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111 Sparks Street, Suite 500 Ottawa, Ontario K1P 5B5 613-233-8891, Fax 613-233-8250 csls@csls.ca

Centre for the Study of Living Standards

THE ECONOMIC CRISIS THROUGH THE LENS OF ECONOMIC WELLBEING

Jean-François Arsenault and Andrew Sharpe CSLS Research Report 2009-6 August 2009

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Abstract

This report looks at how the economic crisis has unfolded in Canada and what will be the impacts on economic wellbeing. The shortfall is estimated to be approximately \$12,000 (\$2007) per capita. In other words, given no economic crisis, GDP per capita in Canada would have likely been \$1,736 higher on average each year over the 2008-2014 period. Between October 2008 – the month at which employment peaked in Canada – and May 2009, net employment fell by 362,500 persons. The negative effects of unemployment go well beyond loss of income. Roughly 60 per cent of the newly unemployed, compared to about 40 per cent in recent years, receive regular EI benefits, reflecting the concentration of employment losses among long term full-time employees (e.g. auto workers). Based on the experience of the recession of the early 1990s, we should expect an increase of about 4 percentage points in the after-tax poverty rate, which would reach 13.2 per cent in 2010.

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Executive Summary

In this report, we look at how the economic crisis has unfolded in Canada and what will be the potential impacts on economic wellbeing. A number of key findings follow from our analysis:

- The current recession will impose significant costs on the economy as a whole. While the exact size of this cost will largely depend on the speed of the recovery, the shortfall is estimated to be approximately \$12,000 (\$2007) per capita. In other words, given no economic crisis, GDP per capita in Canada would have likely been \$1,736 higher on average each year over the 2008-2014 period. The effect of the crisis on economic production is projected to last to 2015.
- At the aggregate level, despite a significant decline in the first quarter of 2009, real percapita personal income and personal disposable income remain above their prerecessionary level attained in 2008Q3, in large part because of a 1.0 per cent decline in consumer prices. Nonetheless, they are below the peak reached in the first quarter of 2008 and are likely to decline further in coming quarters.
- Aggregate estimates of income fail to capture the fact that income losses are concentrated among a few individuals or households. In general, income losses affect households at the bottom of the distribution more than those at the top.
- The current recession has reduced wealth significantly. It is estimated that between May 2008 and February 2009 respectively the peak and trough of the current wealth cycle average nominal net worth per household declined 15 per cent. Once again, these figures fail to capture the variety of experiences.
- Between October 2008 the month at which employment peaked in Canada and May 2009, net employment fell by 362,500 persons. The job losses were entirely due to decreases in full-time employment. The entire employment decline was in the employee category (down 365,900 persons). Self-employment increased slightly over the period (3,400 persons).
- As a result, the unemployment rate increased from 5.8 per cent in January 2008 to 8.4 per cent in May 2009. The rate will continue to increase if the economy fails to grow at or beyond potential.
- In recent years years, the employment insurance (EI) system has provided benefits to only about 40 to 45 per cent of the unemployed. A larger proportion of the newly unemployed, roughly 60 per cent, receive regular EI benefits, reflecting the concentration of employment losses among long term full-time employees (e.g. auto workers).

Nonetheless, many newly unemployed without the required hours of work remain without EI coverage.

• Based on the experience of the recession of the early 1990s, the poverty rate should increase about as much as the unemployment rate in percentage points. If the unemployment rate peaks around ten per cent in 2010 as is currently projected, we should expect an increase of about 4 percentage points in the after-tax poverty rate, which would reach 13.2 per cent in 2010. It will most probably take many years, possibly up to a decade, for poverty in Canada to return to its 2007 level. For example, it took 18 years for Canada to return to its 1989 poverty rate level after the recession of the early 1990s.

Since the mid-1990s economic growth in Canada has been robust, with positive effects on the standards of living of Canadians. It is now evident that the current recession will erase many of these gains and it will be many years before we return to the unemployment and poverty levels enjoyed before the recession hit.

The report concludes that from a public policy perspective, there are two priorities in dealing with the recession. First, since the costs of the recession are very unevenly distributed, hitting primarily those who lose their jobs, it is important from both an equity and efficiency perspective that these individuals be treated with particular care and that income supplement and retraining programs be designed and implemented to meet their needs. Second, it is important that governments offset as much as possible the shortfall in private spending that prevents the economy from operating at full capacity. Fortunately, Canada is currently well positioned to accomplish these objectives due to its low debt to GDP ratio.

I. Introduction

The roots of the current economic crisis are well known: reckless lending practices in the United States – primarily in the form of subprime mortgage loans – turned into colossal losses when inflated asset prices stopped increasing and then regressed in late 2007. With losses mounting, panic spread across the financial industry. The crisis deepened in September 2008 as a significant number of financial firms, from banks to mortgage lenders and insurers, failed or had to be bailed-out by governments. Stock markets worldwide crashed and a global recession ensued. In the face of mounting pressure, governments and central banks worldwide took aggressive steps to mitigate the effects of the crisis.

While the recession originated in the United States, it spread rapidly across much of the world. From a global perspective, the current crisis is the worst since the Great Depression of the 1930s (Yalnizyan, 2009). Indeed, the World Bank's most recent forecast is for a 2.9 per cent decline in global output in 2009 (World Bank, 2009). In this report, we look at how the crisis unfolded in Canada and what are the impacts on measures of economic wellbeing. We first look at the magnitude of the crisis in terms of output, as well as assess the channels through which output weakened. Second, we turn our attention to the effect of the crisis on per-capita GDP, GDI, personal income and personal disposable income, as well as estimate the likely shortfall - in the form of the output gap - due to the recession. Third, we assess the effect of the crisis on wealth. Fourth, we focus on the effect of the crisis on labour markets, and discuss the potential distributional impact of recent and future changes in terms of employment. Finally, we discuss the quality of the social safety net to address concerns about the effects of the economic crisis and the potential effects on poverty in the future.

II. The Characteristics of the Current Recession

Between the peak of 2008Q3 and 2009Q1, real output has fallen 2.3 per cent in Canada (Table 1). Despite its source in a deep financial crisis, the current recession, in Canada at least, displays characteristics typical of most recessions: the most volatile components of GDP, namely investment and inventories, were the first to react. A common perception is that Canada's recession was caused primarily by a fall in exports, due both to declining commodity prices and the difficulties in the automobile manufacturing sector. While exports have indeed fallen at a rapid pace (a total of 13 per cent), imports have declined even more (16.9 per cent), with trade thus helping cushion the fall in output over the period by adding 1.6 percentage points to GDP. Government spending also played a role in ensuring the economy did not fall into an even deeper recession, adding roughly 0.3 percentage points to GDP over the period.

| | Share of | 2008Q3 to 2009Q1 | | | | |
|--|-------------------------|--------------------|---|---|--|--|
| | Nominal GDP (2008Q3) | Per cent Change | Percentage Point Contribution to GDP Change | Per cent Contribution to GDP Change | | |
| Gross domestic product at market prices | 100.0 | -2.3 | -2.3 | 100.0 | | |
| Personal expenditure | 55.2 | -1.2 | -0.7 | 28.6 | | |
| Government expenditure | 19.3 | 0.9 | 0.2 | -7.9 | | |
| Government gross fixed capital formation | 3.4 | 2.4 | 0.1 | -3.5 | | |
| Government investment in inventories | 0.0 | -89.5 | 0.0 | -0.2 | | |
| Business gross fixed capital formation | 19.2 | -11.4 | -2.3 | 99.7 | | |
| Business investment in inventories | 0.8 | -138.9 | -1.4 | 59.4 | | |
| Exports minus imports | 2.2 | - | 1.6 | -68.6 | | |
| Exports | 36.1 | -13.0 | -4.6 | 197.9 | | |
| Deduct: imports | 33.9 | -16.9 | -6.2 | 266.5 | | |

Table 1: Components of the Decline in Real Output in Terms of Expenditure, 2008Q3 to 2009Q1

Source: Taken from Appendix Table 1. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Business investment (in particular machinery and equipment) and business inventories, the most volatile portions of GDP, were the first to react to the economic downturn, shaving 3.7 percentage points off GDP growth over the period. In other words, despite accounting for only one-fifth of the economy, these two components of expenditure accounted for more than one and a half times the total decline in output.¹ Lower investment levels are in line with a substantial decline in capacity utilization rate, which fell 9 percentage points between 2008Q3 and 2009Q1 in the industrial sector (Appendix Table 14). Indeed, investing makes little sense when idle capacity is on the increase.

Expenditure by households, which account for more than half total expenditure in Canada, was more resilient, falling only 1.2 per cent and accounting for 29 per cent of the

¹ Business investment in inventories turned negative in the first quarter of 2009, most probably reflecting an earlier build-up in inventories. Within business investment (both residential and non-residential), investment in machinery and equipment was by far the biggest contributor to the decline, accounting for 60 per cent of the decline despite accounting for only one-third of investment or only six per cent of GDP. Growth in these two components of GDP could turn positive quite rapidly if business and consumer confidence were to increase.

decline. This pattern is typical of earlier recessions, and suggests that if business and consumer confidence increases economic growth could return quite rapidly.

Another way to analyze the first two quarters of the recession is to focus on GDP from an income perspective, that is, to examine who has suffered a decline in income rather than who has decreased expenditure. GDP on an income basis is only available in nominal terms, and has fallen 6.7 per cent between 2008Q3 and 2009Q1 (Table 2). This decline was almost entirely due to falling corporate profits, which fell 41.7 per cent over the two quarters, accounting for 6.1 percentage points or 90.5 per cent of the total GDP decline. This finding, of course, is in line with falling business investment in capital and inventories. From a household perspective, there was basically no loss of nominal income from wages and salaries (which account for more than half of GDP), but the decline in investment income was more substantial (down 14.4 per cent, accounting for 0.8 percentage points or 11.4 per cent of the total decline).

| | Share of | | 2008 Q3 to 2009 Q1 | | | | |
|--|-------------------------|--------------------|---|---|--|--|--|
| | Nominal GDP (2008Q3) | Per cent Change | Percentage Point Contribution to GDP change | Per cent Contribution to GDP change | | | |
| Gross domestic product at market prices | 100.0 | -6.7 | -6.7 | 100.0 | | | |
| Wages, salaries and supp. labour income | 50.7 | -0.1 | 0.0 | 0.7 | | | |
| Corporation profits before taxes | 14.6 | -41.7 | -6.1 | 90.5 | | | |
| Government business profits before taxes | 0.9 | -10.5 | -0.1 | 1.4 | | | |
| Interest and miscellaneous investment income | 5.3 | -14.4 | -0.8 | 11.4 | | | |
| Accrued net income of farm operators | 0.2 | -63.3 | -0.1 | 2.2 | | | |
| Net income of non-farm unincorporated business | 5.8 | 2.0 | 0.1 | -1.8 | | | |
| Inventory valuation adjustment | -0.5 | -115.6 | 0.5 | -7.9 | | | |
| Taxes less subsidies, on factors of production | 4.3 | -2.4 | -0.1 | 1.6 | | | |
| Taxes less subsidies, on products | 5.9 | -4.7 | -0.3 | 4.1 | | | |
| Capital consumption allowances | 12.8 | 2.4 | 0.3 | -4.7 | | | |
| Statistical discrepancy | 0.1 | -297.9 | -0.2 | 2.5 | | | |

Table 2: Components of the Decline in Nominal GDP in Terms of Income, 2008Q3 to 2009Q1

Source: From Appendix Table 2. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Of all the other categories (altogether accounting for 30 per cent of GDP), none had an effect larger than 0.5 percentage points on nominal GDP growth over the first two quarters of the recession. As a final note, it is important to emphasize that the effect of recessions on wages and salaries tend to occur later in the cycle as workers are laid off, so these findings do not suggest that aggregate wages and salaries will not fall as a result of the current downturn.

A third way to decompose the fall in GDP since the beginning of the recession is to look at the industry composition. From Table 3, it is clear that the brunt of the recession has occurred in goods-producing industries, where production declined 6.6 per cent compared to only 1.0 per cent in services-producing industries since the beginning of the recession. In fact, all goodsproducing industries have exhibited negative real GDP growth between 2008Q3 and 2009Q1. Moreover, with the exception of agriculture, forestry, fishing and hunting, all goods-producing declined at least as rapidly as the total economy. The goods sector as a whole accounted for about three-quarters of the decline, despite accounting for roughly only 30 per cent of output in Canada. Manufacturing, which accounted for roughly 15 per cent of Canada's output before the crisis, explained 55.6 per cent of the GDP decline since the beginning of the recession. Construction (-4.5 per cent) and mining and oil and gas (-4.4 per cent) were also hit particularly hard – they accounted for 10.2 per cent and 7.4 per cent of the decline respectively. In the services sector, wholesale trade was by far the most hard-hit industry, with output declining 11.1 per cent (accounting for almost a quarter of the total GDP decline).

| | | 2008 Q3 to 2009 Q | | | | | |
|--|----------------------------------|--------------------|---|---|--|--|--|
| | Share of Real GDP (2008Q3) | Per cent Change | Percentage Point Contribution to GDP change | Per cent Contribution to GDP change | | | |
| All Industries | 100.0 | -2.7 | -2.7 | 100.0 | | | |
| Goods-producing sector | 29.7 | -6.6 | -2.0 | 72.1 | | | |
| Agriculture, Forestry, Fishing, and Hunting | 2.1 | -0.4 | 0.0 | 0.3 | | | |
| Mining and Oil and Gas Extraction | 4.5 | -4.4 | -0.2 | 7.4 | | | |
| Utilities | 2.5 | -2.7 | -0.1 | 2.5 | | | |
| Construction | 6.1 | -4.5 | -0.3 | 10.2 | | | |
| Manufacturing | 14.4 | -10.6 | -1.5 | 55.6 | | | |
| Services-producing sector | 70.5 | -1.0 | -0.7 | 24.6 | | | |
| Wholesale Trade | 5.8 | -11.1 | -0.6 | 23.5 | | | |
| Retail Trade | 6.1 | -2.8 | -0.2 | 6.2 | | | |
| Transportation and Warehousing | 4.6 | -3.6 | -0.2 | 6.2 | | | |
| Information and Cultural Industries | 3.7 | 0.4 | 0.0 | -0.5 | | | |
| Finance and Insurance | 6.5 | -0.4 | 0.0 | 1.0 | | | |
| Real Estate and Rental and Leasing | 12.9 | 1.2 | 0.1 | -5.5 | | | |
| Professional, Scientific, and Technical Services | 4.8 | -0.4 | 0.0 | 0.7 | | | |
| Administration and Support Services | 2.5 | -2.1 | -0.1 | 1.9 | | | |
| Educational Services | 4.9 | 1.3 | 0.1 | -2.4 | | | |
| Health Care and Social Assistance | 6.5 | 1.7 | 0.1 | -3.9 | | | |
| Arts, Entertainment, and Recreation | 1.0 | 1.7 | 0.0 | -0.6 | | | |
| Accommodation and Food Services | 2.2 | -0.8 | 0.0 | 0.6 | | | |
| Other Services (Except Public Administration) | 2.7 | 0.7 | 0.0 | -0.6 | | | |
| Public Administration | 5.7 | 0.9 | 0.0 | -1.8 | | | |

Table 3: Industry Components of the Decline in Real Output, 2008Q3 to 2009Q1

Source: From Appendix Table 3. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

III. The Effects of the Current Recession on the Income of Canadians

In spite of some similarities in characteristics noted above, the cause of the 2008-2009 recession in Canada is fundamentally different from those of the early 1980s and the early 1990s, both of which were engineered to restrain inflation. In the words of Pierre Fortin (2009), the current recession is 'systemic' rather than 'strategic'. The real question, however, is what will be the effect of this recession and how deep it will turn out to be. In this section, we first look at how the recession has affected different measures of income over the 2008Q3-2009Q1 period. We then estimate the potential shortfall in GDP related to the economic crisis.

A. Income measures

The effect of the recession on wellbeing can not only be measured in terms of GDP, but also in terms of gross domestic income (GDI), personal income and personal disposable income, all of which capture slightly different elements of the crisis. Nonetheless, wellbeing is most commonly proxied using real GDP per capita. In Canada, due to a 2.3 per cent decrease in output and a 0.6 per cent increase in population, real GDP per capita declined 2.9 per cent between 2008Q3 and 2009Q1, from \$39,790 to \$38,645 (\$2002). Before the crisis, real GDP per capita was already falling from its peak of \$40,143 reached in 2007Q3 (Chart 1).

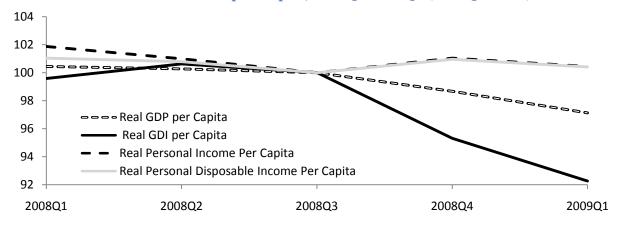


Chart 1: Measure of Real Income per Capita, 2008Q1-2009Q1 (2008Q3 = 100)

Source: Appendix Table 5.

The difference between GDP and GDI stems from changes in Canada's international terms of trade, which represent the ratio of export prices to import prices.² Taking changes in terms of trade into account is important for understanding growth in consumption and investment. Since 2002, with oil prices increasing rapidly, the price of Canada's exports grew much more rapidly than the price of imports, and GDI significantly outperformed GDP. This trend reversed in late 2008, with real GDI per capita falling 7.7 per cent between 2008Q3 and

² Real GDP is derived by the separate deflation of all expenditure components including exports and imports. Real GDI is derived by deflating the nominal net exports component of GDP by final domestic demand prices and the other expenditure components by the same deflator as for GDP. Deflating imports and exports separately means that only changes in 'volume' are captured. By deflating net exports only, the changing 'value' of exports and imports is incorporated in the resulting measure of income, thus reflecting Canada's command over resources.

2009Q1. This dramatic fall reflects an important fall in Canada's terms of trade, and a realignment of trends for per-capita real GDI and GDP. It also suggests that downward pressure on the income of individuals and households may be greater than suggested by the GDP decline in the medium term.

| (millions of dollars) | Personal Income | Wages, salaries and supplemen- tary labour income | Unincorp- orated business net income | Interest, dividends and miscellaneous investment income | Transfers from governments, corporations and non- residents | Savings | Disposable income | | |
|---------------------------|----------------------|---|---|---|---|---------|----------------------|--|--|
| | A = B + C + D + E | В | С | D | E | F | G | | |
| 2008Q1 | 1,217,668 | 812,496 | 93,516 | 141,508 | 170,148 | 31,280 | 938,832 | | |
| 2008Q2 | 1,222,648 | 820,916 | 95,500 | 142,144 | 164,088 | 31,848 | 948,596 | | |
| 2008Q3 | 1,229,092 | 827,116 | 97,860 | 140,304 | 163,812 | 29,876 | 955,512 | | |
| 2008Q4 | 1,236,932 | 831,936 | 98,108 | 138,328 | 168,560 | 47,152 | 960,852 | | |
| 2009Q1 | 1,229,160 | 826,304 | 97,432 | 134,192 | 171,232 | 45,060 | 955,260 | | |
| | | | Nominal Chan | ge (Dollars) | | | | | |
| 2008Q3 to 2008Q4 | 7,840 | 4,820 | 248 | -1,976 | 4,748 | 17,276 | 5,340 | | |
| 2008Q4 to 2009Q1 | -7,772 | -5,632 | -676 | -4,136 | 2,672 | -2,092 | -5,592 | | |
| 2008Q3 to 2009Q1 | 68 | -812 | -428 | -6,112 | 7,420 | 15,184 | -252 | | |
| Nominal Change (Per cent) | | | | | | | | | |
| 2008Q3 to 2008Q4 | 0.6 | 0.6 | 0.3 | -1.4 | 2.9 | 57.8 | 0.6 | | |
| 2008Q4 to 2009Q1 | -0.6 | -0.7 | -0.7 | -3.0 | 1.6 | -4.4 | -0.6 | | |
| 2008Q3 to 2009Q1 | 0.0 | -0.1 | -0.4 | -4.4 | 4.5 | 50.8 | 0.0 | | |

 Table 4: Personal Nominal Income by Component, seasonally adjusted at annual rates

 (millions of dollars)

Source: Taken from Appendix Table 6. CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

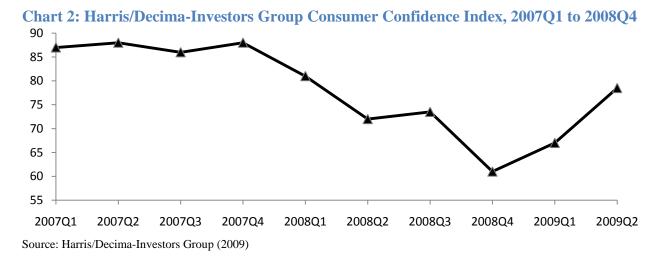
GDP and GDI per capita are generally not considered the most appropriate indicators of standards of living of individuals because they include corporate profits and depreciation and exclude government transfers payments to persons. For this reason, personal income and personal disposable income are better measures for tracking trends in living standards for individuals and households. Personal income includes employment earnings, interest payments, dividend payments and government transfers to persons. Direct taxes paid to government (income taxes, contributions to employment insurance and non-autonomous pension plans and other transfers to governments) are removed from personal income to obtain personal disposable income (\$24,885 in \$2002 in 2008Q3) have proved more resilient than real GDP per capita since the onset of the crisis as they exclude corporate profits which, as noted earlier, has been the income component of GDP experiencing the greatest decline. In fact, between 2008Q3 and 2009Q1, both measures have actually increased 0.4 per cent. Yet, since their peak in 2008Q1, they decreased 1.4 per cent and 0.6 per cent respectively.³

³ Over the last thirty years, the number of households increased more rapidly than population in Canada. If this trend continued in 2008-2009, the per-household decline would be even larger than the per-capita decline.

Recent trends in nominal personal income, personal disposable income and their components are shown in Table 4. Nominal personal income decreased significantly in the first quarter of 2009 (\$7.8 billion). This sharp decrease completely offset the increase that took place in the last quarter of 2008, with wage, salaries and supplementary labour income (-\$812 million), unincorporated business net income (-\$428 million) and interest, dividends and miscellaneous investment income (-\$6.1 billion) all falling between 2008Q3 and 2009Q1. An increase in transfers from governments (\$7,420 million) – primarily in the form of additional employment insurance and social security benefits – offset these falls an helped maintain aggregate nominal personal income at its pre-recession level. The trend in personal disposable income, which takes into account taxes paid to governments, followed the same trend as personal income over the two quarters.

As was noted earlier, on a real per-capita basis, personal income and personal disposable income both increased 0.4 per cent over the 2008Q3-2009Q1 period. The 0.4 per cent increase was due to a decline of 1.0 per cent in prices as measured by the CPI, which was partially offset by a 0.6 per cent increase in population. Together with no changes in nominal terms, both measures thus experienced a 0.4 per cent increase over the period.

Savings increased 58 per cent between the third and fourth quarter of 2008, well before the fall in personal income or wages, suggesting that consumers were taking necessary precautions to protect against a potential future loss of income. The small decline in the level of savings (as well as in the saving rate) between the fourth quarter of 2008 and the first quarter of 2009 may reflect increased confidence about the future from consumers. This evidence fits well with polling of consumer confidence, which shows a dramatic increase from its trough in December 2008 (Chart 2). The Harris/Decima-Investors Group consumer index, which is based on consumer perception of current and future economic conditions, increased from 61.0 in late 2008 to 78.5 in the second quarter of 2009, a stark reversal of trend.



These data suggest that from an income perspective consumers are not much worse off today that they were six months ago. Yet, a number of points must be emphasized. First, the effect of the recession on income is felt primarily through the labour market, which generally

lags other macroeconomic indicators by about one quarter. Indeed, firms take time to adjust to new economic realities and it is likely that personal income will fall significantly in the coming quarters as it did in 2009Q1.

Second, aggregate changes in income do not take into account the asymmetric impact it has on different individuals. A one per cent decline in aggregate personal income is never shared equally across the population. Instead, it is generally concentrated in a small proportion of individuals or households who completely lose their main source of income through unemployment, a phenomenon which is not captured by aggregate variables. Data on consumer bankruptcies, which capture this effect, provide a stark picture: Consumer bankruptcies increased 35 per cent between 2008Q1 and 2009Q1, from 20,466 to 27,542 (Appendix Table 12). Consumer insolvencies, a concept that includes both bankruptcies and proposals,⁴ increase even faster year-over-year (36 per cent).

Finally, it is important to mention that in general the asymmetry in loss of income is highly regressive, with lower and middle income households experiencing much larger percentage losses of income than higher income households. For example, in the last two recessions in Canada, the average market income of bottom quintile family units decreased by 37.8 and 71.4 per cent respectively, compared to only 3.0 and 5.1 per cent for top quintile family units (Table 5).⁵ The pattern was similar, albeit much less definite, for after-tax income because of the progressivity of transfers and taxes in Canada. There is no reason to believe that the current recession will be different in terms of the distributional impact of income losses. In other words, the effects of the recession on wellbeing will go well beyond those captured by aggregate or average income measures.

| | Market | Income | After-Tax Income | | |
|------------------------|--------------|--------------|------------------|--------------|--|
| | 1980 to 1983 | 1989 to 1993 | 1980 to 1983 | 1989 to 1993 | |
| Bottom Quintile | -37.8 | -71.4 | -4.1 | -11.7 | |
| Second Quintile | -20.5 | -36.0 | -9.3 | -12.7 | |
| Third Quintile | -12.6 | -19.2 | -9.1 | -11.2 | |
| Fourth Quintile | -7.7 | -10.4 | -6.7 | -7.9 | |
| Top Quintile | -3.0 | -5.1 | -4.0 | -5.6 | |
| | | | | | |
| All Family Units | -8.3 | -12.5 | -6.1 | -8.4 | |

Table 5: Peak-to-trough decline in average real market and after-tax income of Canadian family units in the recessions of 1982-1983 and 1990-1993, by quintile

Source: CSLS calculation based on Statistics Canada, CANSIM Table 202-0701.

B. The Shortfall

An interesting metric of the impact of a recession on standards of living is the value of foregone output directly related to poor economic performance, or in economic terms the cumulative value of the output gap.⁶ Fortin (2009) measured the cumulative output gap for four

⁴ A proposal is an offer to creditors to settle debts under conditions other than the existing terms.

⁵ It must be noted that these data are not panel data, which means that it is not necessarily the same households in each quintile at both the beginning and end period.

⁶ The output gap in a given year is the percentage by which actual GDP falls short of potential GDP in that year. For example, if in the first year of the recession output grows 1.0 per cent instead of its potential 2.5 per cent, the shortfall is 1.5 per cent of GDP.

past recessions (Table 6) and provided an estimate for the current recession. Of these past recessions, the Great Depression was by far the worst, imposing a total cost of more than three years of production, or about \$5 trillion if it were to occur in today's economy. Obviously, the total cost of the recessions is highly correlated to the length of time for which economic activity remains below potential. In the early 1980s, the recession was sharp, with output falling 2.9 per cent between 1981 and 1982, but the recovery was equally rapid, with output increasing 2.7 per cent, 5.8 per cent and 4.8 per cent in 1983, 1984 and 1985 respectively (Chart 3). As a result, the cost of the recession was relatively small, about \$370 billion if it were to occur today. In comparison, the recession of the early 1990s, with its protracted recovery, was nearly three times more costly.

| Episode | Length | Maximum Output Gap | Cumulative Output Gap | 2009 Equivalent Cost |
|-----------|----------|-----------------------|--------------------------|----------------------|
| 1929-1942 | 12 years | 37.4% in 1933 | 302.6% | \$4,990 billion |
| 1956-1966 | 9 years | 7.9% in 1961 | 42.1% | \$690 billion |
| 1981-1988 | 6 years | 6.2% in 1983 | 22.4% | \$370 billion |
| 1989-2000 | 10 years | 8.9% in 1993 | 62.3% | \$1,030 billion |
| 2008-2014 | 7 years | 5.9% in 2010 | 23.2% | \$383 billion |

| | 1 41 1 | • | 4 6 6 | 1.0 | • | • |
|------------------|-----------|---------------|--------------|--------|----------|------------|
| Table 6: Length, | denth and | macroeconomic | cost of tour | nact (| anadian | recessions |
| Table V. Length, | ucpm anu | macroconomic | cost of four | past C | Janaulan | |

Sources: Fortin (2009). Estimates for the 2008-2014 recession are based on IMF forecasts.

Chart 4 shows projected actual and potential output growth for the 2008-2015 period based on TD economics forecasts.⁷ If these projections are accurate, the cumulative output gap for the 2008-2015 period will be about 26 per cent of GDP, beyond the level experienced in the early 1980s recession.⁸ This estimate is roughly in line with the estimates from Fortin (2009), based on IMF forecasts, which anticipate a cumulative output gap slightly above 23 per cent. By any measure, the cost of the recession will be significant. The equivalent of production for an entire quarter will be foregone. In dollar terms, the cumulative cost of the recession will be \$420 billion (\$2007), or slightly more than \$12,000 per capita, or an average of \$1,736 per capita per year over the 2008-2014 period. In other words, given no economic crisis, GDP per capita in Canada would have likely been \$1,736 higher on average each year over the 2008-2014 period.

In the second year, if GDP declines 1.5 per cent, then the shortfall for that year is the difference between GDP in year two and potential GDP in year two, that is 5 per cent. To close the output gap in the third year, the economy would have to grow 7.5 per cent, or 5 per cent above potential. The cumulative output gap is the arithmetic sum of annual output gaps over all years of a given episode. Recessions can best be compared by using the cumulative percentage point output gap.

⁷ These forecasts make a very conservative assumption of 2.0 per cent potential output growth. By comparison, between 2000 and 2007, actual output growth average 2.6 per cent. If potential output were to be 2.6 per cent instead of 2.0 per cent (and assuming no feedback in the forecast of this change in assumption), the output gap would close only in 2023 and the cumulative output gap would total 64.3 per cent, or the equivalent of two-thirds of a year of production.

⁸ The pace of recovery is the key determinant of the long-term damage of the current recession. The forecast used in this report is conservative, but is still equivalent to growth of about 3.5 per cent on average for 2010-2015 when the output gap is closed. If we were to assume average growth of only 3.0 per cent, the cost would increase by roughly 30 per cent (cumulative output gap of 34 percentage points and a total cost of \$550 in 2007 dollars).

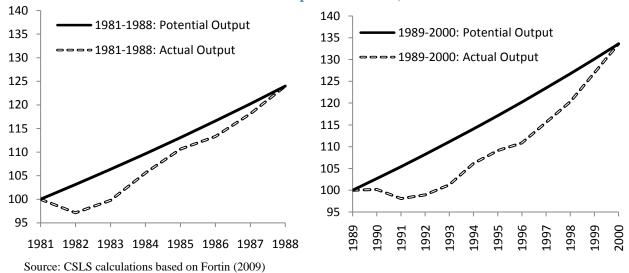
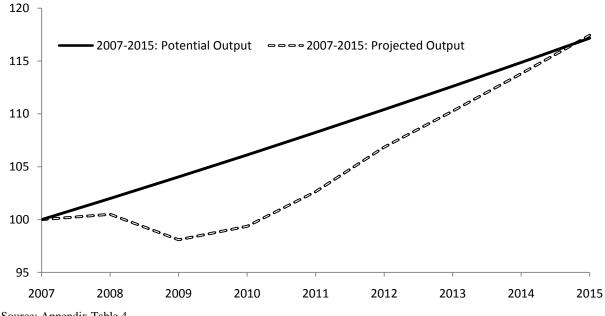


Chart 3: Index of Actual and Potential Output in Canada, 1981-1988 and 1989-2000





Source: Appendix Table 4.

IV. The Effects of the Current Recession on the Wealth of Canadians

Economic wellbeing cannot be captured only with income data. Not only can we enjoy today's income in the present, but we can also transform wealth accumulated in the past into present consumption. As well, wealth can provide economic security and a personal safety net in cases of economic adversity, such as a death or disability of a family member in the workforce. Therefore, to measure economic wellbeing at any point in time, one needs to take into account both income and wealth. One of the key features of the current economic crisis is the large decline in asset prices, in particular assets related to the stock markets (financial assets, pension type assets) and real estate. The effects on average wealth and wealth inequalities are significant.

Statistics Canada releases quarterly data on aggregate household wealth. Nominal household net worth per capita peaked in 2008Q2 in Canada, at an average of \$179,715 per person. Between 2008Q2 and 2009Q1, nominal household net worth per capita decreased 9.4 per cent, with aggregate household assets decreasing 6.1 per cent – in particular financial assets (-11.1 per cent) – and aggregate household liabilities increasing 5.0 per cent. `

Jim Davies (2009) examined what impact observed asset price declines would have had on household wealth in the absence of any change in asset quantities. While partial, this exercise provides an interesting picture of the likely effect of the crisis on household wealth by income level. Two key metrics are used to estimate asset price declines in Canada: the price of existing houses and the Toronto Stock Exchange composite index (TSX). Between June 2005 – the midpoint of the Survey of Financial Security which was in the field between May and July – and May 2008 when North American stock markets reached their peak, the TSX had increased almost 50 per cent. When it bottomed out in February 2009, the TSX had fallen 45 per cent from its peak, standing 18 per cent below its June 2005 level.⁹ Similarly, prices for existing houses increased 29 per cent between June 2005 and May 2008, but then fell 6 per cent to February 2009.

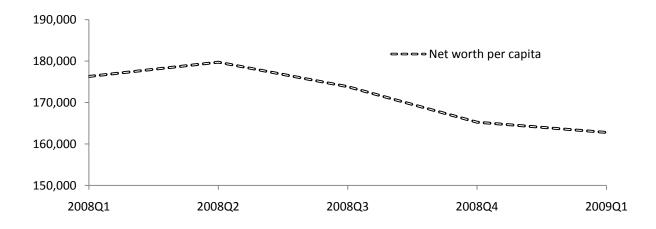


Chart 5: Net Worth per Capita in Canada, nominal dollars, 2008Q1 to 2009Q1

⁹ Between the end of February 2009 and early June 2009, the TSX has increased almost 40 per cent, bringing it back above its June 2005 level in nominal terms.

Based on these changes in asset prices, Davies (2009) estimated the effect on average household wealth by after-tax income quintile for three periods: June 2005, May 2008 and February 2009. The key results are found in Table 7. Between June 2005 and February 2009, mean asset holdings in nominal terms have remained roughly unchanged, increasing only 0.4 per cent. The highest after-tax income quintile experienced an average decline of 1.4 per cent, while the lowest quintile experienced an average increase of 3.1 per cent. In other words, wealth holdings at the aggregate level have not changed much since 2005, and in general high income earners have suffered more from the recent decline in asset prices than low income earners. This is not surprising because high income households tend to have a larger proportion of their wealth in stocks and mutual funds.

Of course, the small changes between June 2005 and February 2009 hide the large run-up in asset prices to May 2008, which was followed by a large decline to February 2009. Nonetheless, the key message from the analysis is that while wealth has indeed decreased significantly between May 2008 and February 2009 (about 15 per cent for the average Canadian), it is only back to its 2005 level in nominal terms. In fact, given the recent increases in the TSX, average wealth holdings are most probably above their 2005 level.

| | | Lowest Quintile | 2nd Quintile | 3rd Quintile | 4th Quintile | Highest Quintile | All |
|--------------------|-----------------------------------|--------------------|-----------------|-----------------|-----------------|---------------------|---------|
| | Total Financial Assets | 19,141 | 23,411 | 40,692 | 51,381 | 93,321 | 45,606 |
| June 2005 | Total Pension Type Assets | 14,986 | 47,097 | 98,698 | 164,626 | 276,456 | 120,397 |
| Julie 2005 | Total Non-Financial Assets | 77,634 | 125,051 | 241,539 | 270,237 | 560,778 | 255,030 |
| | Total Assets | 111,761 | 195,559 | 380,929 | 486,244 | 930,554 | 421,033 |
| | Total Financial Assets | 21,327 | 26,470 | 44,873 | 59,107 | 113,064 | 52,988 |
| May 2008 | Total Pension Type Assets | 17,145 | 52,218 | 108,584 | 181,480 | 309,953 | 133,900 |
| May 2000 | Total Non-Financial Assets | 92,781 | 149,450 | 290,503 | 321,294 | 686,012 | 307,991 |
| | Total Assets | 131,253 | 228,139 | 443,960 | 561,880 | 1,109,028 | 494,878 |
| | Total Financial Assets | 17,840 | 21,590 | 38,204 | 46,783 | 81,571 | 41,213 |
| February 2009 | Total Pension Type Assets | 13,700 | 44,049 | 92,814 | 154,596 | 256,521 | 112,362 |
| rebruary 2009 | Total Non-Financial Assets | 83,715 | 133,025 | 258,527 | 291,428 | 579,411 | 269,195 |
| | Total Assets | 115,255 | 198,665 | 389,545 | 492,808 | 917,503 | 422,770 |
| | Total Financial Assets | -16.4 | -18.4 | -14.9 | -20.9 | -27.9 | -22.2 |
| Per cent Change | Total Pension Type Assets | -20.1 | -15.6 | -14.5 | -14.8 | -17.2 | -16.1 |
| (May 08- Feb. 09) | Total Non-Financial Assets | -9.8 | -11.0 | -11.0 | -9.3 | -15.5 | -12.6 |
| | Total Assets | -12.2 | -12.9 | -12.3 | -12.3 | -17.3 | -14.6 |
| Per cent Change | Total Financial Assets | -6.8 | -7.8 | -6.1 | -8.9 | -12.6 | -9.6 |
| | Total Pension Type Assets | -8.6 | -6.5 | -6.0 | -6.1 | -7.2 | -6.7 |
| (June 05- Feb. 09) | Total Non-Financial Assets | 7.8 | 6.4 | 7.0 | 7.8 | 3.3 | 5.6 |
| | Total Assets | 3.1 | 1.6 | 2.3 | 1.3 | -1.4 | 0.4 |

Table 7: Mean Asset Holdings by After-tax Income Quintiles, Current dollars

Note: Financial assets include deposits, mutual funds, bonds, stocks, and other financial assets. Pension type assets include RRSPs/LIRAs, RRIFS, and employer pension plans. Non-Financial Assets include real estate, vehicles, business equity, and other non-financial assets.

Sources: Davies (2009). Data for 2005 from the Survey of Financial Security (SFS), Statistics Canada. Data for 2009 based on the following assumption: (1) The TSX represented the asset holdings in stocks and mutual funds for all Canadians; (2) Other financial assets had zero change in real value; (3) Investments in RRSPs, RRIFs, and defined contributions of employer pension plans were 60% in stocks and mutual funds and 40% in other financial assets; and (4) Equity in employer pension plans was 20 per cent defined contributions.

While the effect of the economic crisis on average wealth will likely be minimal in the medium to long term, we must keep in mind the variety of experiences of households and individuals. The economic crisis may have had certain redistribution effects, with some individuals reaping important gains (e.g. those buying a foreclosed home at extremely low prices) while others lost a significant amount of assets (e.g. those retiring with RRSPs concentrated in equities). Nonetheless, given that higher-income Canadians generally hold a larger proportion of equities, and given that equities were the types of assets experiencing the largest declines, the net effect of the crisis is likely to be a decrease in wealth inequalities in the short term.

As a final note, it is important to emphasize some of the limitations of these estimates. First, estimates are not divided into different age groups and quintiles are formed using after-tax income as opposed to wealth. As a result, the average wealth of the lowest income quintile may be skewed upward by a large number of retirees with relatively low income but relatively large assets. These estimates also fail to capture changes in the quantity of assets for different income groups, as well as changes in debt levels and net worth.

V. The Effects of the Current Recession on the Labour Market

The impact of unemployment on an individual's life is often drastic and seldom beneficial. Giving people ample opportunities to work certainly has a favourable impact on wellbeing. Fully utilizing all potential labour not only leads to greater economic output, but also to rising living standards and, to a certain degree, the prevention of social exclusion. The negative effect of an economic downturn on employment has significant short-term and longterm effects on the ability of individuals to maintain and develop skills and thus fully participate in the economic activity of society. This cost falls on a minority of workers, leading to much larger losses in terms of economic wellbeing than if the cost was shared equally across workers.

Studies examining life satisfaction show that unemployment has substantial negative effects even "after accounting for the changes in income that occur" (Diener, Lucas, Schimmack and Helliwell, 2009:162). In addition, "research shows that the effects of unemployment remain, even after people become reemployed," (Ibid, 2009:162) a phenomenon often referred to as 'scarring'. A similar 'scarring' phenomenon affects the cohorts of young people entering the labour force during recessions, which experience a higher propensity for unemployment and lower incomes after the recession ends when compared to other cohorts (for example, see Nordström Skans, 2004).

The current recession has already translated into large scale employment losses. Employment peaked in October 2008, when 17.2 million Canadian were employed (Table 8). Between October 2008 and May 2009, net employment decreased by 362,500 persons. The following characteristics of the fall in employment are worth mentioning:

• All of the employment losses were among full-time workers (-406,100 persons), with part-time employment increasing (43,600 persons) over the period. The increase in part-time employment likely reflected the preferences of employers for more flexible employment arrangements in these uncertain times.

- A similar trend was at play in employment data broken down by class of workers. While the number of employees was way down (-365,900 persons) particularly in the private sector (-321,900 persons) the number of self-employed workers actually increased 3,400.
- In terms of job permanency, year-over-year employment in May (unadjusted for seasonality) decreased more among permanent employee (-2 .7 per cent) than among temporary employees (-1.8 per cent). Among temporary employees, employees in seasonal and casual jobs experienced significant decline (-4.7 per cent and -3.8 per cent respectively), while the number of employees in term or contract job (0.6 per cent) and other temporary jobs (8.2 per cent) actually increased (Appendix Table 7.2).
- Hours worked (-3.6 per cent) have decreased faster than employment (-2.1 per cent), translating into less unemployed workers than would otherwise be the case. Federal initiatives, such as the EI work-sharing program which currently covers 130,000 workers in Canada (Grant, 2009), exemplify why hours have fallen more rapidly and how this trend has been beneficial in terms of unemployment.
- In other words, not only has the recession driven many workers out of the workforce, it has also increased the proportion of workers in more unstable job categories. The effect of the recession on living standards is already clearly visible in the labour market.

| | | Full-time or Part-time | | | Class of Worker | | | | |
|--------------------|-----------------------|----------------------------|-----------|--|-------------------------------|--------------------------------|-------------------|--|--|
| | Total Employment | Full-time | Part-time | Employees | Public sector employees | Private sector employees | Self- employed | | |
| | A = B + C or D + G | В | С | $\mathbf{D} = \mathbf{E} + \mathbf{F}$ | Е | F | G | | |
| 2008-10 | 17,194.7 | 14,004.2 | 3,190.5 | 14,543.3 | 3,461.9 | 11,081.5 | 2,651.4 | | |
| 2008-11 | 17,131.4 | 13,973.8 | 3,157.6 | 14,475.7 | 3,426.3 | 11,049.5 | 2,655.7 | | |
| 2008-12 | 17,111.0 | 13,921.7 | 3,189.3 | 14,452.6 | 3,446.7 | 11,005.9 | 2,658.4 | | |
| 2009-01 | 16,982.0 | 13,807.8 | 3,174.2 | 14,309.4 | 3,404.7 | 10,904.7 | 2,672.6 | | |
| 2009-02 | 16,899.4 | 13,696.9 | 3,202.5 | 14,254.7 | 3,380.5 | 10,874.3 | 2,644.6 | | |
| 2009-03 | 16,838.1 | 13,617.4 | 3,220.7 | 14,188.3 | 3,381.8 | 10,806.5 | 2,649.8 | | |
| 2009-04 | 16,874.0 | 13,656.8 | 3,217.1 | 14,187.2 | 3,391.1 | 10,796.1 | 2,686.8 | | |
| 2009-05 | 16,832.2 | 13,598.1 | 3,234.1 | 14,177.4 | 3,417.8 | 10,759.6 | 2,654.8 | | |
| | | Change (Number of Persons) | | | | | | | |
| 2008-10 to 2009-04 | -362,500 | -406,100 | 43,600 | -365,900 | -44,100 | -321,900 | 3,400 | | |
| | | | Cha | ange (Per cen | t) | | | | |
| | -2.1 | -2.9 | 1.4 | -2.5 | -1.3 | -2.9 | 0.1 | | |

 Table 8: Employment by Full-time/Part-time Status and Class of Worker, October 2008 to April 2009
 (Seasonally adjusted, thousands of persons unless otherwise noted)

Source: Taken from Appendix Table 7 and 8. Labour Force Survey, Statistics Canada.

These large employment losses are not only reflected in terms of the employment rate, which fell from 63.6 per cent in October 2008 to 61.8 per cent in May 2009, but also in terms of unemployment and participation rates (Chart 6). The fall in employment rate was largely mirrored by an increase in unemployment rate, 2.1 percentage points from 6.3 per cent to 8.4 per cent over the October-May period. Long-term unemployment (1 year or more) – unadjusted for seasonality – increased slightly from 0.41 per cent in October 2008 to 0.56 per cent in March

2009, but was back down to 0.55 and 0.52 per cent in April and May 2009 (Appendix Table 7.3). Year-over-year long-term unemployment rate increased 0.12 percentage points from 0.40 per cent in May 2008 to 0.52 per cent in May 2009. The proportion of people unemployed for 26 weeks or more increased even faster. Year-over-year, the 26 weeks or more unemployment rate increased 0.40 percentage points, from 0.86 in May 2008 to 1.26 in May 2009.

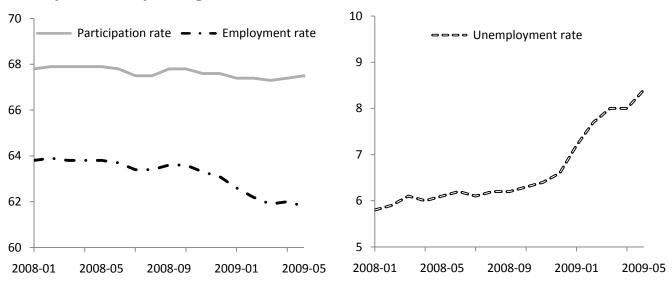


Chart 6: Employment, Participation and Unemployment Rates in Canada, January 2008 to May 2009 (per cent)

Source: Taken from Appendix table 7.1. Labour Force Survey, Statistics Canada.

Of course, long-term unemployment is a lagging indicator and will thus embody the full long-term effects of the recession only a few years later.¹⁰ Nonetheless, in terms of average unemployment duration (unadjusted for seasonality), the year-over-year increase in May 2009 was less than one week, from 15.0 week in May 2008 to 15.9 week in May 2009 (Appendix Table 7.1). Given that job losses begun in October 2008, the lack of a more significant increase in the average duration of unemployment is surprising.

The participation rate, which represents the proportion of the population either employed or searching for work, fell 0.3 percentage points over the period, reflecting in part the deterioration of labour market conditions. The slight increase in participation rate in April and May, however (0.1 percentage points each month), may reflect increased confidence on the part of workers about their future employment prospects.

The national decline in employment of 2.1 percentage points between October 2008 and May 2009 can be examined from a variety of dimensions. From a provincial perspective, Ontario was the province which experienced the largest decline, both in absolute (-233,600 persons) and percentage terms (-3.5 per cent) (Table 9). Ontario alone accounted for more than half the

¹⁰ The last time long-term unemployment reached 0.4 per cent was in late 1981. Long-term unemployment peaked at 1.5 per cent after the early 1980s recession - in early 1983 – and remained around that level for the following two years. In the early 1990s recession, long-term unemployment increased from 0.5 per cent in mid-1990 to 2.1 per cent in early 1994, thus peaking only four years after the beginning of the recession.

employment decline in Canada over that period. The other two provinces which experienced large declines in employment are British Columbia (-50,200 persons) and Alberta (- 41,700 persons), both of which have seen their employment levels drop at about the same rate as the Canadian average. Saskatchewan (0.7 per cent) and Manitoba (0.2 per cent) were the only provinces with no employment decline over the October to May period. The province of Quebec (-0.7 per cent) has also been relatively sheltered from the crisis up to May 2009.

| | Share of Employment | Change in E Oct. '08 t | Contribution to Employment | |
|---------------------------|----------------------------|---------------------------|-------------------------------|-----------------------|
| | October 2008 (per cent) | (persons) | (per cent) | Decline (per cent) |
| Canada | 100.0 | -362,500 | -2.1 | 100.0 |
| Newfoundland and Labrador | 1.3 | -5,800 | -2.7 | 1.6 |
| Prince Edward Island | 0.4 | -1,000 | -1.4 | 0.3 |
| Nova Scotia | 2.7 | -4,600 | -1.0 | 1.3 |
| New Brunswick | 2.1 | -3,600 | -1.0 | 1.0 |
| Quebec | 22.6 | -26,600 | -0.7 | 7.3 |
| Ontario | 39.1 | -233,600 | -3.5 | 64.4 |
| Manitoba | 3.5 | 1,200 | 0.2 | -0.3 |
| Saskatchewan | 3.0 | 3500 | 0.7 | -1.0 |
| Alberta | 11.8 | -41,700 | -2.0 | 11.5 |
| British Columbia | 13.4 | -50,200 | -2.2 | 13.8 |

Table 9: Employment by Province, October 2008 to May 2009, seasonally adjusted

Source: CSLS calculations based on CANSIM Table 282-0087 - Labour force survey estimates (LFS)

Industry employment estimates tell a similar story. As was the case for GDP, the goodsproducing sector was most hard-hit, with the sector accounting for almost 90 per cent of employment losses, despite representing only 23.5 per cent of total employment. Manufacturing, which has a particular large presence in Ontario, accounted for 51.3 per cent of the October-May employment decline (186,100 persons). Construction also accounted for approximately one-third of the decline (110,400 persons). While the decline in manufacturing reflected in large part the decline of the auto sector, the fall in construction was the result of the end of the housing boom, which peaked in mid-2008.

In the services-producing sector, employment losses were concentrated in transportation and warehousing (47,500 persons or 5.5 per cent) and wholesale and retail trade (43,500 persons or 1.6 per cent). Surprisingly, employment also fell 2.0 per cent in public administration (19,500 persons) and 2.0 per cent in educational services (24,300 persons). These declines were partially offset by significant increases of 5.4 per cent in other services (41,500 persons) and 1.5 per cent in health care and social assistance (28,900 persons).

| | Share of Employment | Change in E Oct. '08 to | Contribution to Employment | |
|---|----------------------------|----------------------------|-------------------------------|-----------------------|
| | October 2008 (per cent) | (persons) | (per cent) | Decline (per cent) |
| Total | 100.0 | -362,500 | -2.1 | 100 |
| Goods-producing sector | 23.5 | -321,100 | -8.0 | 88.6 |
| Agriculture | 1.9 | -2,000 | -0.6 | 0.6 |
| Forestry, fishing, mining, oil and gas | 2.0 | -23,300 | -6.9 | 6.4 |
| Utilities | 0.9 | 800 | 0.5 | -0.2 |
| Construction | 7.3 | -110,400 | -8.8 | 30.5 |
| Manufacturing | 11.5 | -186,100 | -9.4 | 51.3 |
| Services-producing sector | 76.5 | -41,400 | -0.3 | 11.4 |
| Wholesale and retail trade | 15.6 | -43,500 | -1.6 | 12.0 |
| Transportation and warehousing | 5.1 | -47,500 | -5.5 | 13.1 |
| Finance, insurance, real estate and leasing | 6.2 | -6,800 | -0.6 | 1.9 |
| Professional, scientific and technical services | 7.0 | -11,600 | -1.0 | 3.2 |
| Business, building and other support services | 3.9 | 17,200 | 2.6 | -4.7 |
| Educational services | 7.0 | -24,300 | -2.0 | 6.7 |
| Health care and social assistance | 11.2 | 28,900 | 1.5 | -8.0 |
| Information, culture and recreation | 4.4 | 21,800 | 2.9 | -6.0 |
| Accommodation and food services | 6.2 | 2,300 | 0.2 | -0.6 |
| Other services | 4.5 | 41,500 | 5.4 | -11.4 |
| Public administration | 5.5 | -19,500 | -2.0 | 5.4 |

Table 10: Employment by Industry, October 2008 to April 2009, seasonally adjusted

Source: CSLS calculation based on CANSIM Table 282-0094 - Labour force survey estimates (LFS)

VI. The Effects of the Current Recession on Poverty

Poverty, or low-income, measures are probably the most direct way to measure material deprivation, and hence a good indicator of trends in living standards at the bottom of the income ladder. In Canada, low-income is measured using the low income cut-offs (LICOs), a threshold level of income at which a family of a certain size would have to spend 20 percentage points more of its income on food, shelter and clothing than the average family of the same size.¹¹ These data, however, are produced with a long lag, approximately 18 months. It will be at least two more years before the crisis is reflected in poverty statistics.

The most recent year for which data on poverty is available is 2007. Indeed, on June 3 2009, Statistics Canada released the results of its annual household survey, the Survey of Labour and Income Dynamics (SLID). The proportion of persons in low-income households decreased from 10.5 per cent in 2006 to 9.2 per cent in 2007, reaching its lowest level since the beginning of the series in 1976 – and well below the previous trough of 10.2 per cent reached in 1989. The average poverty gap also decreased to \$6,700 (\$2007), its lowest level since 1994 (Appendix Table 11). It will most probably take many years, possibly up to a decade, for poverty in Canada to return to its 2007 level. For example, it took 18 years for Canada to return to its 1989 poverty rate level after the recession of the early 1990s.

A. The Unemployment/Poverty Relationship

Despite the lack of timely data, it is possible to obtain a rough idea of the effect of the crisis on poverty by looking at the relationship between unemployment and poverty during previous recessions. As is shown in Chart 7, unemployment rates and poverty rates closely track each other. The two variables are closely related (with the exception of the 1993-1996 period) since loss of employment often leads to a household income below the poverty threshold.

In the recession of the early 1980s, the unemployment rate increased 4.4 percentage points from trough to peak while after-tax poverty increased only 2.4 percentage points over the same period (Table 11). The recession was relatively short-lived (two years from trough to peak), which may explain the weak correlation between the two variables. In the 1990s, the unemployment rate increased 3.9 percentage points, and after-tax poverty increased slightly more (4.1 percentage points). The one-to-one relationship in the early 1990s recession was due both to a longer recession (4 years from trough to peak) and a fraying safety net.

A paradoxical characteristic of the 1990s was the failure of the poverty rate to fall when the unemployment rate began falling in 1994. In fact, poverty peaked at 15.7 per cent only in 1996, three years after the unemployment rate peak. This trend may have been related to the dramatic fall in EI coverage over the same period, which we will discuss in the next section.

¹¹ LICOs are established using data from the Family Expenditure Survey, now known as the Survey of Household Spending. They are calculated for seven different family sizes, from unattached individual to family of seven or more, and for five community sizes, from rural to urban areas with a population of more than 500,000. The income threshold represent the level at which families are expected to spend 20 percentage points more than the average family on food, shelter and clothing. Using income data for that year, one can derive the cut-off values. Thereafter, the CPI is used to adjust the basic set of cut-offs for different years.

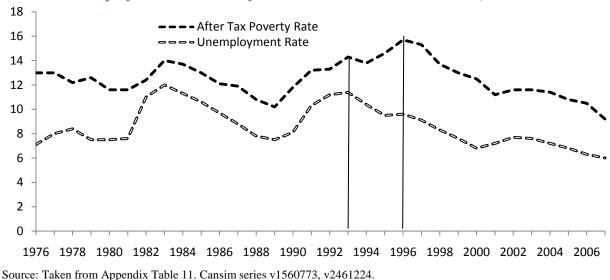


Chart 7: Unemployment and Poverty Rates for All Persons in Canada, 1976-2007

According to many forecasters, unemployment rate will average about 10 per cent in 2010.¹² Between 2007 and 2010, the unemployment rate will have increased roughly 4.0 percentage points, from 6.0 per cent in 2007 to 10.0 per cent in 2010. Given that changes to EI to date have only been minor, it is reasonable to assume that the current recession will display unemployment to poverty change ratio similar to that of the early 1990s recession. If this scenario materializes, after-tax poverty for all persons will rise to 13.2 per cent in 2010, a level not seen since 1998, twelve years earlier.

| | | After Tax Poverty Rate | Unemployment Rate |
|-----------|----------------------------------|------------------------|-------------------|
| | 1981 | 11.6 | 7.6 |
| 1980-1983 | 1983 | 14.0 | 12.0 |
| | 1981-1983 (percentage points) | 2.4 | 4.4 |
| | 1989 | 10.2 | 7.5 |
| 1989-1993 | 1993 | 14.3 | 11.4 |
| | 1989-1993 (percentage points) | 4.1 | 3.9 |

 Table 11: Trough to Peak* Changes in Unemployment and Poverty

 in the Previous Two Recessions, Per cent unless otherwise noted

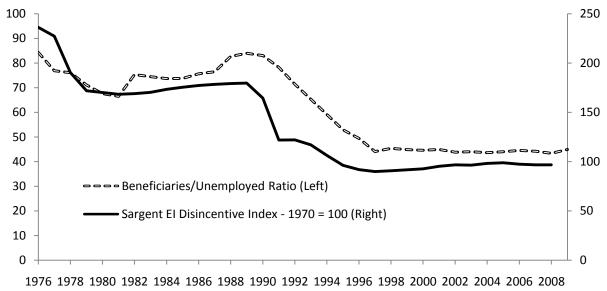
Source: Cansim series v1560773, v2461224. * The trough-to peak period is that of the unemployment rate, not poverty.

¹² For example, TD Economics (2009) projects an unemployment rate of 9.9 per cent in 2010, while the OECD (2009) forecasts unemployment rate of 10.5 per cent.

B. A Fraying Safety Net

The fall in EI coverage which occurred primarily in the early 1990s is shown in Chart 8, using both the ratio of EI beneficiaries to unemployed (BU ratio) and an EI disincentives index (EIDI) developed by Finance Canada. The BU ratio shows the proportion of unemployed workers receiving refgular EI benefits. This ratio decreased from 84.0 per cent in 1989 to only 44.1 per cent in 1997. Since then, it has remained roughly stable.¹³





Source: EIDI, unpublished data from Finance Canada. BU ratio from Statistics Canada, Cansim Table 282-0087 and 276-0001.

The EIDI is slightly more complicated. It is based on an economic model in which individuals are assumed to optimize the duration of their employment and unemployment spells based on EI/UI parameters.¹⁴ Similarly to the BU ratio, it shows a dramatic decrease coinciding with the early 1990s recession. Both measures point to a similar trend: Canada's EI program is now much less generous than before, and it will not be able to cushion households from poverty due to employment loss as well as it did before the reform of the early 1990s.

¹³ It should be noted that because the current recession affects many long-term full-time workers, a large proportion of workers currently losing their job are eligible to receive EI benefits. Between October 2008 and April 2009, the number of unemployed workers increased 313,100 while the number of recipients of regular EI benefits increased 196,700, suggesting that 63 per cent of newly unemployed workers are receiving EI benefits, a much larger proportion that the 40-45 per cent suggested by the long-term trend in the BU ratio. ¹⁴ The Sargent EI Disincentives Index, which represents the utility-maximizing point in the model, is based on the

¹⁴ The Sargent EI Disincentives Index, which represents the utility-maximizing point in the model, is based on the replacement rate, the minimum EI/UI entrance requirements and the maximum EI/UI benefit duration corresponding to entrance requirements.

The fraying safety is not only related to changes to EI, but also to changes in social assistance programs. For example, Stapleton (2009:2) notes that in Ontario:

"people who once could successfully apply for welfare during a rough patch ... are going to be turned away at the welfare office. The reason for this is that since the last major recession, governments have brought in four significant sets of changes: (1) Lower social assistance rates; (2) Much lower assets limits; (3) Earning exemptions policies that do not apply to new applicants; and (4) 'Workfare' — now called 'community participation'."

These significant changes, accompany by a now less generous EI system, are likely to translate into a strong relationship between unemployment and poverty. Moreover, given that the social assistance system requires household to draw down their assets significantly before benefiting from assistance, the time needed for households to exit poverty after a lengthy unemployment spell may be even longer than in previous recessions.

VII. Conclusion

Since the mid-1990s economic growth in Canada has been robust, with positive effects on the standards of living of Canadians. The current recession will unfortunately erase many of these gains and it will be many years before we return to the unemployment and poverty levels enjoyed before the recession hit.

From a public policy perspective there are two priorities in dealing with the recession. First, since the costs of the recession are very unevenly distributed, hitting primarily those who lose their jobs, it is important from both an equity and efficiency perspective that these individuals be treated with particular care and that income supplement and retraining programs be designed and implemented to meet their needs. Second, it is important that governments offset as much as possible the shortfall in private spending that prevents the economy from operating at full capacity. Fortunately, Canada is currently well positioned to accomplish these objectives due to its low debt to GDP ratio.

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Yalnizyan, Armine (2009) "Exposed: Revealing Truths About Canada's Recession," Canadian Centre for Policy Alternatives, April. Available online at: <u>http://www.policyalternatives.ca/reports/2009/04/reportsstudies2207/?pa=AE5DAA5F</u> **Appendix Tables**

| | | 2008Q3 to 2009Q1 | | | | | |
|--|----------------------------------|------------------|---|--|--|--|--|
| | Share of Nominal GDP (2008Q3) | Per cent Change | Percentage Point Contribution to GDP Change | Per cent Contribution to GDP Change | | | |
| Gross domestic product at market prices | 100.0 | -2.3 | -2.3 | 100.0 | | | |
| Personal expenditure on consumer goods and services | 55.2 | -1.2 | -0.7 | 28.6 | | | |
| Durable goods | 6.9 | -4.8 | -0.3 | 14.3 | | | |
| Semi-durable goods | 4.4 | -2.1 | -0.1 | 4.0 | | | |
| Non-durable goods | 13.6 | -0.3 | 0.0 | 2.0 | | | |
| Services | 30.3 | -0.6 | -0.2 | 8.3 | | | |
| Government current expenditure on goods and services | 19.3 | 0.9 | 0.2 | -7.9 | | | |
| Government gross fixed capital formation | 3.4 | 2.4 | 0.1 | -3.5 | | | |
| Government investment in inventories | 0.0 | -89.5 | 0.0 | -0.2 | | | |
| Business gross fixed capital formation | 19.2 | -11.4 | -2.3 | 99.7 | | | |
| Residential structures | 6.7 | -11.7 | -0.8 | 34.5 | | | |
| Non-residential structures and equipment | 12.5 | -11.2 | -1.5 | 65.2 | | | |
| Non-residential structures | 6.1 | -4.1 | -0.3 | 11.4 | | | |
| Machinery and equipment | 6.3 | -17.7 | -1.3 | 53.8 | | | |
| Business investment in inventories | 0.8 | -138.9 | -1.4 | 59.4 | | | |
| Non-farm | 0.6 | -192.4 | -1.1 | 47.5 | | | |
| Farm | 0.2 | -83.8 | -0.3 | 12.0 | | | |
| Exports minus imports | 2.2 | - | 1.6 | -68.6 | | | |
| Exports of goods and services | 36.1 | -13.0 | -4.6 | 197.9 | | | |
| Goods | 31.6 | -14.5 | -4.5 | 191.3 | | | |
| Services | 4.5 | -3.3 | -0.2 | 6.7 | | | |
| Deduct: imports of goods and services | 33.9 | -16.9 | -6.2 | 266.5 | | | |
| Goods | 28.2 | -18.7 | -5.7 | 244.0 | | | |
| Services | 5.7 | -8.4 | -0.5 | 22.5 | | | |
| Statistical discrepancy | -0.1 | -308.1 | 0.2 | -7.6 | | | |

Appendix Table 1: Components of the Decline in Real Output between 2008Q3 to 2009Q1

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 2: Changes in GDP (Income) by Component, Seasonally adjusted data at annual rates (millions of dollars)

| | - | | - | | | - | | - | | | | |
|-------------------|---|--|--|---|---|--|--|--------------------------------------|---|---|--------------------------------------|----------------------------|
| | Gross domestic product at market prices | Wages, salaries and supplementary labour income | Corporation profits before taxes | Government business enterprise profits before taxes | Interest and miscellaneous investment income | Accrued net income of farm operators from farm production | Net income of non-farm unincorporated business, including rent | Inventory valuation adjustment | Taxes less subsidies, on factors of production | Taxes less subsidies, on products | Capital consumption allowances | Statistical discrepancy |
| 2007 | 1,500,940 | 772,228 | 200,588 | 15,696 | 69,096 | 448 | 88,832 | -1,320 | 66,748 | 95,952 | 191,716 | 956 |
| 2007 II | 1,531,772 | 782,660 | 203,212 | 15,716 | 71,752 | 528 | 89,996 | 6,360 | 67,520 | 98,748 | 194,492 | 788 |
| 2007 III | 1,538,936 | 784,960 | 205,512 | 15,984 | 72,920 | 404 | 90,496 | 3,364 | 68,468 | 99,208 | 197,072 | 548 |
| 2007 IV | 1,560,128 | 799,508 | 207,212 | 15,504 | 73,620 | 352 | 90,572 | 3,384 | 69,056 | 100,072 | 199,568 | 1,280 |
| 2008 | 1,578,672 | 812,496 | 213,056 | 16,680 | 76,572 | 1,792 | 91,724 | -2,900 | 69,892 | 94,476 | 202,836 | 2,048 |
| 2008 | 1,618,380 | 820,916 | 229,532 | 16,936 | 85,660 | 2,872 | 92,628 | -4,016 | 70,752 | 95,264 | 206,036 | 1,800 |
| 2008 III | 1,632,668 | 827,116 | 237,708 | 14,840 | 86,136 | 3,724 | 94,136 | -7,508 | 70,892 | 95,572 | 209,120 | 932 |
| 2008 IV | 1,570,604 | 831,936 | 182,900 | 13,844 | 77,568 | 2,844 | 95,264 | -9,916 | 69,832 | 93,388 | 212,088 | 856 |
| 2009 I | 1,523,216 | 826,304 | 138,676 | 13,288 | 73,692 | 1,368 | 96,064 | 1,172 | 69,160 | 91,120 | 214,216 | -1,844 |
| Change (Dollars) | | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | -62,064 | 4,820 | -54,808 | -996 | -8,568 | -880 | 1,128 | -2,408 | -1,060 | -2,184 | 2,968 | -76 |
| 2008Q4 to 2009Q1 | -47,388 | -5,632 | -44,224 | -556 | -3,876 | -1,476 | 800 | 11,088 | -672 | -2,268 | 2,128 | -2,700 |
| 2008Q3 to 2009Q1 | -109,452 | -812 | -99,032 | -1,552 | -12,444 | -2,356 | 1,928 | 8,680 | -1,732 | -4,452 | 5,096 | -2,776 |
| Change (Per cent) | | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | -3.8 | 0.6 | -23.1 | -6.7 | -9.9 | -23.6 | 1.2 | 32.1 | -1.5 | -2.3 | 1.4 | -8.2 |
| 2008Q4 to 2009Q1 | -3.0 | -0.7 | -24.2 | -4.0 | -5.0 | -51.9 | 0.8 | -111.8 | -1.0 | -2.4 | 1.0 | -315.4 |
| 2008Q3 to 2009Q1 | -6.7 | -0.1 | -41.7 | -10.5 | -14.4 | -63.3 | 2.0 | -115.6 | -2.4 | -4.7 | 2.4 | -297.9 |
| | | | | | | | | | | | | |

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

Appendix Table 3: Changes in Real GDP by Industry, Seasonally adjusted data at annual rates (millions of 2002 dollars)

| | | | | | | | | | | Ch | ange (Dolla | ars) | Cha | ange (Per ce | ent) |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|-------------|---------|--------|--------------|--------|
| | | | | | | | | | | 2008Q3 | 2008Q4 | 2008Q3 | 2008Q3 | 2008Q4 | 2008Q3 |
| | 2007 I | 2007 II | 2007 III | 2007 IV | 2008 I | 2008 II | 2008 III | 2008 IV | 2009 I | to | to | to | to | to | to |
| | | | | | | | | | | 2008Q4 | 2009Q1 | 2009Q1 | 2008Q4 | 2009Q1 | 2009Q1 |
| All Industries | 1,207,448 | 1,217,587 | 1,225,065 | 1,227,491 | 1,226,610 | 1,228,301 | 1,230,997 | 1,217,524 | 1,198,302 | -13,473 | -19,221 | -32,695 | -1.1 | -1.6 | -2.7 |
| Goods Producing Industries | 374,064 | 375,824 | 375,367 | 374,043 | 367,134 | 365,400 | 365,882 | 357,118 | 342,855 | -8,765 | -14,262 | -23,027 | -2.4 | -4.0 | -6.3 |
| Agriculture, Forestry, Fishing, and Hunting | 27,058 | 26,373 | 26,276 | 26,401 | 25,999 | 26,078 | 25,789 | 25,896 | 25,788 | 107 | -108 | -1 | 0.4 | -0.4 | 0.0 |
| Mining and Oil and Gas Extraction | 57,362 | 57,775 | 57,789 | 57,017 | 55,639 | 54,818 | 55,674 | 55,084 | 53,565 | -590 | -1,519 | -2,109 | -1.1 | -2.8 | -3.8 |
| Utilities | 30,558 | 31,592 | 31,275 | 31,596 | 31,644 | 31,160 | 31,071 | 30,680 | 30,289 | -391 | -391 | -782 | -1.3 | -1.3 | -2.5 |
| Construction | 72,339 | 72,503 | 73,251 | 73,463 | 74,367 | 74,840 | 75,508 | 74,695 | 72,185 | -813 | -2,510 | -3,323 | -1.1 | -3.4 | -4.4 |
| Manufacturing | 186,082 | 186,599 | 185,606 | 184,899 | 178,755 | 178,278 | 176,698 | 168,813 | 158,450 | -7,885 | -10,364 | -18,248 | -4.5 | -6.1 | -10.3 |
| Service Producing Industries | 834,470 | 842,959 | 851,136 | 855,060 | 861,637 | 865,248 | 867,494 | 863,153 | 858,866 | -4,340 | -4,287 | -8,627 | -0.5 | -0.5 | -1.0 |
| Wholesale Trade | 68,377 | 69,678 | 70,906 | 71,925 | 71,837 | 71,722 | 71,009 | 67,030 | 63,291 | -3,979 | -3,739 | -7,717 | -5.6 | -5.6 | -10.9 |
| Retail Trade | 70,845 | 72,335 | 72,649 | 72,900 | 74,486 | 74,983 | 75,154 | 73,654 | 73,067 | -1,500 | -587 | -2,087 | -2.0 | -0.8 | -2.8 |
| Transportation and Warehousing | 56,162 | 56,475 | 56,997 | 57,109 | 56,845 | 57,122 | 56,966 | 56,093 | 54,959 | -873 | -1,134 | -2,007 | -1.5 | -2.0 | -3.5 |
| Information and Cultural Industries | 43,816 | 44,166 | 44,514 | 44,754 | 44,751 | 45,030 | 45,281 | 45,395 | 45,470 | 114 | 74 | 188 | 0.3 | 0.2 | 0.4 |
| Finance and Insurance | 76,415 | 76,978 | 78,773 | 79,181 | 80,023 | 80,088 | 80,186 | 80,336 | 79,776 | 150 | -561 | -411 | 0.2 | -0.7 | -0.5 |
| Real Estate and Rental and Leasing | 152,081 | 153,749 | 154,679 | 155,052 | 156,834 | 157,326 | 158,407 | 158,299 | 159,755 | -108 | 1,456 | 1,347 | -0.1 | 0.9 | 0.9 |
| Professional, Scientific, and Technical Services | 57,306 | 57,847 | 58,056 | 58,174 | 58,261 | 58,401 | 58,635 | 58,729 | 58,429 | 94 | -300 | -206 | 0.2 | -0.5 | -0.4 |
| ASWMR* | 30,579 | 30,881 | 31,075 | 31,175 | 31,264 | 31,220 | 31,064 | 30,892 | 30,521 | -173 | -371 | -544 | -0.6 | -1.2 | -1.8 |
| Educational Services | 58,073 | 58,644 | 59,130 | 59,384 | 59,974 | 60,395 | 60,736 | 60,992 | 61,422 | 256 | 430 | 685 | 0.4 | 0.7 | 1.1 |
| Health Care and Social Assistance | 76,162 | 76,787 | 77,307 | 77,609 | 78,349 | 78,884 | 79,440 | 80,239 | 80,680 | 799 | 441 | 1,240 | 1.0 | 0.5 | 1.6 |
| Arts, Entertainment, and Recreation | 11,657 | 11,643 | 11,817 | 11,854 | 11,641 | 11,717 | 11,733 | 11,819 | 11,930 | 86 | 111 | 197 | 0.7 | 0.9 | 1.7 |
| Accomodation and Food Services | 26,789 | 26,849 | 27,307 | 27,561 | 27,812 | 27,919 | 27,656 | 27,607 | 27,417 | -48 | -190 | -238 | -0.2 | -0.7 | -0.9 |
| Other Services (Except Public Administration | 31,132 | 31,386 | 31,671 | 31,840 | 32,212 | 32,419 | 32,625 | 32,794 | 32,839 | 169 | 45 | 214 | 0.5 | 0.1 | 0.7 |
| Public Administration | 66,842 | 67,319 | 67,616 | 67,789 | 68,591 | 69,123 | 69,683 | 70,267 | 70,289 | 584 | 21 | 605 | 0.8 | 0.0 | 0.9 |

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009. *Administration and Support, Waste Management and Remediation Services

| | Growth Forecast | Potential Growth | Projected Output | Potential Output | Output Gap | | | Output Gap Cumulative Gap | | | ар |
|------|-----------------|---------------------|---------------------|---------------------|------------|-------------------|----------------------|---------------------------|-------------------|----------------------|----|
| | Per cent | Per cent | \$2007 Billion | \$2007 Billion | Per cent | \$2007 Billion | \$2007 per capita | Per cent | \$2007 Billion | \$2007 per capita | |
| 2007 | - | - | 1,533 | 1,533 | 0.0 | 0 | 0 | 0.0 | 0 | 0 | |
| 2008 | 0.4 | 2.0 | 1,539 | 1,564 | 1.6 | 24 | 734 | 1.6 | 24 | 734 | |
| 2009 | -2.4 | 2.0 | 1,502 | 1,595 | 6.2 | 93 | 2,773 | 7.7 | 117 | 3,507 | |
| 2010 | 1.3 | 2.0 | 1,522 | 1,627 | 6.9 | 105 | 3,118 | 14.6 | 222 | 6,625 | |
| 2011 | 3.3 | 2.0 | 1,572 | 1,659 | 5.5 | 87 | 2,572 | 20.2 | 309 | 9,197 | |
| 2012 | 4.1 | 2.0 | 1,637 | 1,692 | 3.4 | 56 | 1,636 | 23.6 | 365 | 10,833 | |
| 2013 | 3.2 | 2.0 | 1,689 | 1,726 | 2.2 | 37 | 1,086 | 25.8 | 402 | 11,919 | |
| 2014 | 3.2 | 2.0 | 1,743 | 1,761 | 1.0 | 18 | 515 | 26.8 | 420 | 12,434 | |
| 2015 | 3.2 | 2.0 | 1,799 | 1,796 | -0.1 | -3 | -76 | 26.7 | 417 | 12,358 | |

Appendix Table 4: Estimated Cumulative Output Gap Due to the 2008-2009 Recession

Source: CSLS Estimates based on: Population numbers from Statistics Canada Projections, based on medium growth, medium migration scenario; Growth Projections from TD Long Term Economic Forecast for 2008-2013 (TD, 2009), extended forward using 2013 growth rate of 3.2 per cent; GDP for 2007: Cansim series V498086; GDP growth for 2008: Cansim series V1992067; Potential output growth is assumed to be 2.0 per cent.

| | | s Domestic P) per Capita | Real Persona per Ca | . , | Real Persona Income (PDI | • | Real Gross Domestic Income (GDI) per |
|------------------|--------------|-----------------------------|------------------------|-----------------------|-----------------------------|-----------------------|---|
| | 2002 dollars | Index 2008Q3 =100 | 2002 dollars | Index 2007 Q1 =100 | 2002 dollars | Index 2007 Q1 =100 | Index 2007Q1 =100 |
| 2007 I | 39,752 | 99.9 | 31,790 | 99.3 | 24,466 | 98.3 | 96.8 |
| 2007 II | 40,070 | 100.7 | 31,846 | 99.5 | 24,272 | 97.5 | 97.9 |
| 2007 III | 40,143 | 100.9 | 32,012 | 100.0 | 24,554 | 98.7 | 98.2 |
| 2007 IV | 40,110 | 100.8 | 32,139 | 100.4 | 24,679 | 99.2 | 99.2 |
| 2008 I | 39,967 | 100.4 | 32,610 | 101.9 | 25,143 | 101.0 | 99.6 |
| 2008 | 39,900 | 100.3 | 32,328 | 101.0 | 25,082 | 100.8 | 100.6 |
| 2008 III | 39,790 | 100.0 | 32,010 | 100.0 | 24,885 | 100.0 | 100.0 |
| 2008 IV | 39,259 | 98.7 | 32,342 | 101.0 | 25,123 | 101.0 | 95.3 |
| 2009 I | 38,645 | 97.1 | 32,153 | 100.4 | 24,988 | 100.4 | 92.3 |
| | | | Per cer | nt Change | | | |
| 2008Q3 to 2008Q4 | -1 | 1.3 | 1. | 0 | 1. | 0 | -4.7 |
| 2008Q4 to 2009Q1 | -1 | 1.6 | -0 | .6 | -0. | .5 | -3.2 |
| 2008Q3 to 2009Q1 | -2 | 2.9 | 0. | 4 | 0. | 4 | -7.7 |

Appendix Table 5: Measures of Income per Capita, 2007Q1 to 2009Q1

Sources: Population; Cansim series v1. Consumer Price Index; Cansim series v41690914. Real GDP; V1992067. Real GDI; Cansim series v44182023. Personal Income; Cansim series V498165. Personal Disposable Income; Cansim series V498186.

| | | Wages, salaries | | Interest, dividends and | Transfers from governments, | | Personal | · | Transfers to | | |
|-------------------|-----------------|-----------------|----------------|----------------------------|-----------------------------|-----------|--------------|--------------|--------------|-----------|------------|
| | | and | Unincorporated | miscellaneous | corporations | | expenditure | | corporations | | |
| | Personal | supplementary | business net | investment | and non- | | on goods and | Transfers to | and non- | | Disposable |
| | Income | labour income | income | income | residents | Outlay | services | governments | residents | Saving | income |
| | A = B + C + D + | | | | | | | | | | |
| | E | В | С | D | E | F = G + H | G | Н | Ι | J = A - F | K = A - H |
| 2007 I | 1,152,084 | 772,228 | 89,280 | 134,644 | 155,932 | 1,117,576 | 828,980 | 265,436 | 23,160 | 34,508 | 886,648 |
| 2007 II | 1,164,192 | 782,660 | 90,524 | 137,264 | 153,744 | 1,147,028 | 846,124 | 276,876 | 24,028 | 17,164 | 887,316 |
| 2007 III | 1,174,936 | 784,960 | 90,900 | 138,348 | 160,728 | 1,153,800 | 855,316 | 273,728 | 24,756 | 21,136 | 901,208 |
| 2007 IV | 1,191,648 | 799,508 | 90,924 | 139,120 | 162,096 | 1,174,668 | 873,264 | 276,572 | 24,832 | 16,980 | 915,076 |
| 2008 I | 1,217,668 | 812,496 | 93,516 | 141,508 | 170,148 | 1,186,388 | 882,504 | 278,836 | 25,048 | 31,280 | 938,832 |
| 2008 II | 1,222,648 | 820,916 | 95,500 | 142,144 | 164,088 | 1,190,800 | 891,924 | 274,052 | 24,824 | 31,848 | 948,596 |
| 2008 III | 1,229,092 | 827,116 | 97,860 | 140,304 | 163,812 | 1,199,216 | 901,228 | 273,580 | 24,408 | 29,876 | 955,512 |
| 2008 IV | 1,236,932 | 831,936 | 98,108 | 138,328 | 168,560 | 1,189,780 | 889,132 | 276,080 | 24,568 | 47,152 | 960,852 |
| 2009 I | 1,229,160 | 826,304 | 97,432 | 134,192 | 171,232 | 1,184,100 | 886,216 | 273,900 | 23,984 | 45,060 | 955,260 |
| Change (Dollars) | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | 7,840 | 4,820 | 248 | -1,976 | 4,748 | -9,436 | -12,096 | 2,500 | 160 | 17,276 | 5,340 |
| 2008Q4 to 2009Q1 | -7,772 | -5,632 | -676 | -4,136 | 2,672 | -5,680 | -2,916 | -2,180 | -584 | -2,092 | -5,592 |
| 2008Q3 to 2009Q1 | 68 | -812 | -428 | -6,112 | 7,420 | -15,116 | -15,012 | 320 | -424 | 15,184 | -252 |
| Change (Per cent) | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | 0.6 | 0.6 | 0.3 | -1.4 | 2.9 | -0.8 | -1.3 | 0.9 | 0.7 | 57.8 | 0.6 |
| 2008Q4 to 2009Q1 | -0.6 | -0.7 | -0.7 | -3.0 | 1.6 | -0.5 | -0.3 | -0.8 | -2.4 | -4.4 | -0.6 |
| 2008Q3 to 2009Q1 | 0.0 | -0.1 | -0.4 | -4.4 | 4.5 | -1.3 | -1.7 | 0.1 | -1.7 | 50.8 | 0.0 |

Appendix Table 6: Changes in Personal Income by Component, Seasonally adjusted data at annual rates (millions of current dollars)

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

| | | - | • | | | • | | - | | | |
|-------------------|-----------------|-----------------|----------------|---------------|----------------|-----------|--------------|--------------|--------------|-----------|------------|
| | | | | Interest, | Transfers from | | | | | | |
| | | Wages, salaries | | dividends and | governments, | | Personal | | Transfers to | | |
| | | and | Unincorporated | miscellaneous | corporations | | expenditure | | corporations | | |
| | Personal | supplementary | business net | investment | and non- | | on goods and | Transfers to | and non- | | Disposable |
| | Income | labour income | income | income | residents | Outlay | services | governments | residents | Saving | income |
| | A = B + C + D + | | | | | | | | | | |
| | E | В | С | D | E | F = G + H | G | Н | I | J = A - F | K = A - H |
| 2005 I | 1,009,604 | 677,068 | 84,920 | 111,596 | 136,020 | 996,164 | 744,516 | 234,012 | 17,636 | 13,440 | 775,592 |
| 2005 II | 1,027,792 | 688,764 | 84,956 | 112,864 | 141,208 | 1,013,780 | 754,592 | 240,764 | 18,424 | 14,012 | 787,028 |
| 2005 III | 1,044,900 | 701,336 | 85,224 | 115,124 | 143,216 | 1,026,584 | 764,368 | 243,476 | 18,740 | 18,316 | 801,424 |
| 2005 IV | 1,060,048 | 713,204 | 85,836 | 117,948 | 143,060 | 1,038,304 | 772,388 | 247,016 | 18,900 | 21,744 | 813,032 |
| 2006 I | 1,092,988 | 731,696 | 85,904 | 121,028 | 154,360 | 1,057,432 | 786,496 | 250,968 | 19,968 | 35,556 | 842,020 |
| 2006 II | 1,092,704 | 736,344 | 86,632 | 123,592 | 146,136 | 1,067,868 | 796,936 | 250,336 | 20,596 | 24,836 | 842,368 |
| 2006 III | 1,110,300 | 746,804 | 86,384 | 126,172 | 150,940 | 1,082,856 | 807,264 | 253,656 | 21,936 | 27,444 | 856,644 |
| 2006 IV | 1,128,788 | 758,724 | 87,508 | 130,072 | 152,484 | 1,095,936 | 814,148 | 259,264 | 22,524 | 32,852 | 869,524 |
| 2007 I | 1,040,726 | 697,586 | 80,650 | 121,630 | 140,860 | 1,009,554 | 748,853 | 239,780 | 20,921 | 31,173 | 800,947 |
| 2007 II | 1,045,056 | 702,567 | 81,260 | 123,217 | 138,011 | 1,029,648 | 759,537 | 248,542 | 21,569 | 15,408 | 796,513 |
| 2007 III | 1,054,069 | 704,211 | 81,549 | 124,116 | 144,194 | 1,035,108 | 767,329 | 245,569 | 22,209 | 18,962 | 808,500 |
| 2007 IV | 1,062,075 | 712,574 | 81,037 | 123,993 | 144,471 | 1,046,941 | 778,310 | 246,499 | 22,132 | 15,134 | 815,576 |
| 2008 I | 1,079,493 | 720,298 | 82,904 | 125,450 | 150,840 | 1,051,762 | 782,362 | 247,195 | 22,206 | 27,730 | 832,298 |
| 2008 II | 1,072,812 | 720,312 | 83,796 | 124,724 | 143,979 | 1,044,867 | 782,618 | 240,467 | 21,782 | 27,945 | 832,345 |
| 2008 III | 1,066,303 | 717,567 | 84,899 | 121,721 | 142,116 | 1,040,384 | 781,864 | 237,345 | 21,175 | 25,919 | 828,958 |
| 2008 IV | 1,081,549 | 727,429 | 85,784 | 120,951 | 147,386 | 1,040,321 | 777,440 | 241,399 | 21,482 | 41,229 | 840,150 |
| 2009 I | 1,077,266 | 724,193 | 85,392 | 117,609 | 150,072 | 1,037,774 | 776,701 | 240,053 | 21,020 | 39,492 | 837,213 |
| Change (Dollars) | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | 15,246 | 9,861 | 885 | -770 | 5,270 | -63 | -4,424 | 4,054 | 307 | 15,310 | 11,193 |
| 2008Q4 to 2009Q1 | -4,284 | -3,236 | -392 | -3,342 | 2,686 | -2,547 | -739 | -1,346 | -462 | -1,737 | -2,937 |
| 2008Q3 to 2009Q1 | 10,962 | 6,625 | 493 | -4,112 | 7,956 | -2,610 | -5,162 | 2,707 | -155 | 13,573 | 8,255 |
| Change (Per cent) | | | | | | | | | | | |
| 2008Q3 to 2008Q4 | 1.4 | 1.4 | 1.0 | -0.6 | 3.7 | 0.0 | -0.6 | 1.7 | 1.4 | 59.1 | 1.4 |
| 2008Q4 to 2009Q1 | -0.4 | -0.4 | -0.5 | -2.8 | 1.8 | -0.2 | -0.1 | -0.6 | -2.1 | -4.2 | -0.3 |
| 2008Q3 to 2009Q1 | 1.0 | 0.9 | 0.6 | -3.4 | 5.6 | -0.3 | -0.7 | 1.1 | -0.7 | 52.4 | 1.0 |

Appendix Table 6.1: Changes in Personal Income by Component, Seasonally adjusted data at annual rates (millions of 2002 dollars - adjusted with CPI)

Source: CSLS calculations based on Statistics Canada GDP release of June 1, 2009.

| | 203.5 | 54.5 | 502.5 | | nge (Per cent) | | 2001 | |
|--------------------|---------------------------|-----------------------------|---------------------------|--------------------------|--------------------------|-------------|----------------------------------|----------------------------|
| 2008-10 to 2009-05 | 205.9 | 34.3 | -362.5 | -406.1 | 43.6 | 396.9 | 196.7 | -20.0 |
| | | | | Change (Pers | - | / | | Change (Hours) |
| 2009-05 | 27,250.0 | 18,380.6 | 16,832.2 | 13,598.1 | 3,234.1 | 1,548.4 | _ | 543.6 |
| 2009-04 | 27,217.6 | 18,338.6 | 16,874.0 | 13,656.8 | 3,217.1 | 1,464.6 | 697.0 | 539.9 |
| 2009-03 | 27,187.6 | 18,294.7 | 16,838.1 | 13,617.4 | 3,220.7 | 1,456.6 | 678.5 | 547.8 |
| 2009-02 | 27,161.2 | 18,315.2 | 16,899.4 | 13,696.9 | 3,202.5 | 1,415.9 | 616.1 | 553.4 |
| 2009-01 | 27,128.1 | 18,292.1 | 16,982.0 | 13,807.8 | 3,174.2 | 1,310.1 | 583.3 | 556.4 |
| 2008-12 | 27,098.7 | 18,321.2 | 17,111.0 | 13,921.7 | 3,189.3 | 1,210.1 | 549.0 | 559.9 |
| 2008-11 | 27,072.6 | 18,302.2 | 17,131.4 | 13,973.8 | 3,157.6 | 1,170.8 | 522.6 | 557.3 |
| 2008-10 | 27,044.1 | 18,346.3 | 17,194.7 | 14,004.2 | 3,190.5 | 1,151.5 | 500.3 | 563.7 |
| 2008-09 | 27,012.8 | 18,322.0 | 17,192.4 | 13,968.0 | 3,224.4 | 1,129.6 | 490.1 | 569.6 |
| 2008-08 | 26,974.3 | 18,220.9 | 17,100.2 | 13,958.7 | 3,141.4 | 1,120.8 | 487.8 | 564.1 |
| 2008-07 | 26,942.8 | 18,193.9 | 17,082.4 | 13,943.6 | 3,138.9 | 1,111.5 | 503.4 | 564.7 |
| 2008-06 | 26,910.7 | 18,258.5 | 17,131.0 | 13,949.1 | 3,181.9 | 1,127.5 | 471.8 | 565.4 |
| 2008-05 | 26,870.6 | 18,247.0 | 17,131.6 | 13,974.6 | 3,157.0 | 1,115.4 | 468.9 | 564.0 |
| 2008-04 | 26,839.2 | 18,227.3 | 17,124.9 | 14,008.7 | 3,116.1 | 1,102.4 | 465.8 | 566.7 |
| 2008-03 | 26,803.4 | 18,204.6 | 17,102.1 | 13,991.1 | 3,111.0 | 1,102.5 | 466.3 | 565.1 |
| 2008-02 | 26,774.8 | 18,172.5 | 17,106.6 | 14,026.7 | 3,079.8 | 1,065.9 | 456.4 | 568.1 |
| 2008-01 | 26,751.8 | 18,124.9 | 17,070.6 | 13,989.9 | 3,080.7 | 1,054.3 | 461.9 | 568.9 |
| | A | В | C = D + E | D | E | F | H , | G |
| | Population (Thousands) | Labour force (Thousands) | Employment (Thousands) | Full-time (Thousands) | Part-time (Thousands) | (Thousands) | El Beneficiaries* (Thousands) | Hours Worked (Millions) |
| | | | | F 11 (1) | | | | |
| | | | | | | | | |

Appendix Table 7: Labour Market Variables, Seasonally adjusted, in thousands unless otherwise noted

Source: Labour Force Survey, Cansim table 282-0087; Regular EI benefits, Cansim table 276-0001.

* 2008-10 to 2009-04 **Unadjusted for seasonality

| | | | | Beneficiaries / | | | | | | |
|--------------------|--------------|-----------------|------------|-----------------|--------------|--|--|--|--|--|
| | Unemployment | Participation | Employment | Unemployed | Unemployment | | | | | |
| | rate | rate | rate | Ratio* | Duration** | | | | | |
| | H = F / B | I = B / A | J = C / A | K = G / F | М | | | | | |
| 2008-01 | 5.8 | 67.8 | 63.8 | 54.0 | 14.2 | | | | | |
| 2008-02 | 5.9 | 67.9 | 63.9 | 53.3 | 15.2 | | | | | |
| 2008-03 | 6.1 | 67.9 | 63.8 | 51.3 | 15.0 | | | | | |
| 2008-04 | 6.0 | 67.9 | 63.8 | 51.4 | 15.6 | | | | | |
| 2008-05 | 6.1 | 67.9 | 63.8 | 50.6 | 15.0 | | | | | |
| 2008-06 | 6.2 | 67.8 | 63.7 | 50.1 | 16.7 | | | | | |
| 2008-07 | 6.1 | 67.5 | 63.4 | 50.8 | 13.2 | | | | | |
| 2008-08 | 6.2 | 67.5 | 63.4 | 50.3 | 15.3 | | | | | |
| 2008-09 | 6.2 | 67.8 | 63.6 | 50.4 | 14.6 | | | | | |
| 2008-10 | 6.3 | 67.8 | 63.6 | 49.0 | 15.7 | | | | | |
| 2008-11 | 6.4 | 67.6 | 63.3 | 47.6 | 14.2 | | | | | |
| 2008-12 | 6.6 | 67.6 | 63.1 | 46.3 | 13.8 | | | | | |
| 2009-01 | 7.2 | 67.4 | 62.6 | 42.5 | 14.3 | | | | | |
| 2009-02 | 7.7 | 67.4 | 62.2 | 39.1 | 14.3 | | | | | |
| 2009-03 | 8.0 | 67.3 | 61.9 | 37.6 | 15.1 | | | | | |
| 2009-04 | 8.0 | 67.4 | 62.0 | 36.9 | 16.5 | | | | | |
| 2009-05 | 8.4 | 67.5 | 61.8 | - | 15.9 | | | | | |
| | | Change (Points) | | | | | | | | |
| 2008-10 to 2009-05 | 2.1 | -0.3 | -1.8 | -12.1 | 0.2 | | | | | |

Appendix Table 7.1: Labour Market Variables, Seasonally adjusted, in per cent unless otherwise noted

Source: Labour Force Survey, Cansim table 282-0087; Regular EI benefits, Cansim table 276-0001.

* 2008-10 to 2009-04

** Unadjusted for seasonality

| | Total | | | | Term or | | Other |
|----------------------|-----------|-----------|-------------------|------------------|--------------|------------|----------------|
| | employees | Permanent | Temporary | Seasonal job | contract job | Casual job | temporary jobs |
| | A = B + C | В | C = D + E + F + G | D | E | F | G |
| 2008-01 | 14,122 | 12,616 | 1,506 | 226 | 820 | 444 | 16 |
| 2008-02 | 14,214 | 12,676 | 1,537 | 219 | 850 | 456 | 13 |
| 2008-03 | 14,253 | 12,681 | 1,572 | 220 | 878 | 461 | 14 |
| 2008-04 | 14,296 | 12,720 | 1,576 | 259 | 873 | 433 | 11 |
| 2008-05 | 14,662 | 12,815 | 1,848 | 496 | 893 | 451 | 9 |
| 2008-06 | 14,880 | 12,863 | 2,016 | 639 | 918 | 448 | 11 |
| 2008-07 | 14,785 | 12,632 | 2,153 | 736 | 979 | 428 | 10 |
| 2008-08 | 14,748 | 12,624 | 2,124 | 693 | 981 | 439 | 11 |
| 2008-09 | 14,568 | 12,757 | 1,812 | 473 | 885 | 443 | 12 |
| 2008-10 | 14,615 | 12,809 | 1,807 | 420 | 914 | 460 | 12 |
| 2008-11 | 14,462 | 12,778 | 1,684 | 333 | 889 | 450 | 13 |
| 2008-12 | 14,350 | 12,684 | 1,666 | 282 | 912 | 457 | 14 |
| 2009-01 | 13,952 | 12,485 | 1,467 | 203 | 839 | 410 | 16 |
| 2009-02 | 13,956 | 12,458 | 1,498 | 194 | 860 | 434 | 11 |
| 2009-03 | 13,913 | 12,430 | 1,484 | 207 | 856 | 412 | 9 |
| 2009-04 | 13,960 | 12,423 | 1,537 | 244 | 852 | 430 | 11 |
| 2009-05 | 14,288 | 12,475 | 1,813 | 472 | 898 | 434 | 9 |
| | | | Change (pe | er cent), year o | ver year | | |
| 2008-05 over 2009-05 | -2.6 | -2.7 | -1.8 | -4.7 | 0.6 | -3.8 | 8.2 |

Appendix Table 7.2: Employees by job permanency, Not seasonally adjusted, in thousands unless otherwise noted

Source: Labour Force Survey, Cansim table 282-0079

| | | | Unemployed | | Unemploy | ment Rate | Long-term Unemployed as a | | | |
|--------------------|--------------|----------------------------------|-------------|-------------|----------------|----------------|---------------------------|-----------------|--|--|
| | Labour Force | | (Thousands) | | (Per | cent) | Share of Total U | Inemployed (Per | | |
| | (Thousands) | Total | 26 weeks or | 52 weeks or | 26 weeks or | 52 weeks or | 26 weeks or | 52 weeks or | | |
| | | | more | more | more | more | more | more | | |
| | A | В | C | D | E = C / A *100 | F = D / A *100 | G = C / B * 100 | H = D / B * 100 | | |
| 2007-01 | 17,547.2 | 1,182.3 | 154.2 | 89.7 | 0.88 | 0.51 | 13.0 | 7.6 | | |
| 2007-02 | 17,574.8 | 1,135.3 | 141.2 | 69.6 | 0.80 | 0.40 | 12.4 | 6.1 | | |
| 2007-03 | 17,663.0 | 1,150.5 | 155.9 | 78.2 | 0.88 | 0.44 | 13.6 | 6.8 | | |
| 2007-04 | 17,699.4 | 1,123.7 | 156.0 | 68.5 | 0.88 | 0.39 | 13.9 | 6.1 | | |
| 2007-05 | 18,060.6 | 1,096.7 | 162.2 | 74.0 | 0.90 | 0.41 | 14.8 | 6.7 | | |
| 2007-06 | 18,215.2 | 1,019.7 | 157.9 | 76.8 | 0.87 | 0.42 | 15.5 | 7.5 | | |
| 2007-07 | 18,352.0 | 1,137.3 | 164.6 | 80.1 | 0.90 | 0.44 | 14.5 | 7.0 | | |
| 2007-08 | 18,342.9 | 1,169.3 | 152.7 | 77.8 | 0.83 | 0.42 | 13.1 | 6.7 | | |
| 2007-09 | 17,945.3 | 980.1 | 146.7 | 79.3 | 0.82 | 0.44 | 15.0 | 8.1 | | |
| 2007-10 | 17,997.9 | 946.1 | 152.2 | 86.2 | 0.85 | 0.48 | 16.1 | 9.1 | | |
| 2007-11 | 18,022.8 | 1,012.9 | 133.4 | 63.3 | 0.74 | 0.35 | 13.2 | 6.2 | | |
| 2007-12 | 17,929.1 | 999.3 | 140.2 | 72.3 | 0.78 | 0.40 | 14.0 | 7.2 | | |
| 2008-01 | 17,834.0 | 1,123.2 | 144.5 | 71.1 | 0.81 | 0.40 | 12.9 | 6.3 | | |
| 2008-02 | 17,908.6 | 1,098.2 | 140.9 | 70.0 | 0.79 | 0.39 | 12.8 | 6.4 | | |
| 2008-03 | 18,000.4 | 1,155.2 | 154.1 | 70.8 | 0.86 | 0.39 | 13.3 | 6.1 | | |
| 2008-04 | 18,050.9 | 1,135.4 | 184.5 | 85.7 | 1.02 | 0.47 | 16.2 | 7.5 | | |
| 2008-05 | 18,433.9 | 1,144.2 | 158.5 | 73.7 | 0.86 | 0.40 | 13.9 | 6.4 | | |
| 2008-06 | 18,543.7 | 1,044.4 | 150.6 | 75.0 | 0.81 | 0.40 | 14.4 | 7.2 | | |
| 2008-07 | 18,588.1 | 1,170.1 | 148.6 | 65.7 | 0.80 | 0.35 | 12.7 | 5.6 | | |
| 2008-08 | 18,602.6 | 1,210.7 | 160.0 | 82.2 | 0.86 | 0.44 | 13.2 | 6.8 | | |
| 2008-09 | 18,276.1 | 1,045.9 | 157.0 | 74.2 | 0.86 | 0.41 | 15.0 | 7.1 | | |
| 2008-10 | 18,303.3 | 1,032.7 | 154.6 | 80.6 | 0.84 | 0.44 | 15.0 | 7.8 | | |
| 2008-11 | 18,243.8 | 1,126.1 | 161.9 | 83.2 | 0.89 | 0.46 | 14.4 | 7.4 | | |
| 2008-12 | 18,155.8 | 1,145.3 | 147.0 | 70.7 | 0.81 | 0.39 | 12.8 | 6.2 | | |
| 2009-01 | 18,008.7 | 1,407.9 | 185.6 | 88.6 | 1.03 | 0.49 | 13.2 | 6.3 | | |
| 2009-02 | 18,081.4 | 1,503.2 | 179.0 | 92.2 | 0.99 | 0.51 | 11.9 | 6.1 | | |
| 2009-03 | 18,138.9 | 1,600.1 | 223.1 | 100.9 | 1.23 | 0.56 | 13.9 | 6.3 | | |
| 2009-04 | 18,200.2 | 1,555.1 | 227.3 | 100.1 | 1.25 | 0.55 | 14.6 | 6.4 | | |
| 2009-05 | 18,564.2 | 1,611.9 | 233.0 | 96.4 | 1.26 | 0.52 | 14.5 | 6.0 | | |
| | Cha | Change (Persons), year-over-year | | | | Change (Points |), year-over-year | | | |
| 2008-05 to 2009-05 | 130.3 | 467.7 | 74.5 | 22.7 | 0.40 | 0.12 | 0.6 | -0.5 | | |

Appendix Table 7.3: Unemployment Duration, Not adjusted for seasonality

Source: Labour Force Survey, Cansim table 282-0001 and 208-0047.

| | Total | | Public sector | Private sector | |
|--------------------|-----------|-----------|------------------|----------------|---------------|
| | employed | Employees | employees | employees | Self-employed |
| | A = B + E | B = C + D | С | D | E |
| 2007-01 | 16,721.4 | 14,172.0 | 3,203.7 | 10,968.2 | 2,549.5 |
| 2007-02 | 16,737.2 | 14,175.7 | 3,199.8 | 10,975.9 | 2,561.4 |
| 2007-03 | 16,778.6 | 14,208.9 | 3,220.8 | 10,988.1 | 2,569.7 |
| 2007-04 | 16,781.2 | 14,190.7 | 3,227.2 | 10,963.5 | 2,590.4 |
| 2007-05 | 16,793.0 | 14,152.3 | 3,246.1 | 10,906.1 | 2,640.8 |
| 2007-06 | 16,850.3 | 14,189.2 | 3,258.5 | 10,930.8 | 2,661.1 |
| 2007-07 | 16,870.2 | 14,220.9 | 3,238.9 | 10,982.0 | 2,649.3 |
| 2007-08 | 16,888.2 | 14,244.5 | 3,293.1 | 10,951.3 | 2,643.7 |
| 2007-09 | 16,931.0 | 14,310.2 | 3,339.4 | 10,970.7 | 2,620.9 |
| 2007-10 | 16,975.2 | 14,338.3 | 3,365.8 | 10,972.5 | 2,636.9 |
| 2007-11 | 17,027.5 | 14,412.3 | 3,395.0 | 11,017.4 | 2,615.1 |
| 2007-12 | 17,031.4 | 14,393.4 | 3,398.7 | 10,994.6 | 2,638.1 |
| 2008-01 | 17,070.6 | 14,458.0 | 3,402.5 | 11,055.5 | 2,612.5 |
| 2008-02 | 17,106.6 | 14,492.0 | 3,411.7 | 11,080.3 | 2,614.6 |
| 2008-03 | 17,102.1 | 14,490.7 | 3,409.4 | 11,081.3 | 2,611.4 |
| 2008-04 | 17,124.9 | 14,499.8 | 3,418.6 | 11,081.2 | 2,625.0 |
| 2008-05 | 17,131.6 | 14,517.0 | 3,413.1 | 11,103.8 | 2,614.6 |
| 2008-06 | 17,131.0 | 14,520.7 | 3,406.7 | 11,114.0 | 2,610.2 |
| 2008-07 | 17,082.4 | 14,458.1 | 3,433.7 | 11,024.4 | 2,624.3 |
| 2008-08 | 17,100.2 | 14,476.8 | 3,416.7 | 11,060.1 | 2,623.4 |
| 2008-09 | 17,192.4 | 14,542.9 | 3,435.1 | 11,107.8 | 2,649.5 |
| 2008-10 | 17,194.7 | 14,543.3 | 3,461.9 | 11,081.5 | 2,651.4 |
| 2008-11 | 17,131.4 | 14,475.7 | 3,426.3 | 11,049.5 | 2,655.7 |
| 2008-12 | 17,111.0 | 14,452.6 | 3,446.7 | 11,005.9 | 2,658.4 |
| 2009-01 | 16,982.0 | 14,309.4 | 3,404.7 | 10,904.7 | 2,672.6 |
| 2009-02 | 16,899.4 | 14,254.7 | 3,380.5 | 10,874.3 | 2,644.6 |
| 2009-03 | 16,838.1 | 14,188.3 | 3,381.8 | 10,806.5 | 2,649.8 |
| 2009-04 | 16,874.0 | 14,187.2 | 3,391.1 | 10,796.1 | 2,686.8 |
| 2009-05 | 16,832.2 | 14,177.4 | 3,417.8 | 10,759.6 | 2,654.8 |
| | | | Change (Persons) | | |
| 2008-10 to 2009-05 | -362.5 | -365.9 | -44.1 | -321.9 | 3.4 |

Appendix Table 8: Employees by class of worker (thousands of persons), seasonally adjusted

Source: Labour Force Survey.

| | Canada | Newfoundland and Labrador | Prince Edward Island | Nova Scotia | New Brunswick | Quebec | Ontario | Manitoba | Saskatchewan | Alberta | British Columbia |
|-----------------------|----------|------------------------------|-------------------------|-------------|------------------|---------|---------|----------|--------------|---------|---------------------|
| 2008-01 | 17,070.6 | 223.9 | 70.3 | 452.3 | 365.2 | 3,889.3 | 6,653.5 | 602.6 | 506.3 | 1,999.3 | 2,307.9 |
| 2008-02 | 17,106.6 | 222.5 | 70.6 | 449.4 | 367.6 | 3,893.0 | 6,690.8 | 602.0 | 509.7 | 1,994.6 | 2,306.4 |
| 2008-03 | 17,102.1 | 221.0 | 71.0 | 449.8 | 365.9 | 3,881.8 | 6,682.7 | 603.9 | 508.1 | 2,001.2 | 2,316.7 |
| 2008-04 | 17,124.9 | 223.0 | 70.5 | 452.3 | 366.2 | 3,867.7 | 6,696.8 | 611.1 | 509.8 | 2,007.3 | 2,320.2 |
| 2008-05 | 17,131.6 | 224.5 | 70.8 | 449.2 | 363.2 | 3,877.8 | 6,705.2 | 604.6 | 509.8 | 2,007.7 | 2,318.9 |
| 2008-06 | 17,131.0 | 219.0 | 70.7 | 456.0 | 363.5 | 3,885.2 | 6,682.5 | 608.2 | 510.0 | 2,015.8 | 2,319.9 |
| 2008-07 | 17,082.4 | 218.4 | 69.7 | 455.1 | 364.9 | 3,857.1 | 6,668.4 | 609.3 | 506.0 | 2,011.9 | 2,321.6 |
| 2008-08 | 17,100.2 | 218.7 | 70.3 | 452.1 | 366.5 | 3,861.5 | 6,682.9 | 605.4 | 513.1 | 2,006.9 | 2,322.7 |
| 2008-09 | 17,192.4 | 216.8 | 70.4 | 456.4 | 367.0 | 3,887.0 | 6,730.3 | 607.2 | 519.5 | 2,021.7 | 2,316.0 |
| 2008-10 | 17,194.7 | 218.3 | 69.7 | 457.5 | 369.2 | 3,890.2 | 6,719.0 | 606.9 | 519.7 | 2,035.2 | 2,309.0 |
| 2008-11 | 17,131.4 | 218.3 | 69.5 | 453.6 | 366.8 | 3,891.7 | 6,662.9 | 609.2 | 520.3 | 2,031.6 | 2,307.4 |
| 2008-12 | 17,111.0 | 217.5 | 69.2 | 453.5 | 366.6 | 3,884.3 | 6,665.2 | 609.1 | 520.3 | 2,022.5 | 2,302.7 |
| 2009-01 | 16,982.0 | 216.2 | 68.3 | 454.1 | 368.2 | 3,858.5 | 6,594.2 | 607.2 | 521.9 | 2,025.8 | 2,267.6 |
| 2009-02 | 16,899.4 | 215.0 | 68.6 | 456.4 | 365.3 | 3,840.1 | 6,558.9 | 607.9 | 522.5 | 2,002.1 | 2,262.7 |
| 2009-03 | 16,838.1 | 217.0 | 68.7 | 453.4 | 364.7 | 3,835.5 | 6,548.1 | 603.7 | 519.8 | 1,987.2 | 2,240.1 |
| 2009-04 | 16,874.0 | 214.2 | 68.6 | 449.3 | 364.3 | 3,857.9 | 6,545.1 | 604.2 | 520.1 | 1,992.9 | 2,257.4 |
| 2009-05 | 16,832.2 | 212.5 | 68.7 | 452.9 | 365.6 | 3,863.6 | 6,485.4 | 608.1 | 523.2 | 1,993.5 | 2,258.8 |
| | | | | | Change (Pe | rsons) | | | | | |
| 2008-10 to 2009-05 | -362.5 | -5.8 | -1.0 | -4.6 | -3.6 | -26.6 | -233.6 | 1.2 | 3.5 | -41.7 | -50.2 |

Appendix Table 9: Monthly Employment in Canada by Province, Seasonally Adjusted (thousands)

Source: CSLS calculations based on CANSIM Table 282-0087 - Labour force survey estimates (LFS)

Appendix Table 10: Monthly Employment in Canada by Industry, Seasonally Adjusted (thousands)

| | 2008-01 | 2008-02 | 2008-03 | 2008-04 | 2008-05 | 2008-06 | 2008-07 | 2008-08 | 2008-09 | 2008-10 | 2008-11 | 2008-12 | 2009-01 | 2009-02 | 2009-03 | 2009-04 | 2009-05 |
|-----------------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| | | | | | | | | | | | | | | | | | |
| Total, all industries | | 17,106.6 | | | | 17,131.0 | | | | | | | | | | | 16,832.2 |
| Goods-producing sector | 4,016.8 | 4,007.5 | 4,009.5 | 4,005.0 | 4,034.1 | 4,030.8 | 4,017.4 | 4,030.0 | 4,067.6 | 4,038.6 | 4,010.0 | 3,977.1 | 3,856.6 | 3,845.3 | 3,782.7 | 3,783.5 | 3,717.5 |
| Agriculture | 340.4 | 337.1 | 336.1 | 331.5 | 322.9 | 325.8 | 332.4 | 312.9 | 327.9 | 326.0 | 317.5 | 316.2 | 307.8 | 324.5 | 319.3 | 328.3 | 324.0 |
| Forestry, mining, and oil | 340.4 | 332.1 | 338.1 | 340.7 | 337.5 | 342.1 | 341.1 | 337.5 | 343.6 | 338.9 | 344.9 | 343.9 | 341.7 | 333.4 | 322.9 | 318.8 | 315.6 |
| Utilities | 146.5 | 149.7 | 150.9 | 149.0 | 150.7 | 157.5 | 156.3 | 160.8 | 151.5 | 148.6 | 150.4 | 149.0 | 144.4 | 143.1 | 148.7 | 145.4 | 149.4 |
| Construction | 1,192.4 | 1,209.9 | 1,216.5 | 1,230.7 | 1,237.1 | 1,221.1 | 1,233.4 | 1,248.6 | 1,259.9 | 1,250.5 | 1,255.8 | 1,217.5 | 1,213.1 | 1,169.9 | 1,151.7 | 1,144.2 | 1,140.1 |
| Manufacturing | 1,997.0 | 1,978.6 | 1,967.9 | 1,953.1 | 1,985.9 | 1,984.2 | 1,954.1 | 1,970.2 | 1,984.7 | 1,974.5 | 1,941.3 | 1,950.5 | 1,849.6 | 1,874.3 | 1,840.1 | 1,846.8 | 1,788.4 |
| Services-producing sector | 13,053.8 | 13,099.1 | 13,092.6 | 13,119.8 | 13,097.5 | 13,100.1 | 13,065.0 | 13,070.2 | 13,124.8 | 13,156.1 | 13,121.4 | 13,133.9 | 13,125.3 | 13,054.1 | 13,055.4 | 13,090.5 | 13,114.7 |
| Trade | 2,679.2 | 2,691.7 | 2,691.0 | 2,691.1 | 2,679.9 | 2,688.6 | 2,673.9 | 2,670.7 | 2,669.4 | 2,676.8 | 2,670.5 | 2,661.7 | 2,653.6 | 2,635.9 | 2,629.9 | 2,621.5 | 2,633.3 |
| Transportation | 854.1 | 844.7 | 861.8 | 857.4 | 850.8 | 849.4 | 857.0 | 859.5 | 871.8 | 870.6 | 844.9 | 869.7 | 839.8 | 841.0 | 843.1 | 838.8 | 823.1 |
| Finance and real estate | 1,079.4 | 1,085.2 | 1,072.9 | 1,077.1 | 1,074.2 | 1,066.9 | 1,071.4 | 1,075.2 | 1,075.0 | 1,071.0 | 1,073.3 | 1,083.7 | 1,097.2 | 1,094.7 | 1,074.9 | 1,073.4 | 1,064.2 |
| Scientific and technical services | 1,184.4 | 1,197.5 | 1,195.0 | 1,197.9 | 1,179.8 | 1,220.4 | 1,201.4 | 1,196.5 | 1,198.6 | 1,204.0 | 1,218.5 | 1,207.1 | 1,210.6 | 1,179.5 | 1,186.0 | 1,191.3 | 1,192.4 |
| Support services | 706.8 | 711.2 | 716.5 | 705.9 | 705.4 | 689.8 | 664.7 | 657.1 | 675.1 | 669.9 | 664.1 | 670.1 | 648.5 | 657.0 | 670.4 | 685.0 | 687.1 |
| Educational services | 1,196.6 | 1,187.9 | 1,190.4 | 1,203.7 | 1,190.3 | 1,192.8 | 1,160.8 | 1,196.9 | 1,199.8 | 1,208.2 | 1,193.7 | 1,184.5 | 1,178.5 | 1,163.8 | 1,173.8 | 1,173.5 | 1,183.9 |
| Health care | 1,875.1 | 1,878.7 | 1,881.3 | 1,886.6 | 1,909.7 | 1,892.4 | 1,906.7 | 1,883.1 | 1,925.3 | 1,922.2 | 1,938.3 | 1,939.5 | 1,970.3 | 1,955.7 | 1,952.4 | 1,956.2 | 1,951.1 |
| Culture and recreation | 769.6 | 776.2 | 758.0 | 762.3 | 754.2 | 763.1 | 760.9 | 754.7 | 749.3 | 748.8 | 756.5 | 762.6 | 760.2 | 752.8 | 747.3 | 764.4 | 770.6 |
| Accommodation and food | 1,044.9 | 1,051.3 | 1,059.9 | 1,077.1 | 1,081.8 | 1,069.8 | 1,091.3 | 1,108.1 | 1,088.2 | 1,065.5 | 1,073.2 | 1,063.4 | 1,075.2 | 1,083.8 | 1,068.6 | 1,074.4 | 1,067.8 |
| Other services | 753.1 | 750.7 | 741.4 | 735.6 | 748.8 | 740.9 | 746.1 | 748.3 | 760.8 | 766.2 | 762.6 | 756.9 | 768.6 | 760.2 | 783.6 | 797.6 | 807.7 |
| Public administration | 910.8 | 923.9 | 924.6 | 925.2 | 922.6 | 926.0 | 930.9 | 919.9 | 911.6 | 953.0 | 925.9 | 934.7 | 922.8 | 929.6 | 925.4 | 914.5 | 933.5 |

Source: CANSIM Table 282-0094 , Labour force survey estimates (LFS)

| Appendix Table 11: Poverty and Unemployment Rates, 1976-2006 | |
|--|--|
|--|--|

| | After Tax Poverty Rate | Poverty Gap | |
|------|------------------------|-------------------|-------------------|
| | All persons | All Family Units | Unemployment Rate |
| | (per cent) | (Constant \$2007) | (per cent) |
| 1976 | 13.0 | 6,900 | 7.1 |
| 1977 | 13.0 | 7,500 | 8.0 |
| 1978 | 12.2 | 7,200 | 8.4 |
| 1979 | 12.6 | 7,000 | 7.5 |
| 1980 | 11.6 | 6,800 | 7.5 |
| 1981 | 11.6 | 6,700 | 7.6 |
| 1982 | 12.4 | 6,800 | 11.0 |
| 1983 | 14.0 | 6,900 | 12.0 |
| 1984 | 13.7 | 7,000 | 11.3 |
| 1985 | 13.0 | 6,700 | 10.6 |
| 1986 | 12.1 | 6,500 | 9.7 |
| 1987 | 11.9 | 6,600 | 8.8 |
| 1988 | 10.8 | 6,300 | 7.8 |
| 1989 | 10.2 | 6,200 | 7.5 |
| 1990 | 11.8 | 6,500 | 8.1 |
| 1991 | 13.2 | 6,600 | 10.3 |
| 1992 | 13.3 | 6,500 | 11.2 |
| 1993 | 14.3 | 6,700 | 11.4 |
| 1994 | 13.8 | 6,700 | 10.4 |
| 1995 | 14.6 | 6,800 | 9.5 |
| 1996 | 15.7 | 6,900 | 9.6 |
| 1997 | 15.3 | 7,100 | 9.1 |
| 1998 | 13.7 | 7,200 | 8.3 |
| 1999 | 13.0 | 7,200 | 7.6 |
| 2000 | 12.5 | 7,000 | 6.8 |
| 2001 | 11.2 | 6,900 | 7.2 |
| 2002 | 11.6 | 6,900 | 7.7 |
| 2003 | 11.6 | 6,900 | 7.6 |
| 2004 | 11.4 | 6,900 | 7.2 |
| 2005 | 10.8 | 7,000 | 6.8 |
| 2006 | 10.5 | 6,800 | 6.3 |
| 2007 | 9.2 | 6,700 | 6.0 |
| 2008 | - | - | 6.1 |

Source: Cansim series v1560773, v1564223 and v2461224.

Appendix Table 12: Insolvencies in Canada, 2008Q1, 2008Q4 and 2009Q1

Panel A: Total Insolvencies in Canada

| | | | | % Ch | ange | 12-Month Period Ending | | | |
|--------------|--------|--------|--------|---------------------|---------------------|------------------------|-----------|----------|--|
| | 2008Q1 | 2008Q4 | 2009Q1 | 2008Q1 to 2009Q1 | 2008Q4 to 2009Q1 | 3/31/2008 | 3/31/2009 | % Change | |
| Total | 28 168 | 33 785 | 37 339 | 32.6 | 10.5 | 109 622 | 132 405 | 20.8 | |
| Bankruptcies | 22 125 | 26 436 | 28 972 | 30.9 | 9.6 | 86 637 | 103 621 | 19.6 | |
| Proposals | 6 043 | 7 349 | 8 367 | 38.5 | 13.9 | 22 985 | 28 784 | 25.2 | |

Panel B: Insolvencies Filed by Consumers in Canada

| | | | | % Ch | ange | 12-Month Period Ending | | | |
|--------------|--------|--------|--------|---------------------|---------------------|------------------------|-----------|----------|--|
| | 2008Q1 | 2008Q4 | 2009Q1 | 2008Q1 to 2009Q1 | 2008Q4 to 2009Q1 | 3/31/2008 | 3/31/2009 | % Change | |
| Total | 26 146 | 31 997 | 35 543 | 35.9 | 11.1 | 102 087 | 125 186 | 22.6 | |
| Bankruptcies | 20 466 | 24 956 | 27 542 | 34.6 | 10.4 | 80 430 | 97 686 | 21.5 | |
| Proposals | 5 680 | 7 041 | 8 001 | 40.9 | 13.6 | 21 657 | 27 500 | 27 | |

Panel C: Insolvencies Filed by Businesses in Canada

| | | | | % Ch | ange | 12-Month Period Ending | | | |
|--------------|-------------------|-------|--------|---------------------|---------------------|------------------------|-----------|----------|--|
| | 2008Q1 2008Q4 200 | | 2009Q1 | 2008Q1 to 2009Q1 | 2008Q4 to 2009Q1 | 3/31/2008 | 3/31/2009 | % Change | |
| Total | 2 022 | 1 788 | 1 796 | -11.2 | 0.4 | 7 535 | 7 219 | -4.2 | |
| Bankruptcies | 1 659 | 1 480 | 1 430 | -13.8 | -3.4 | 6 207 | 5 935 | -4.4 | |
| Proposals | 363 | 308 | 366 | 0.8 | 18.8 | 1 328 | 1 284 | -3.3 | |

Definitions

Consumer: An individual with more than 50 percent of total liabilities related to consumer goods and services.

Business: Any commercial entity or organization other than an individual, or an individual who has incurred 50 percent or more of total liabilities as a result of operating a business. Bankruptcy: The state of a consumer or a business that has made an assignment in bankruptcy or against whom a bankruptcy order has been made.

Proposal: An offer to creditors to settle debts under conditions other than the existing terms. A proposal is a formal agreement under the Bankruptcy and Insolvency Act.

Source: Office of the Superintendent of Bankruptcy Canada, http://www.ic.gc.ca/eic/site/bsf-osb.nsf/eng/br02224.html

| | Total assets (\$Million) | Non-financial assets (\$Million) | Financial assets (\$Million) | Liabilities (\$Million) | Net worth (\$Million) | Net worth per capita (\$) |
|------------------|-----------------------------|--|------------------------------------|----------------------------|--------------------------|---------------------------------|
| 2007 I | 6,761,462 | 2,861,096 | 3,900,366 | 1,146,706 | 5,614,756 | 171,509 |
| 2007 II | 6,915,923 | 2,945,500 | 3,970,423 | 1,179,922 | 5,736,001 | 174,791 |
| 2007 III | 7,037,273 | 3,001,149 | 4,036,124 | 1,209,736 | 5,827,537 | 176,982 |
| 2007 IV | 7,064,716 | 3,037,767 | 4,026,949 | 1,234,700 | 5,830,016 | 176,418 |
| 2008 I | 7,091,343 | 3,082,219 | 4,009,124 | 1,255,907 | 5,835,436 | 176,281 |
| 2008 II | 7,258,427 | 3,138,472 | 4,119,955 | 1,294,475 | 5,963,952 | 179,715 |
| 2008 III | 7,110,147 | 3,196,010 | 3,914,137 | 1,320,836 | 5,789,311 | 173,794 |
| 2008 IV | 6,872,045 | 3,175,499 | 3,696,546 | 1,346,353 | 5,525,692 | 165,236 |
| 2009 I | 6,813,223 | 3,149,515 | 3,663,708 | 1,359,487 | 5,453,736 | 162,775 |
| | | Per ce | nt Change | | | |
| 2008Q2 to 2008Q3 | -2.0 | 1.8 | -5.0 | 2.0 | -2.9 | -3.3 |
| 2008Q3 to 2008Q4 | -3.3 | -0.6 | -5.6 | 1.9 | -4.6 | -4.9 |
| 2008Q4 to 2009Q1 | -0.9 | -0.8 | -0.9 | 1.0 | -1.3 | -1.5 |
| 2008Q2 to 2009Q1 | -6.1 | 0.4 | -11.1 | 5.0 | -8.6 | -9.4 |

Appendix Table 13: Household Wealth, Liabilities and Net Worth, 2007Q1 to 2009Q1, Nominal dollars

Source: Statistics Canada, National Balance Sheet Accounts: Data tables, catalogue number 13-022-X.

| | Total industrial | Forestry and logging | Mining and oil and gas extraction | Electric power generation, transmission and distribution | Construction | Manufacturing |
|------------------|------------------|-------------------------|---|---|--------------|---------------|
| 2007 I | 82.3 | 85.2 | 80.0 | 86.9 | 81.7 | 82.6 |
| 2007 II | 82.5 | 81.6 | 79.4 | 90.8 | 80.6 | 83.3 |
| 2007 III | 82.3 | 76.7 | 79.6 | 88.0 | 80.3 | 83.5 |
| 2007 IV | 81.3 | 80.7 | 77.4 | 89.8 | 79.4 | 82.2 |
| 2008 I | 79.8 | 77.6 | 76.6 | 88.1 | 79.0 | 80.1 |
| 2008 II | 79.0 | 76.1 | 74.9 | 86.0 | 78.1 | 79.9 |
| 2008 III | 78.3 | 72.2 | 75.9 | 85.3 | 77.4 | 78.7 |
| 2008 IV | 74.9 | 74.9 | 74.9 | 82.7 | 75.3 | 73.7 |
| 2009 I | 69.3 | 72.6 | 71.5 | 80.8 | 71.8 | 65.9 |
| | | Percenta | age Point Change | • | | |
| 2008Q3 to 2008Q4 | -3.4 | 2.7 | -1.0 | -2.6 | -2.1 | -5.0 |
| 2008Q4 to 2009Q1 | -5.6 | -2.3 | -3.4 | -1.9 | -3.5 | -7.8 |
| 2008Q3 to 2009Q1 | -9.0 | 0.4 | -4.4 | -4.5 | -5.6 | -12.8 |

Appendix Table 14: Capacity Utilization Rate in Canada, in per cent

Source: Cansim Table 028-0002