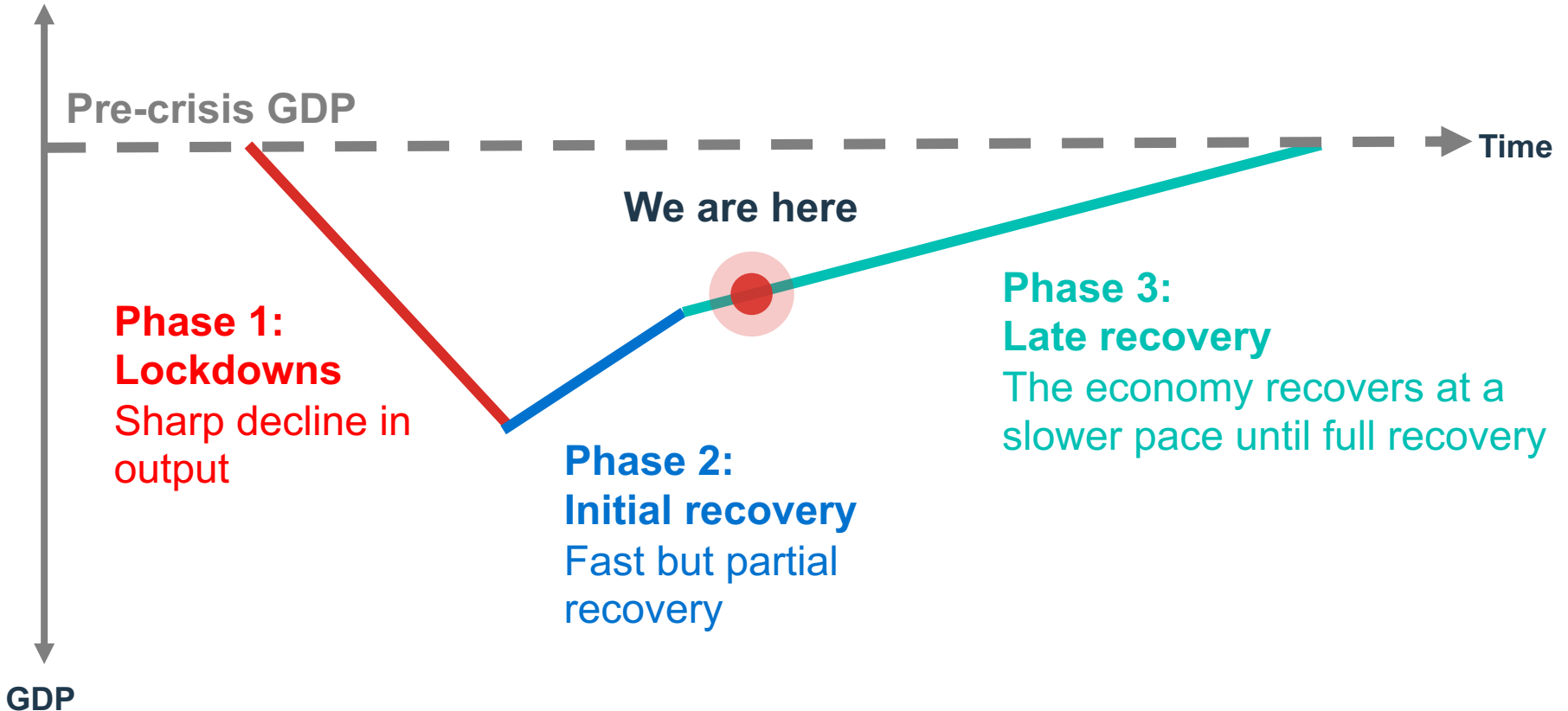
Note: f = forecast  
SOURCE: IMF.



# The recovery in Canada



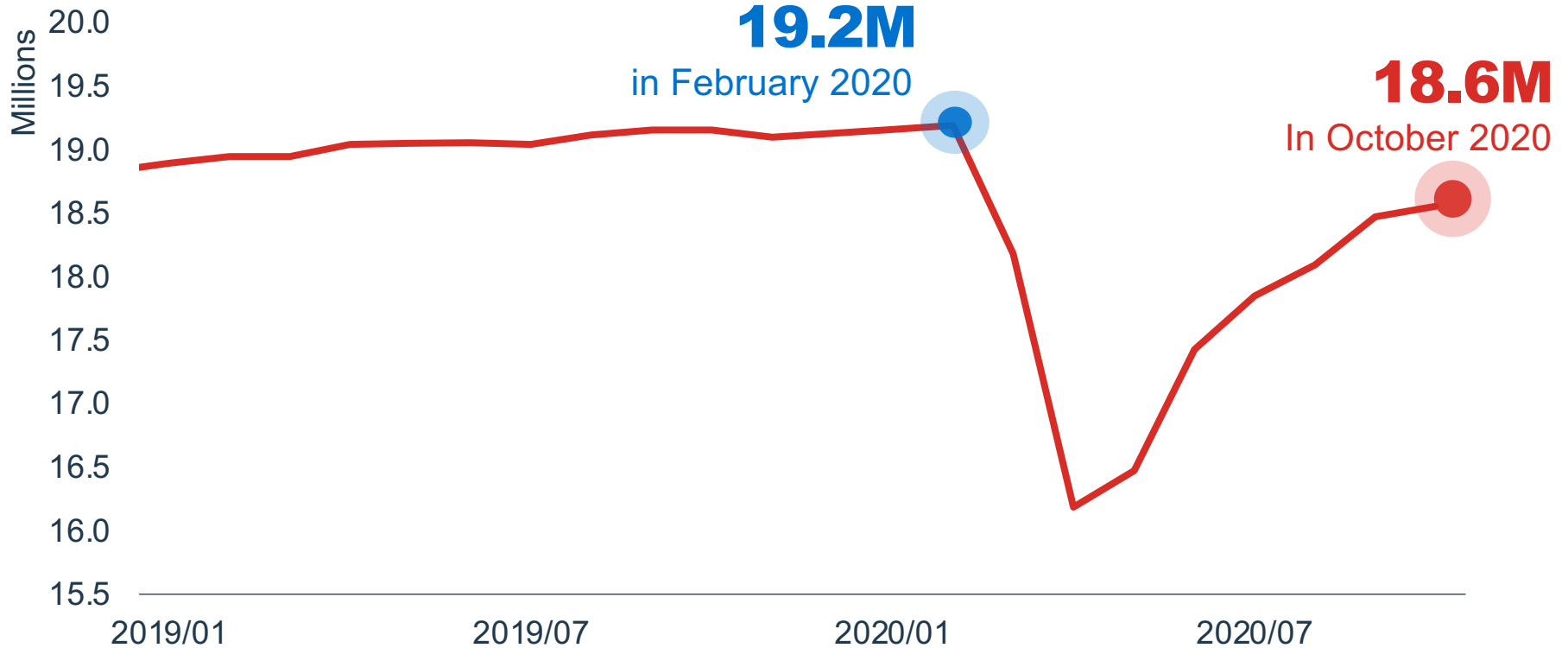
# The path to recovery





# Employment is at 97% February level

## Number of jobs

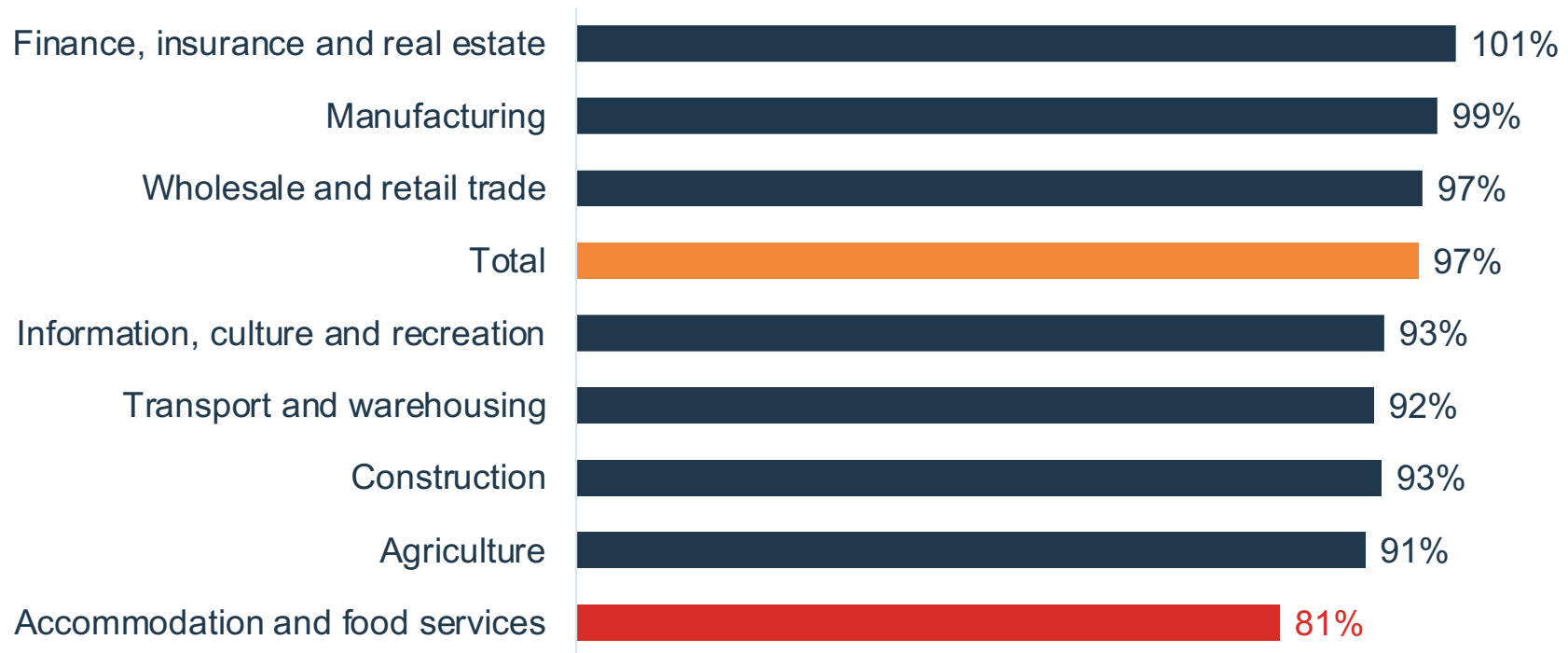






# ...but some sectors are lagging

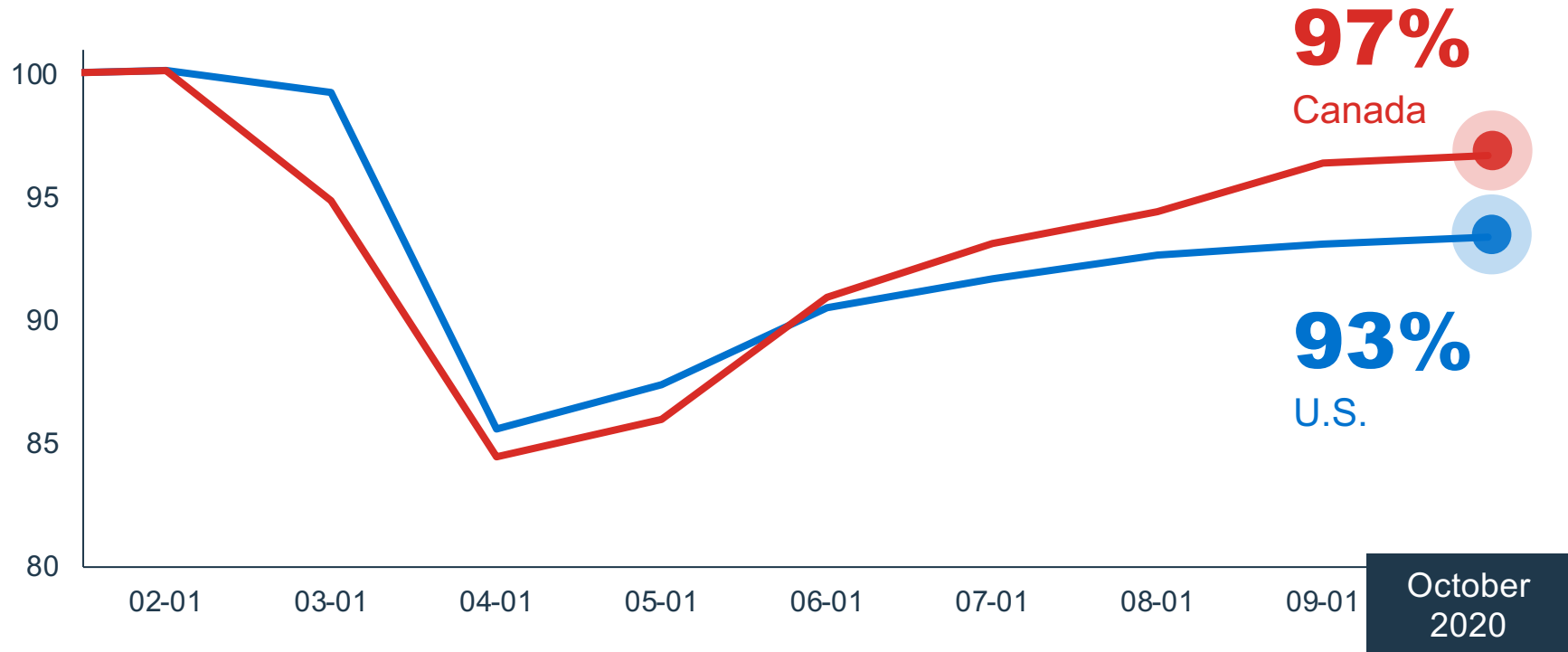
## October employment as % of February, selected sectors



# Employment in Canada is recovering faster than in the U.S.



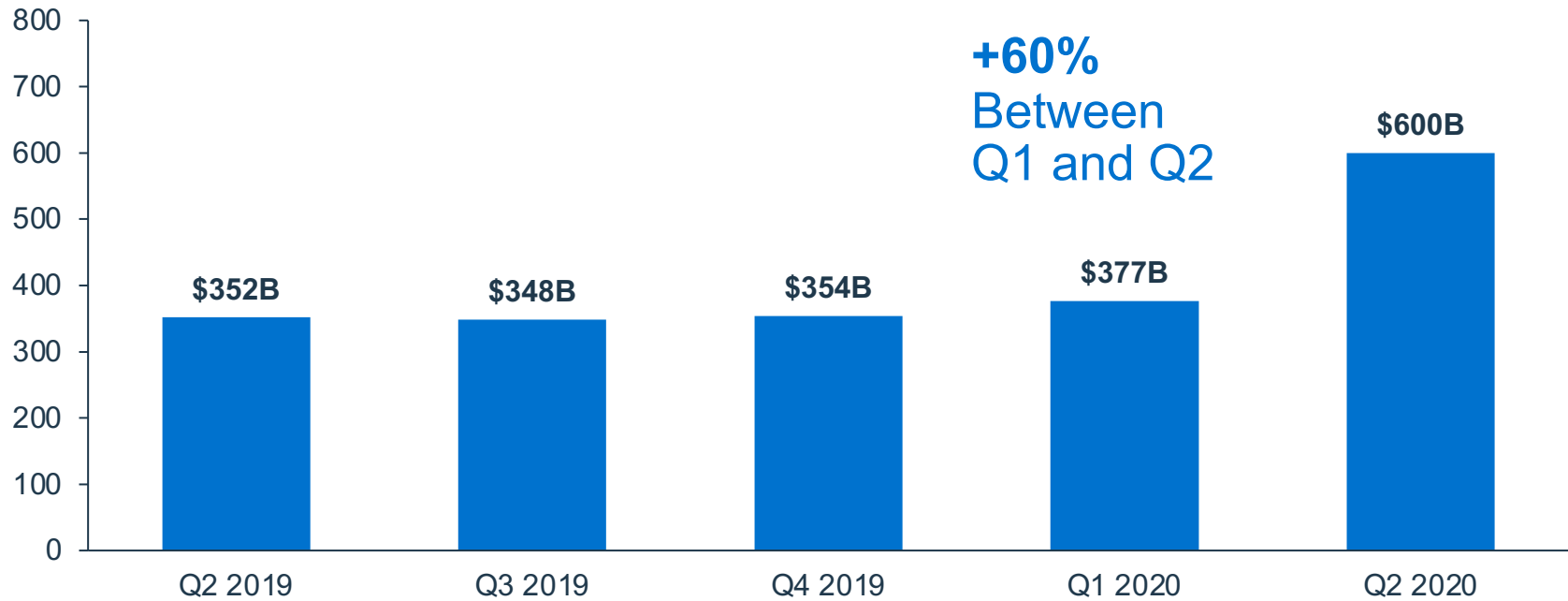
Employment level in % of February level





# Government transfers increased by 60%

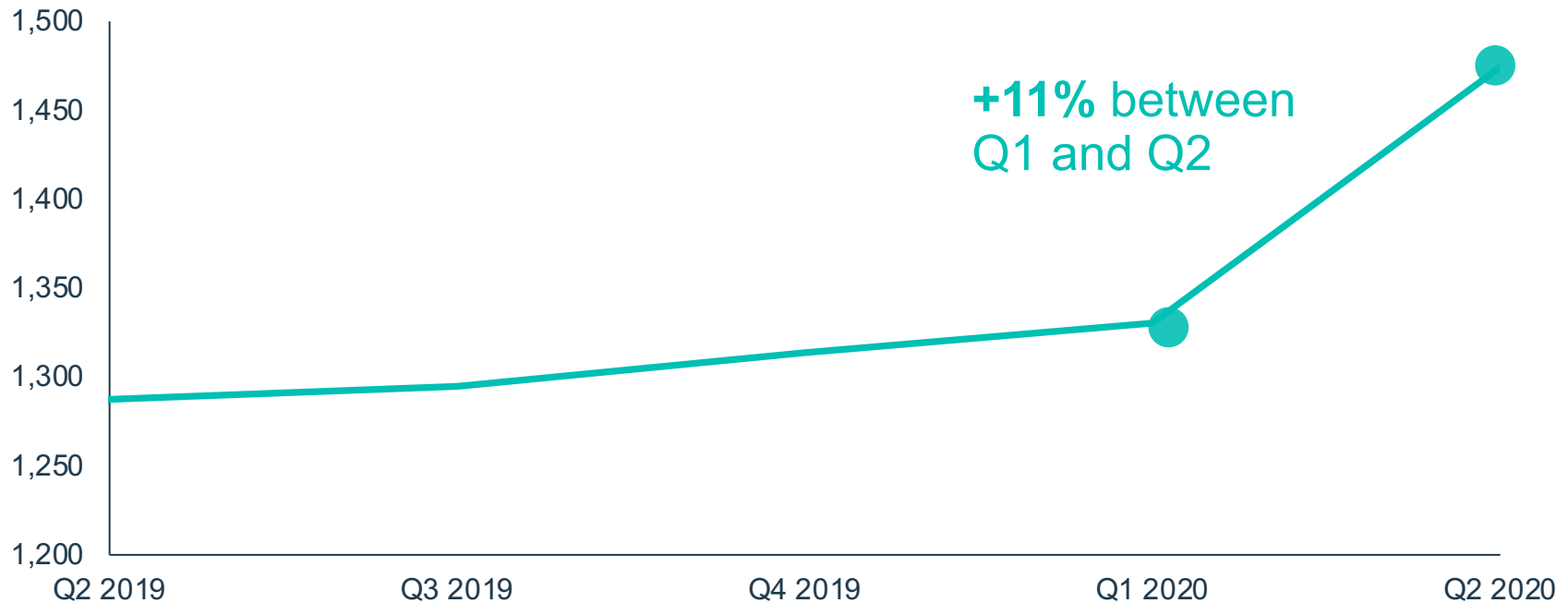
Current transfers received, billions



# ...which increased overall disposable income



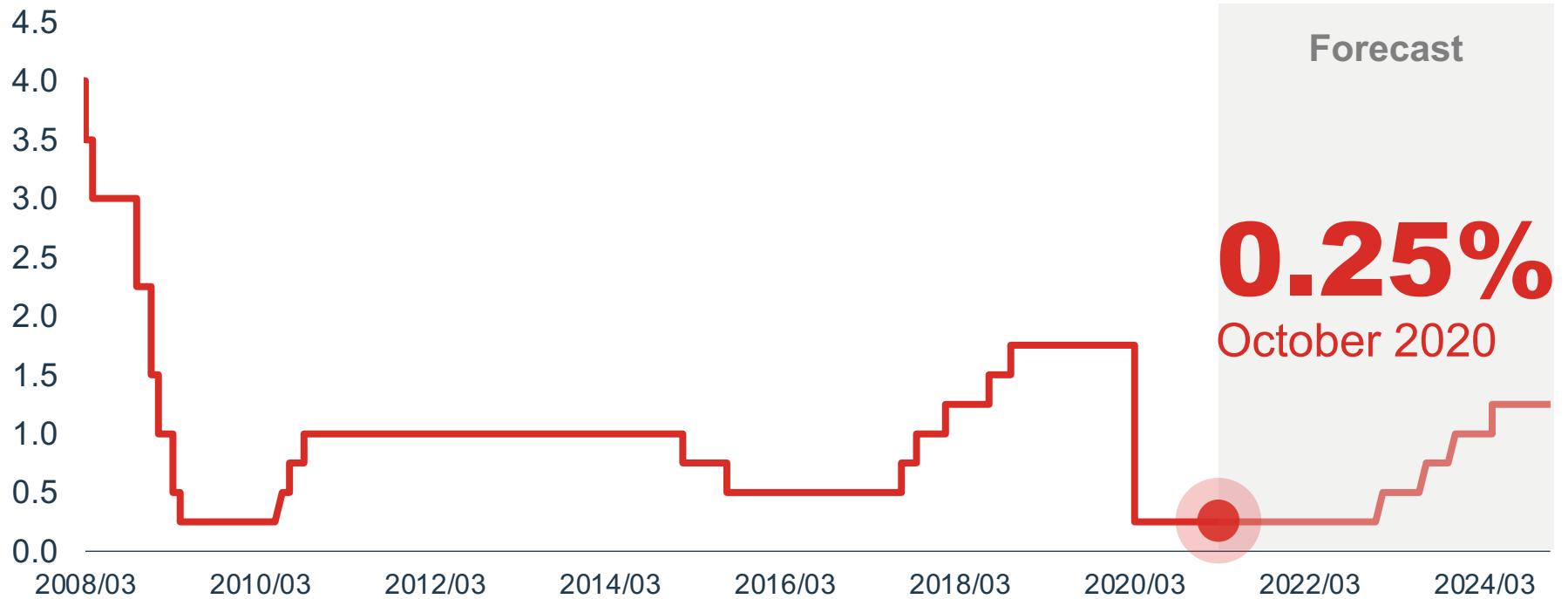
Disposable household income, quarterly, adjusted, billions





# Bank of Canada cut its policy rate

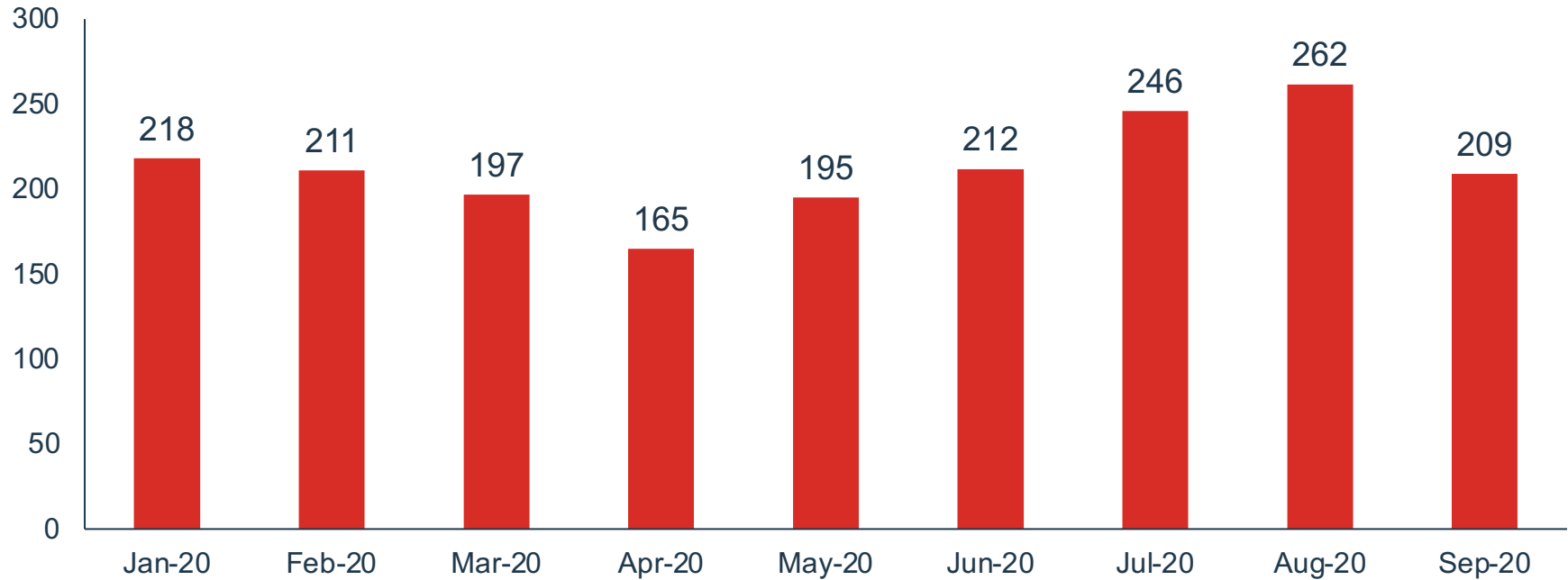
Policy rate, %



# Construction recovery is slowing after a strong rebound



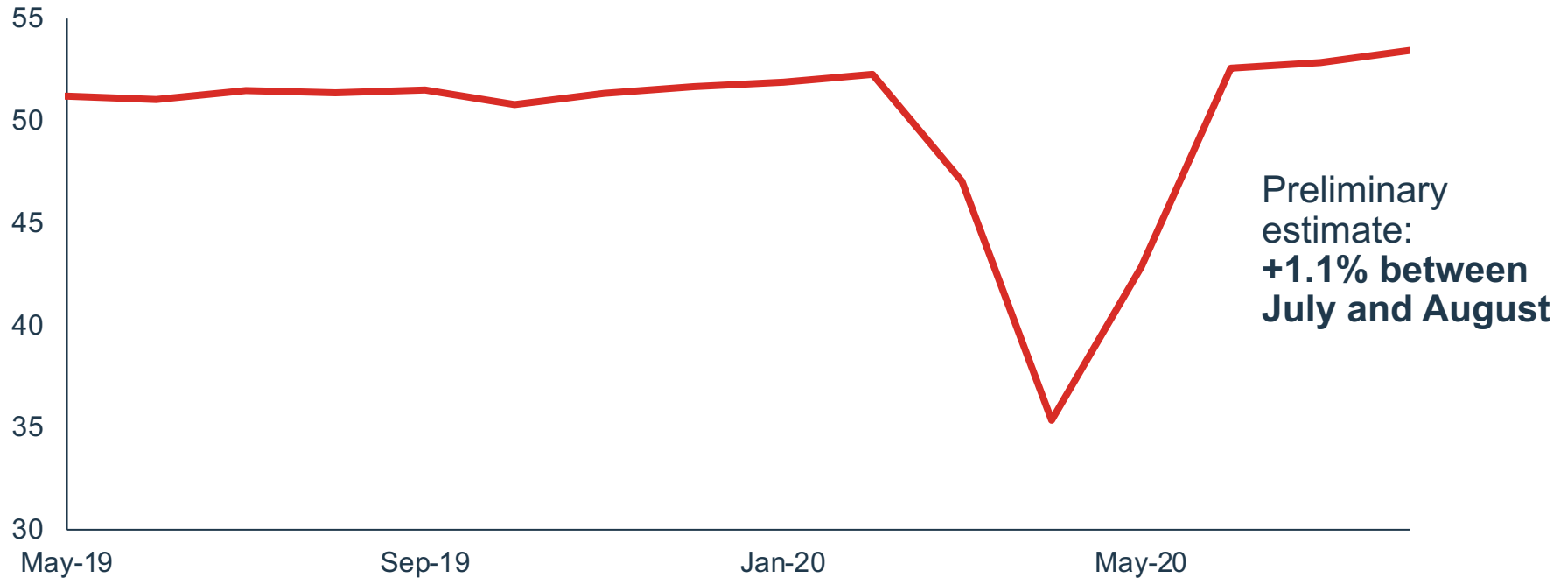
Housing starts, Canada, seasonally adjusted at annual rates, thousands





# Retail sales have surpassed pre-COVID levels since June

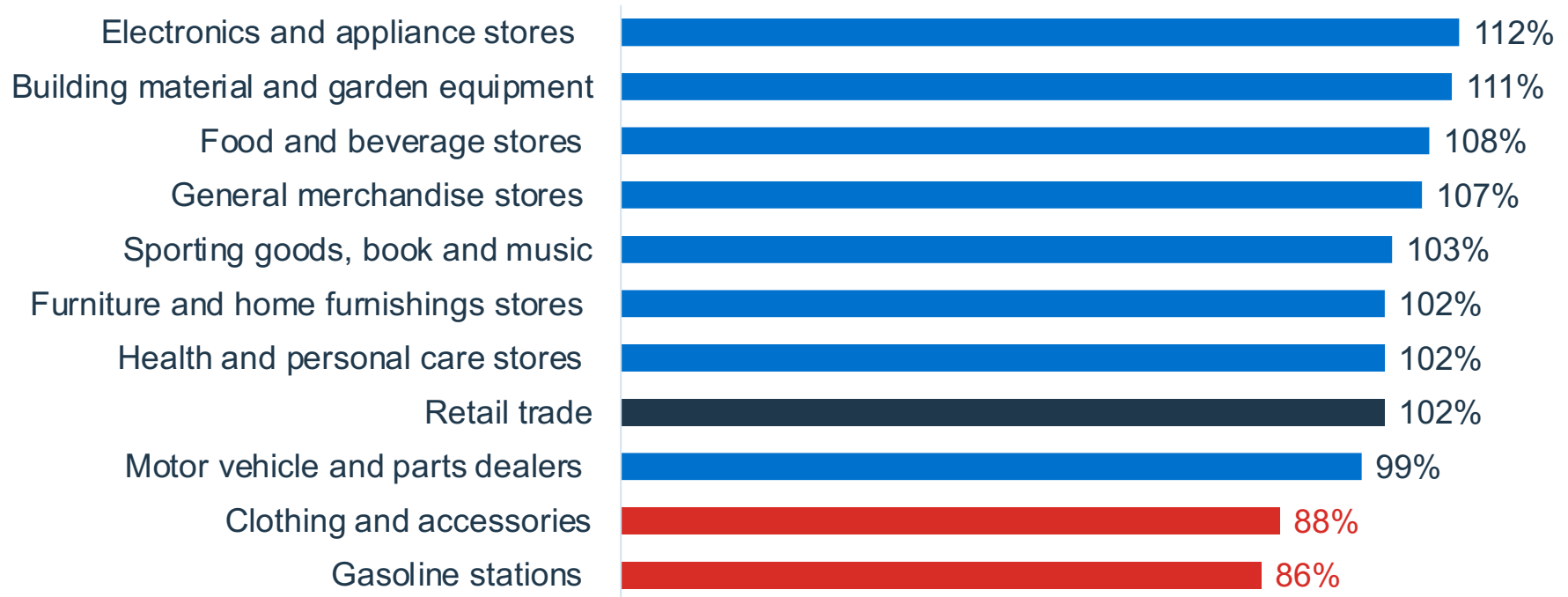
Retail sales, seasonally adjusted, billions \$



# ...but some retail categories have not fully recovered



## August retail sales as % of February retail sales







**What's  
ahead?**

# After an initial rebound, the recovery will slow in Canada



**1** Pandemic is not over yet

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**2** Consumers will remain cautious

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**3** Business investment intentions are low

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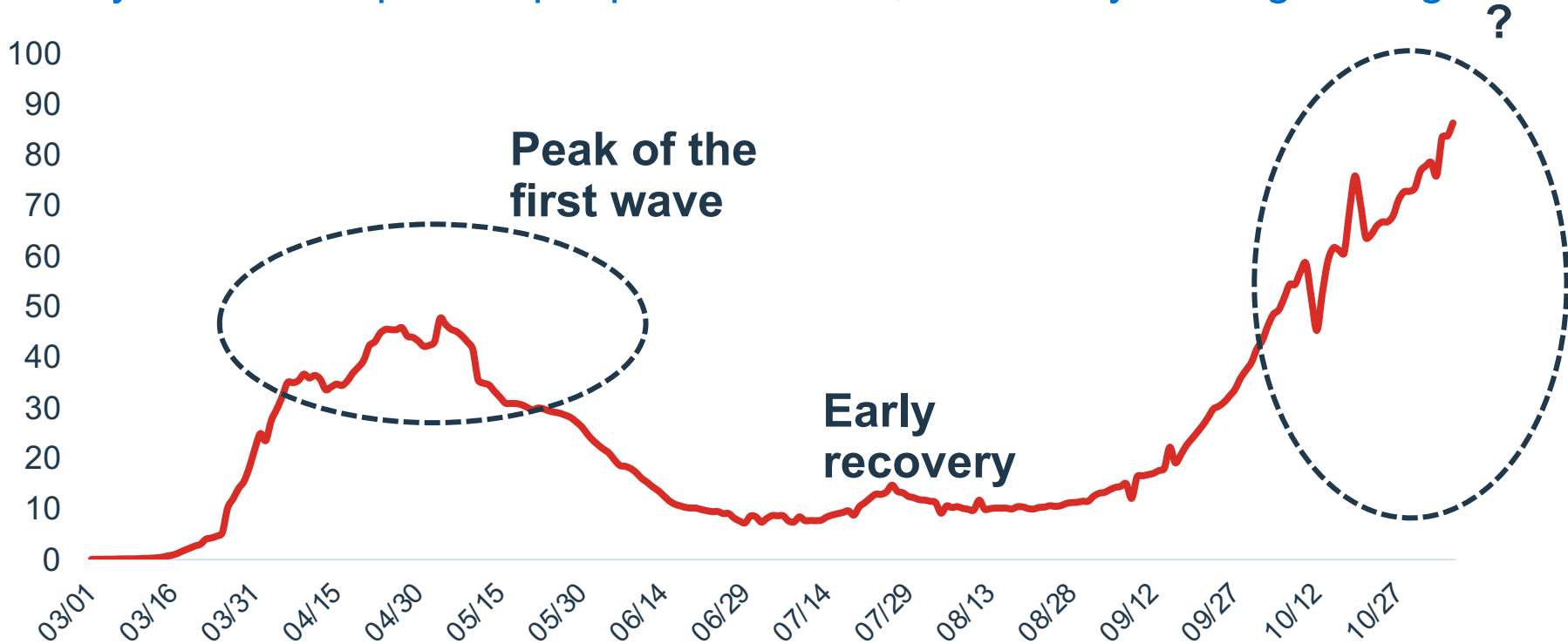
**4** Key sectors will take a long time to fully recover

# 1

## The second wave is slowing the recovery



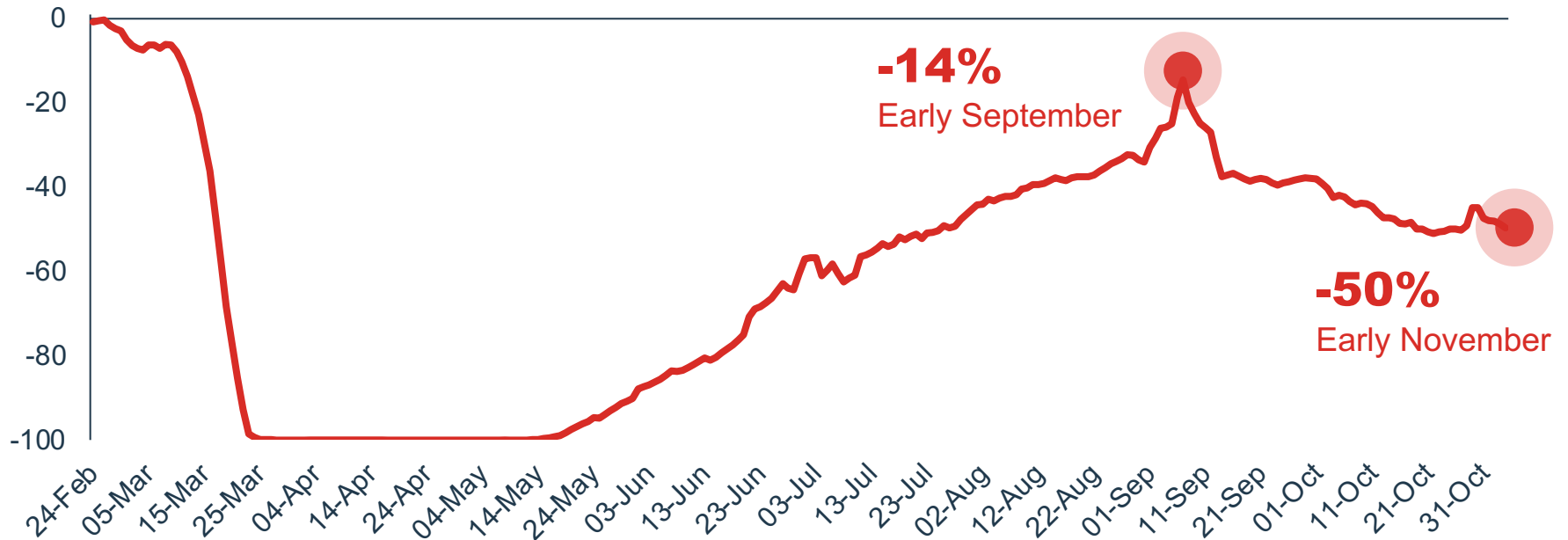
Daily new cases per 1M people in Canada, seven-day moving average





# Partial lockdowns are hurting restaurants

Bookings on OpenTable, Y/Y, 7-day moving average

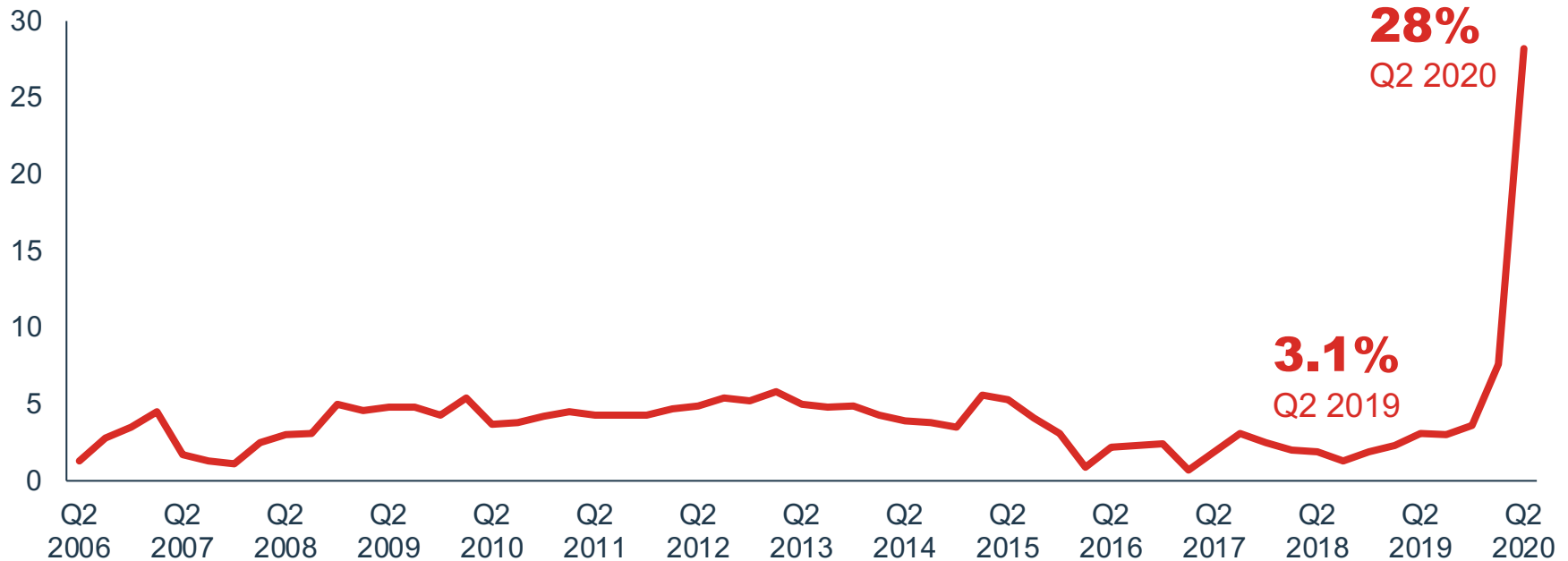


# 2

## Household savings are at an all-time high



Household saving rate, seasonally adjusted at annual rates



SOURCE: Statistics Canada.



# Consumers will remain cautious

**Public health reasons**

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**Less government support**

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**Higher debt levels**

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**A lot of uncertainty**

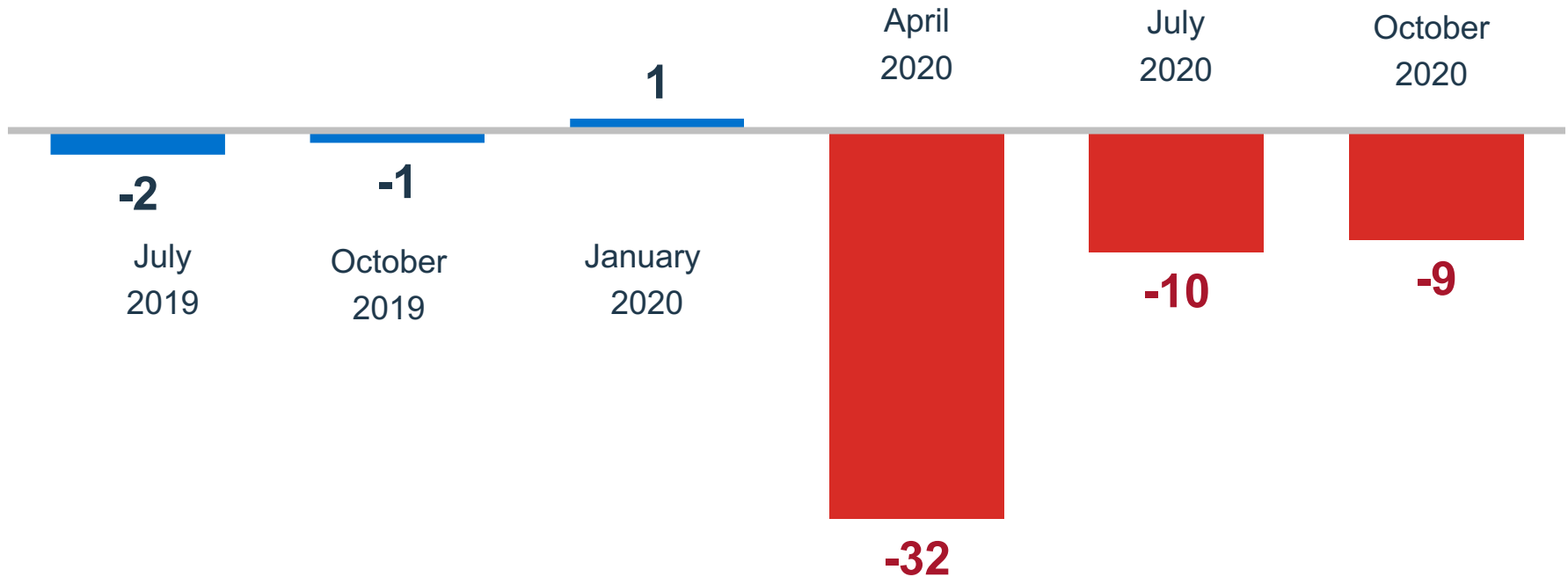


# 3

## Investment intentions remained low in October



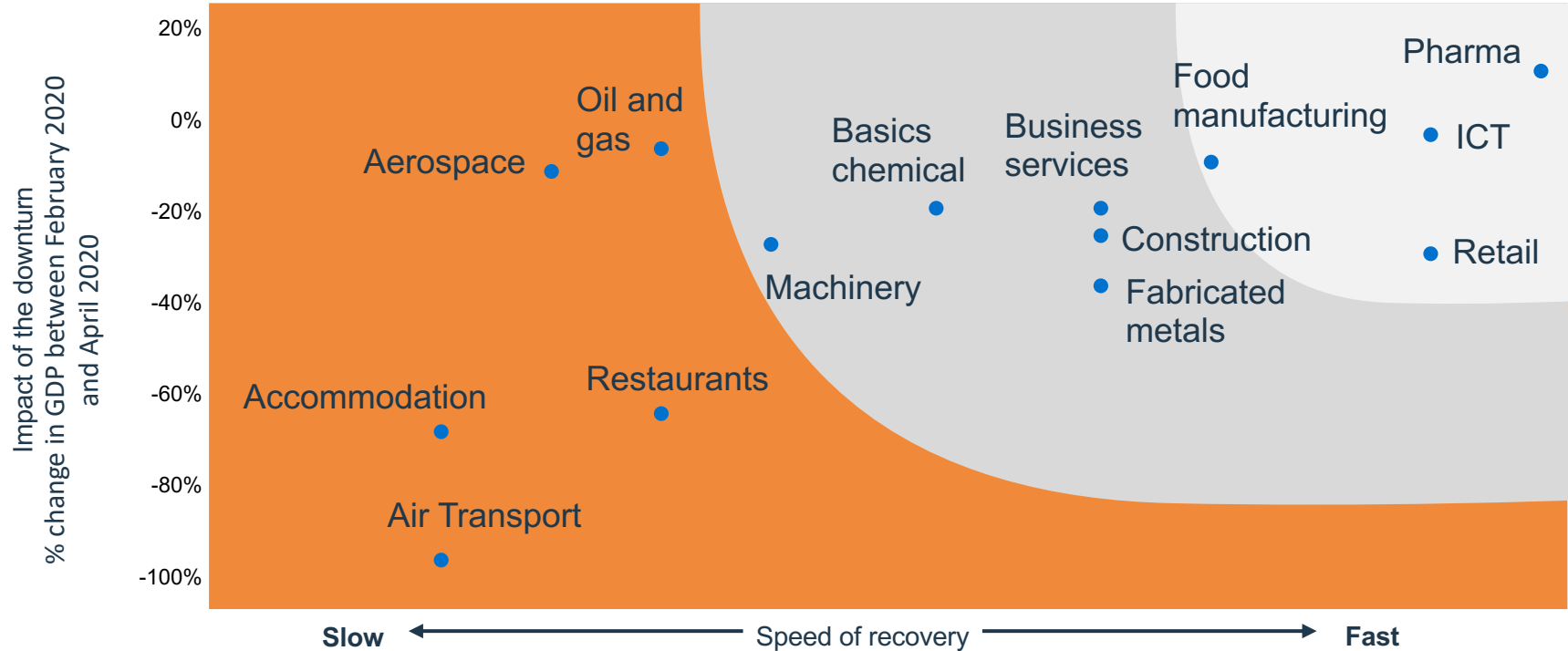
Indicator of investment intentions (balance of opinion)



**BASE:** All respondents (n=1,000). Respondents who did not know or preferred not to answer were excluded from the calculation base. Over the next 12 months, what do you expect your company's investment spending to be?

## 4

# Some key sectors will take a long time to recover



**NOTE:** The impact of the downturn is based on the percentage difference in GDP between February 2020 and April. The speed of recovery is based on the period when output returns to pre-crisis levels. Overall GDP is expected to recover fully by Q2 2022.

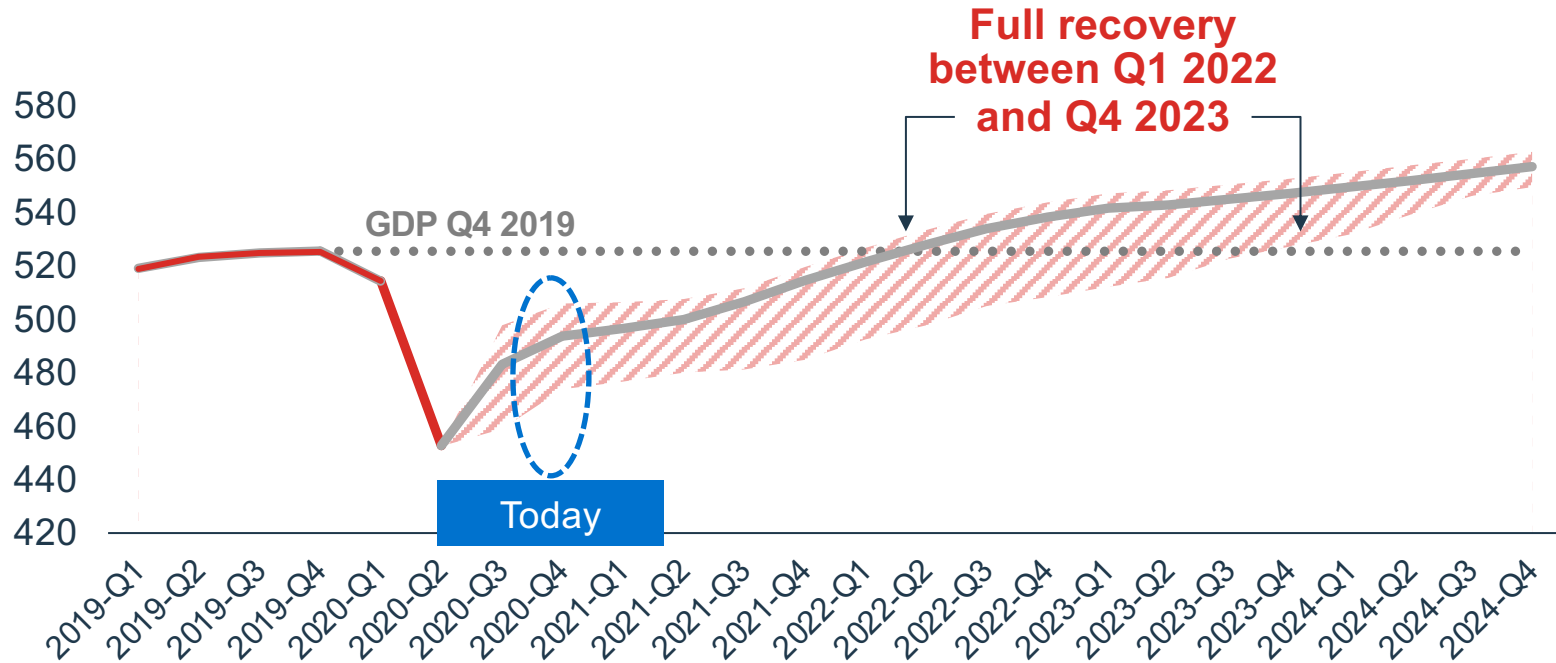
**SOURCES:** Statistics Canada, Oxford Economics, BDC.





# The recovery will be gradual in Canada

Quarterly GDP chained 2012 prices, billions \$



SOURCE: Oxford Economics, BDC calculations.

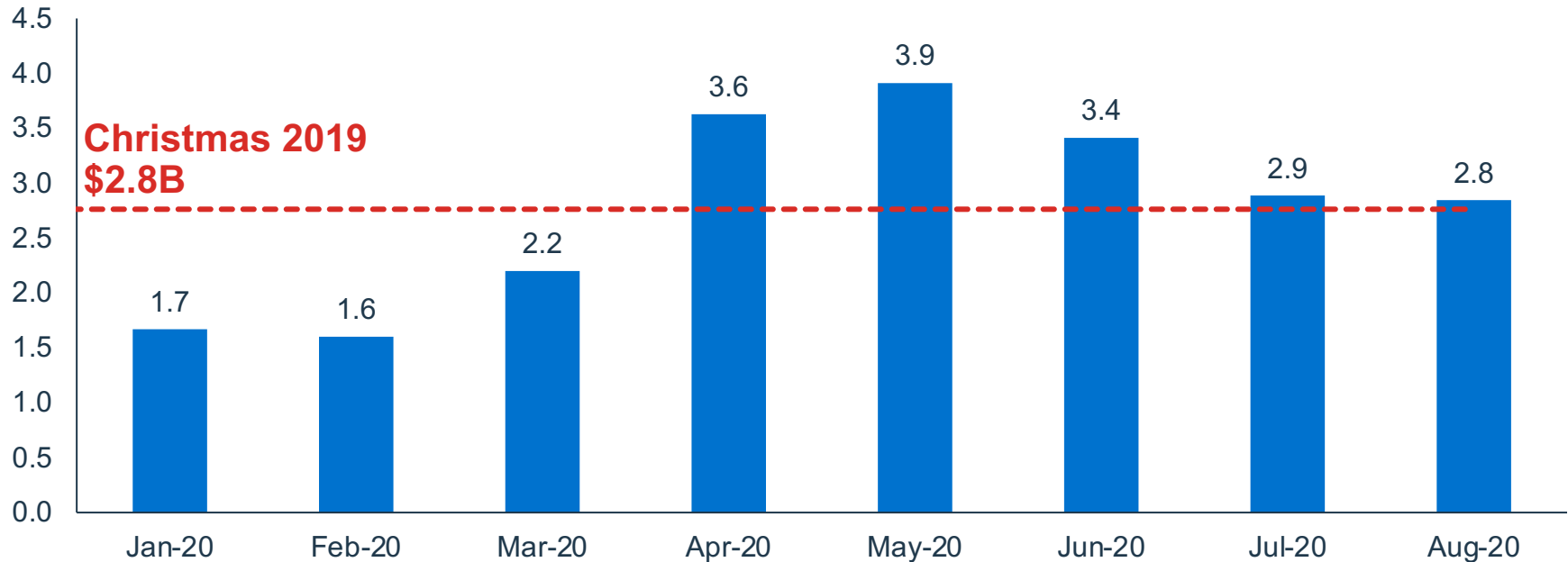
# New consumer trends





# Online, it's Christmas every month

Retail e-commerce sales, unadjusted, billions \$

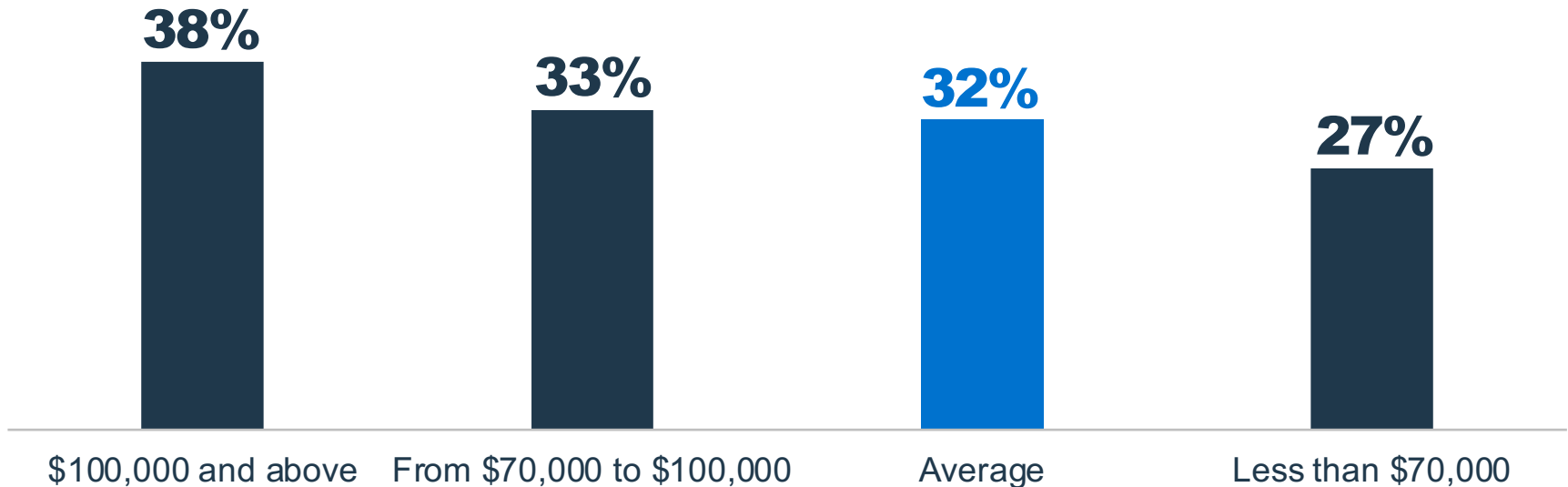


SOURCE: Statistics Canada.



# Canadians will keep spending more online

% of consumers planning to spend more online in the next 12 to 18 months, by family income level

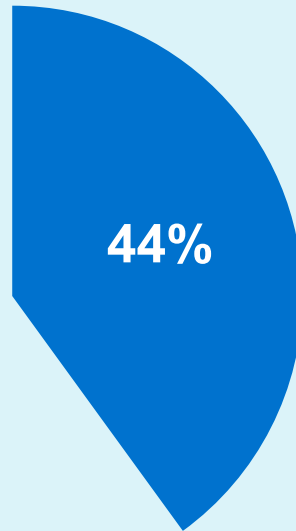


Source: BDC consumer survey, May and June 2020 n=2,000

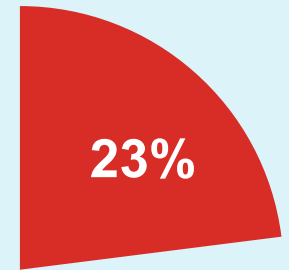


# Canadians plan to buy more locally

Canadians planning to buy more locally in the next 12 to 18 months



Canadians willing to pay a premium of 10% or more for those products



# Canadians are health cautious

# 39%

of Canadians say that high sanitary standards have become a selection criteria when selecting a product or company to do business with





# New priorities for businesses



**1,000**

**entrepreneurs  
surveyed by BDC**





①

# Improve my financial situation

39%



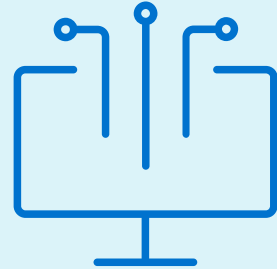
of entrepreneurs will prioritize financial recovery after the crisis.



②

# Take advantage of technology

40%



of entrepreneurs will invest more in technology in the next 3 years.

→ To be more competitive

→ To reduce costs

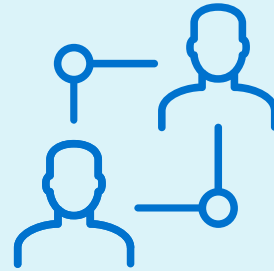
→ To stay in business

→ To expand



# ③ Focus on telework

**60%**



**of SMEs are relying on telework post-COVID.**

→ Telework rimes with social distancing and many employees are asking for it.

④

# Increase my online sales



**75%** 

**of companies that want to increase their online sales already have an online presence.**

→ Companies selling online were less affected by the lockdowns



# ⑤ Expand my business

**25%**



**of SMEs are prioritizing growth post-COVID.**

→ Entrepreneurs say they are ready to refill their order books.

# Reasons for entrepreneurs to revive growth after the COVID-19 crisis



# **5 priorities** of Canadian entrepreneurs

- ① Improve my financial situation**
- ② Take advantage of technology**
- ③ Focus on telework**
- ④ Sell online**
- ⑤ Expand my business**

**The Canadian economy recovery is well underway,**  
but the second wave of the virus  
will slow down the recovery in the  
upcoming months.





# Succeeding in a new reality

Plan your way out of  
the COVID-19 crisis



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