

МЕНЕДЖМЕНТ

The Impact Assessment of COVID-19 on the Canadian Economy According to the Three-Sector Model

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Կանադայի տնտեսության վրա COVID-19-ի ազդեցության գնահատումը՝ ըստ եռադոմարտային մոդելի

Աղաջանյան Մարտին Ա.

Երևանի պետական համալսարան, Միջազգային հարաբերությունների ֆակուլտետ,

Հանրային կառավարման բաժնի մագիստրոս (Երևան, ՀՀ)

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Ամփոփագիր. Տվյալ հոդվածում հեղինակը նպատակ է հետապնդել գնահատել COVID-19-ը համավարակի ազդեցությունը Կանադայի տնտեսության վրա՝ ուշադրության դիտակետում ունենալով տնտեսության առաջնային, երկրորդային և երրորդային հատվածների առանձնակի հետաքրքրություններ կայացնող ոլորտները: COVID-19 համավարակով պայմանավորված Կանադան հայտնվեց տնտեսական խորը անկման մեջ՝ իր վրա կրելով համաճարակի բացասական ուղղակի և անուղղակի ազդեցությունները: Կանադայի տնտեսությունը դեռևս փորձում է հարմարվել 2020 թվականի սկզբին համաշխարհային տնտեսական ակտիվության անախադեպ կրճատմանը, որը վերագրվում է COVID-19-ի բռնկմանը: Մասնավորապես, սոցիալական և տնտեսական հարափոփոխ սահմանափակումները առաջացրել են տնտեսական գործունեության կտրուկ կերպափոխումների. տնային տնտեսությունները և մասնավոր հատվածի ընկերությունները չունեն այլընտրանք, քան հետևել Կանադայի կառավարության կողմից սահմանված կանոններին և կարգավորումներին: Հաշվի առնելով համաճարակի բացասական ազդեցությունները՝ տնտեսական ակտիվությունը շարունակում է ցածր մնալ մինչհամաճարակային մակարդակից, և տնտեսության ոչ բոլոր ճյուղերն են վերականգնվում նույն տեմպերով: Երկարաժամկետ հեռանկարում Կանադայի զբաղվածության կառուցվածքի վրա կազդեն ժողովրդագրական փոփոխությունները՝ պայմանավորված մահացությունների թվի աճով, ներգաղթի կրճատմամբ և ընտանիքի պլանավորման հետաձգմամբ: Կատարվել է նաև եզրահանգում առ այն, որ համաճարակային օպերատիվ կառավարումը հիմնական նախապայմանն է Կանադայի տնտեսության կայուն աճի ապահովման համար: Ինչպես նաև ցածր տոկոսադրույթները, կայուն արժույթը և ավելի կանխատեսելի քաղաքական մթնոլորտը կնվազեցնեն կանադական բիզնեսի կորուստների ռիսկը և կխրախուսեն հետագա ներդրումները:

Հանգուցարաններ՝ Կանադա, COVID-19 համավարակ, տնտեսական ազդեցություններ, տնտեսության ոլորտներ, տնտեսական անկում, տնտեսական սահմանափակումներ, մակրոտնտեսական ցուցանիշներ:

Оценка воздействия COVID-19 на экономику Канады по трехсекторной модели

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Аннотация. В этой статье автор намеревался оценить влияние эпидемии COVID-19 на экономику Канады, сосредоточив внимание на областях, представляющих особый интерес для первичного, вторичного и третичного секторов экономики. Из-за эпидемии COVID-19 Канада оказалась в глубоком экономическом спаде, неся прямые и косвенные последствия эпидемии. Канадская экономика все еще пытается приспособиться к беспрецедентному спаду мировой экономической активности в начале 2020 года, который связывают со вспышкой COVID-19. В частности, изменение социально-экономических ограничений привело к радикальным изменениям в экономической деятельности, поскольку у домохозяйств и компаний частного сектора нет иного выбора, кроме как следовать правилам и положениям, установленным правительством Канады. Учитывая негативные последствия эпидемии, экономическая активность остается ниже до пандемического уровня, а также не все отрасли экономики восстанавливаются с одинаковой скоростью. В долгосрочной перспективе на структуру занятости в Канаде повлияют демографические изменения из-за роста смертности, сокращения иммиграции и задержки в планировании семьи.

Был также сделан вывод, что борьба с эпидемиями является ключевым условием устойчивого экономического роста в Канаде. А также более низкие процентные ставки, стабильная валюта, более предсказуемый политический климат снизят риск потерь канадского бизнеса и будут стимулировать дальнейшие инвестиции. **Ключевые слова:** Канада, пандемия COVID-19, экономические последствия, секторы экономики, экономический спад, экономические ограничения, макроэкономические показатели.

COVID-19 has wreaked havoc on worldwide healthcare systems, with ramifications affecting every part of modern life. In order to curb and mitigate socio-economic impacts, governments in countries that constitute the world's largest economies have enforced border shutdowns, travel limitations, and quarantine, causing fears of an imminent economic crisis and recession. The epidemic compelled us all to spend more time online than ever before. Virtually engaging with big audiences and meeting with coworkers all around the world is a more cost-effective and sometimes easier alternative. Some economic sectors have been on the verge of bankruptcy, while others were more flexible and have flourished.

This paper attempts to evaluate the effects of COVID-19 turmoil on the economy of Canada by focusing on the primary sectors, including the raw materials industry, secondary sectors involved in the production of finished products, and the tertiary sectors, including all service provision industries.

The real gross domestic product (GDP) dropped by 7.2 percent in March 2021 as a result of COVID-19-related shutdowns that significantly affected service industry production. The first-quarter real GDP contraction was 2.1 percent, the biggest quarterly fall since early 2009. As the shutdowns continued throughout April, severe losses in auto-related sales contributed to significant decreases in economic activity. Merchandise trade activity plummeted to its lowest level in over a decade while manufacturing sales fell by about 30%, meanwhile retail sales plummeted by more than a quarter. After three million job losses in March and April 2020, employment increased by 290,000 in May 2021, led by increases in Quebec as economic activity restrictions eased. The unemployment rate reached a new high of 13.7 percent in May 2021, as the number of individuals looking for work surged significantly as job-seekers re-entered the labor sector. Household spending decreased by a record 2.3 percent in March as public health prohibitions stifled economic activity in the final two weeks of March. Lower service expenditure accounted for about two-thirds of the overall decline in household spending, with substantial reductions in food, beverage, and lodging services, as well as recreational activities [9; 19].

Primary sectors

Agriculture

The pandemic presented many uncertainties for farmers: farmer sickness, farm labor and specifically the supply of out-of-country seasonal farmworkers, delivery of inputs (seed, fertilizer, chicks, etc.), planting and harvesting; transportation of livestock and crops, temporary or extended closure of processing and packing facilities, border thickening or closures, exchange rate volatility, and, finally, changes in consumer demand. In response, there was a multitude of calls by the industry for significant public financial aid [3].

The resilience of the agricultural sector has been tested by the COVID-19 outbreak. A global crash in demand from hotels and restaurants has seen prices of agricultural commodities drop by 20% [13].

Canadian Senator Robbert Black recalls the fear during the first few months of the pandemic that shelves in grocery stores would be left bare. However, this proved not to be the case as farmers, producers and processors accepted the challenge and proved themselves not only to be able to feed Canadians but also to feed the world. This, in turn, has resulted in greater trust and confidence in Canada's food system [17].

The Canadian Federation of Agriculture asked the Federal Government to provide \$2.6 billion in response to COVID-19 as the first phase of support above any existing programs [1]. Farmers wanted governments and the public to think that the current BRM programs are incapable of adequately mitigating risk during COVID-19. However, from a perspective of the farming sector, the following occurred during 2020 and 2021, according to the official website of the government of Canada:

1. AgriInvest farm savings accounts increased to over \$2.4 billion;
2. participation in AgriStability decreased by 4% despite sign-up being extended from April to July;
3. farm income is projected to increase 22%;
4. household farm income is projected to increase by 9% [2].

Petroleum and oil

Before turning to the real processes in Canada, it is necessary to understand what was happening in the international oil and gas market before the stage of the serious spread of the pandemic.

During an OPEC meeting in Vienna on March 6, 2020, Russia's unwillingness to cut oil output prompted Saudi Arabia to react with unprecedented discounts to customers and a threat to pump additional crude. "Russia's refusal to support emergency supply cuts would effectively and fatally undermine OPEC+'s ability to play the role of oil price stabilizing swing producer," said Bob McNally, founder of Rapidan Energy Group [16]. Saudi Arabia, known as OPEC's de facto head, raised its oil supplies by 25% compared to February of the same year, bringing output volume to an all-time high. This resulted in the biggest one-day price decline in over 30 years — on March 23rd, Brent Crude fell by 24% from \$34/barrel to \$25.70 [5].

As to Canada, the study conducted by the energy labor market organization PetroLMI shows that two-thirds of employers in Canada's oil and gas industry applied labor cost reduction measures in the aftermath of the COVID-19 pandemic lockdowns, with 37% implementing permanent layoffs [7].

The 2020 COVID-19 epidemic had a significant influence on Canadian crude oil output and exports. Crude oil export values fell each month in early 2020, reaching a low of \$1.2 billion in April, a number not seen since 2002. Export values rose each month following that, owing primarily to higher prices, but had not yet restored to pre-pandemic levels by December. On balance, crude oil export values decreased 40.1 percent in 2020 compared to the previous year. Exports of crude oil accounted for 9.6% of total export values in 2020, down from 14.1% a year earlier, but remained Canada's top exported product for the year. By the close of 2020, the monthly average WTI price had recovered to US\$47.02 per barrel. Canadian production increased in response to the WTI price rebound. On the whole, following a decade of growth, Canadian production of crude oil in 2020 was down 4.5% to 4.5 million b/d, the lowest level since 2018 [10].

Secondary sectors

Manufacturing

The COVID-19 epidemic has particularly had a severe impact on the manufacturing industry. Production constraints and, in certain cases, closures have resulted from heavy reliance on labor and an often complicated supply chain. While these are substantial obstacles, opportunities for firms seeking support to pivot and innovate continue to exist. Manufacturers must innovate to be robust in these difficult times. Process enhancements, better supply chain management, and investments in information technology and automation are vital. However, for those in Canada, who suffer to adapt to a new reality, Scientific Research and Experimental

Development (SR&ED) and government incentives are available [23].

Over the past 20 years in Canada, GDP from industrial production has been stagnant. Manufacturing accounts for roughly 10 percent of Canada's GDP, down from about 16 percent in 2000 [21]. It took the Canadian manufacturing sector nearly six years to restore from the 2008-2009 financial crisis [22].

From steel to renewable energy to telecoms, from mined material to finished product, Canada has the capacity to coordinate its supply chains to generate the commodities required for a clean, modern economy. Canada does not produce all it requires, but it does have access to substantial natural resources, much of which it exports for critical value-added manufacturing. It is estimated that the entire economic effect of Canada's manufacturing industry is approximately four times the direct impact, with four more jobs generated for every direct manufacturing job created [6].

The most severe declines occurred in auto sales due to a decrease in retail spending. Succeeding a 10% drop in March, retail sales plunged by more than a quarter (-26.4%) in April 2020 to \$34.7 billion. Motor vehicle and parts dealer sales plummeted 44 percent, accounting for one-third of the entire drop in retail expenditure. Lower sales at grocery shops and petrol stations also contributed to April's drop [19].

As to COVID-19 related manufacturers, the statistics record that year-to-date medical equipment and product exports increased 15.5 percent to \$3.1 billion in 2020, the greatest quarterly value since the third quarter of 2019. The majority of exports were headed for the United States and Italy. Higher exports of medicaments, medical equipment, and oxygen treatment were somewhat offset by reduced exports of medical consumables in the first quarter of 2020. Medication exports increased due to increases in antibiotic-containing medications exported to the United States as well as other unclassified medications exported to Italy. Personal protective equipment exports, on the other hand, fell 4.9 percent year to date in 2020, to \$535 million. Lower US exports (-\$25.1 million) were offset by a rise in Chinese exports (+\$7.7 million). While exports grew month after month during the quarter, monthly figures were lower than in early 2019 [20].

Tertiary sectors

Finance sector

In addition to the supply chain disruption, the capital market industry has been impacted by uncoordinated governmental responses and lockdowns. The collapse in global stock markets has created a volatile environment with low liquidity [8]. To counteract these consequences, central banks

throughout the world have acted to assure liquidity and alleviate the economic shock.

In reaction to the economic consequences of COVID-19, the Bank of Canada reduced interest rates to 1/4 percent in order to stimulate economic activity. These actions benefit both consumers and companies by decreasing payments on existing and new loans across the economy. The Bank also initiated several liquidities and bought initiatives to keep markets open, credit flowing, and the interest rate reduction worked their way through the economy. Moreover, to aid the recovery, the Bank has pledged to continue large-scale asset purchases of longer-term debt. The combination of the ultra-low policy interest rate and asset purchases provides significant monetary stimulation [4].

Tourism

The tourism sector has become one of the most impacted by the outbreak of COVID-19, with implications for both travel supply and demand. The World Travel and Tourism Council has warned that as a direct result of COVID-19, 50 million jobs in the global travel and tourism sector may be jeopardized [11].

In the case of Canada, the government enacted travel restrictions and border closures to combat COVID-19 in March 2020, effectively halting movement to and from Canada [18]. The number of foreign arrivals to Canada from other nations plummeted by 54.2 percent in February 2021 compared to February 2020, the biggest single-month reduction since 1972. The majority of hotels were empty: by the first week of April 2020, the hotel occupancy rate in Canada was below 20% [12].

In 2020, tourism gross domestic product (GDP) was down 47.9% annually, while economy-wide, GDP fell at a much slower pace (-5.4%). This contributed to a decline in tourism's share of GDP, which fell from 2.0% in 2019 to 1.1% in 2020. Tourism spending was almost cut in half (-48.1%) in 2020 [18].

Prospects

Pandemics, like the viruses that cause them, target vulnerable spots. The new coronavirus exploits a flaw in the Canadian economy. However, experts are quite optimistic about the future of the Canadian economy. Particularly, OECD states that due to lessened COVID-19 restrictions in the second half of 2021 and robust foreign demand, the Canadian economy will recover substantially and increase by 3.8 percent in 2022. These changes will be mirrored in a labor-market rebound. Despite this, the output will stay below trend, and underlying inflationary pressures will be controlled. The public debt load will stabilize in 2022 after rising again in 2021 [14].

Strong demand in remote work, e-learning, telemedicine, and e-commerce in 2020 increased the adoption of technology across the economy. As a consequence, output in the technology sector decreased by just 3% between February and April 2020, compared to an 18% drop in the overall economy. For the most part, the crisis appears to be a regular recession. Production levels, which were severely impacted at the start of the crisis, are anticipated to gradually increase to pre-pandemic levels by 2022. However, the rebound in the tourism, accommodation, and food service industries is expected to be sluggish. These hard-hit industries will almost certainly have to wait until the epidemic is nearly entirely contained before their activity levels return to normal [15].

To sum up, the multifaceted negative impacts of the COVID-19 pandemic forced the Canadian economy into a recession. Canada's economy is still adjusting to the unparalleled shrinkage in worldwide economic activity in early 2020 attributed to the COVID-19 outbreak. Specifically, ever-altering social and economic confinements caused abrupt changes in economic circumstances as households and businesses have no choice but to follow the rules imposed by the Government of Canada. Nonetheless, the economic activity is still below pre-pandemic levels, and not all industries rebound at the same pace. In the long run, employment structure will be affected by the demographic changes due to increased mortality, reduced immigration, and postponed family planning. Furthermore, pandemic management will be the primary prerequisite for the Canadian economy's expansion. Meanwhile, low-interest rates, stable currency, and a more predictable political climate will reduce Canadian enterprises' risk of loss and stimulate the further inflow of investments.

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Տճանաշիմանկի է՝ 01.02.2022

Րեցենզրոանա/Գրիլիլիլիլի է՝ 02.03.2022

Քրիլիլիլիլի է՝ 07.03.2022