

## Analysis in Brief

# Finding their way through the pandemic: half-year 2021 flash estimates of selected service industries

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Release date: January 12, 2022



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Published by authority of the Minister responsible for Statistics Canada

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## Introduction

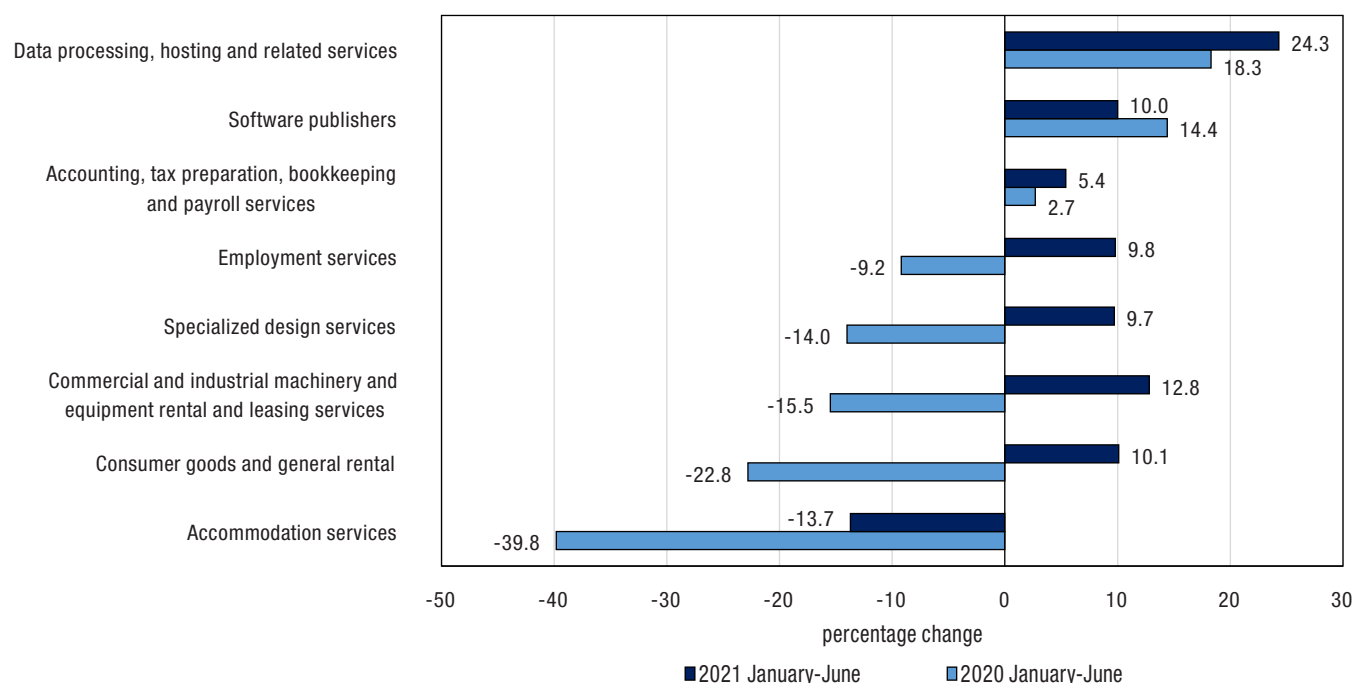
As the COVID-19 pandemic hit Canada in early 2020, several initiatives were undertaken by all levels of government to reduce the spread of the virus. Measures such as the shutdown of all non-essential businesses during lockdowns, limiting international travel, the closure of provincial borders, social distancing guidelines, and businesses operating at reduced capacity have all had a large impact on service industries. Using administrative datasets, such as the goods and services tax (GST) data, this analysis explores the impacts of the pandemic on a selected group of service industries by comparing GST revenue<sup>1</sup> from the first half of 2021 relative to the same period in 2020. The GST revenue data was deemed a consistent proxy for preliminary estimates of operating revenue, a key input in the measurement of national economic statistics.

## Stronger growth in several service industries in the first half of 2021

Despite the third wave of the pandemic, GST revenues in the first half of 2021 experienced much higher growth in most selected service industries compared to what was attained in the first half of 2020 (Chart 1). The strongest GST revenue growth in the first part of 2021 was observed for informatics services as well as for rental and leasing services, particularly for heavy commercial equipment leasing services.

**Chart 1**

**Percentage change in goods and services tax (GST) revenue for selected service industries, January-June 2020 and January-June 2021**



Source: Statistics Canada's Annual services industries program.

1. Goods and services tax (GST) revenue data referenced in this analysis is the level of operating revenue reported to Canada Revenue Agency for the purposes of GST remittances. The GST revenue data was processed to ensure consistency with operating revenue estimates from annual services industries program.

## Digital technologies and transformation continue to fuel growth in informatics services.

GST revenue for data processing, hosting and related services showed strong growth in the first six months of 2021 (+24.3%) while software publishers have grown 10.0%. Continual shifts toward cloud-based services and platforms as well as outsourcing information technology have driven this industry forward during the pandemic. In addition, working from home and increased internet usage by businesses and consumers alike have necessitated the need for more and better software as well as data processing and hosting services. At the beginning of 2021, 32% of Canadian employees aged 15 to 69 worked most of their hours from home, compared with 4% in 2016.<sup>2</sup>

## Rental and leasing services benefitting from rising capital investment

The commercial and industrial machinery and equipment rental and leasing services industry is bouncing back as GST revenues have grown 12.8% in the first two quarters of 2021 compared to a 15.5% decline for the same time period in 2020. Much stronger natural resource prices<sup>3</sup> and positive growth in investment<sup>4</sup> in the first part of 2021 helped turn around heavy equipment demand in 2021.

The consumer goods and general rental centres service industry groups are slowly making a recovery as phenomenal growth, since the start of the pandemic, in housing residential investment fuels demand for home water heaters and appliance rentals.<sup>5</sup> GST revenues for these industry groups have increased 10.1% in the first half of 2021 compared to a decrease of 22.8% in the same period in 2020. The industry groups are recovering with businesses adapting their operating methods by retrofitting their workplaces and expanding contactless business models.<sup>6</sup>

## Professional business services: a modest uptick

Having been less adversely impacted by the pandemic, the GST revenues for the accounting, tax preparation, bookkeeping and payroll services industry rose by 5.4% in the first two quarters of 2021 compared to a gain of 2.7% for the same period in 2020. This growth could be attributed to the adaptation of new operating methods (further digitizing their services and offering online consultations),<sup>7</sup> business teleworking models,<sup>8</sup> and government business relief programs.

GST revenues for specialized design services grew 9.7% in the first half of 2021 as rising investment in residential construction over the course of the pandemic helped stimulate growth in the interior design sector. However, ongoing pandemic restrictions in 2021 still hampered in-person services, an important way to conduct business in this industry.

## Difficult times for accommodation services persist

While lockdown measures and border restrictions in the second quarter of 2020 hit the accommodation services industry particularly hard, similar restrictions well into the first two quarters of 2021 caused tourism activity to remain low and the industry to further relapse by 13.7% in the first half of 2021. In June 2021, overall tourism activity in Canada was still 62.8% below the level reached in June 2019.<sup>9</sup> The easing of international and domestic travel restrictions and reopening of borders will assist in the recovery of tourism-related services, however hospitality services are facing a bumpy road as the current labour shortage and difficulties in fulfilling vacant positions in the industry will weigh on recovery prospects.<sup>10</sup>

2. Statistics Canada. (2021). *Working from home: Productivity and preferences*. <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00012-eng.htm>

3. Statistics Canada. (2021). *Table 38-10-0285-01 Natural resources satellite account, indicators (x 1,000,000)* [Data table]. <https://doi.org/10.25318/3810028501-eng>.

4. Statistics Canada. (2021). *Table 36-10-0108-01 Gross fixed capital formation, quarterly, Canada (x 1,000,000)* [Data table]. <https://doi.org/10.25318/3610010801-eng>.

5. Ibid.

6. Statistics Canada. (2021, November 12). *Consumer goods rental sector, 2020*. *The Daily*. Retrieved from <https://www150.statcan.gc.ca/n1/daily-quotidien/211021/dq211021d-eng.htm>

7. David Milstead, "Accounting firms staff up for busy season as early pandemic worries fade," *The Globe and Mail*, February 7, 2021, [https://www.theglobeandmail.com/business/article-accounting-firms-staff-up-for-busy-season-as-early-pandemic-worries/?utm\\_source=Shared+Article+Sent+to+User&utm\\_medium=E-mail:+Newsletters+/-+E-Blasts+/-+etc.&utm\\_campaign=Shared+Web+Article+Links](https://www.theglobeandmail.com/business/article-accounting-firms-staff-up-for-busy-season-as-early-pandemic-worries/?utm_source=Shared+Article+Sent+to+User&utm_medium=E-mail:+Newsletters+/-+E-Blasts+/-+etc.&utm_campaign=Shared+Web+Article+Links).

8. Statistics Canada. (2021). *Table 33-10-0274-01 Percentage of workforce teleworking or working remotely, and percentage of workforce anticipated to continue primarily teleworking or working remotely after the pandemic, by business characteristics* [Data table]. <https://doi.org/10.25318/3310027401-eng>.

9. Statistics Canada. (2021). *Table 24-10-0049-01 Canadian Tourism Activity Tracker and Grouped Data Sources* [Data table]. <https://doi.org/10.25318/2410004901-eng>.

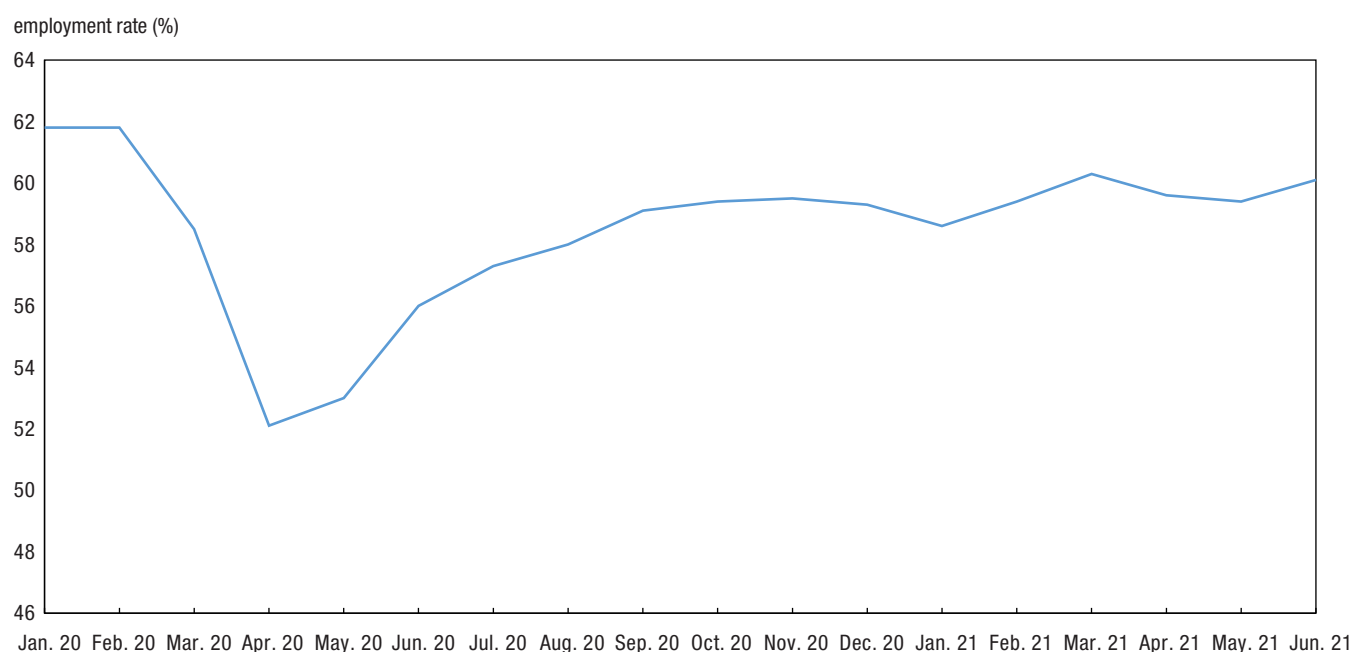
10. Statistics Canada. (2021). *Table 14-10-0372-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, unadjusted for seasonality* [Data table]. <https://doi.org/10.25318/1410037201-eng>.

## Employment services bounced back amid labour market pressures

GST revenues for the employment services industry group rose by 9.8% in the first two quarters of 2021 compared to a drop of 9.2% for the same period in 2020. The shutdown of businesses and other lockdown measures no doubt had a negative impact on the labour market thus affecting the employment services industry group which includes employment placement agencies and executive services, temporary help services, and professional employer organizations. Throughout the pandemic hiring rates declined and employees were hesitant to change careers or fields.<sup>11</sup>

The positive growth in the employment services industry in 2021 is due in part to rising employment rates in Canada, especially in industries where employment services are often used such as professional, scientific and technical services and in the primary sector. From January to June 2021, the employment rate in Canada increased 1.5 percentage points<sup>12</sup> (Chart 2).

**Chart 2**  
**Employment rate rising, January 2020 to June 2021**



Source: Statistics Canada Table 14-10-0287-01.

Moreover, job vacancy rates have also been rising across Canada in many sectors, fuelling the strongest wage growth in two decades and competition among employers.<sup>13</sup> Employment services have helped to alleviate those imbalances and labour pressures.

11. Work in progress, *The Economist*, 58-59. July 17th-23rd, 2021.

12. Statistics Canada. (2021). [Table 14-10-0287-01 Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months](https://doi.org/10.25318/1410028701-eng) [Data table]. <https://doi.org/10.25318/1410028701-eng>

13. Statistics Canada. (2021). [Table 14-10-0372-01 Job vacancies, payroll employees, and job vacancy rate by industry sector, monthly, unadjusted for seasonality](https://doi.org/10.25318/1410037201-eng) [Data table]. <https://doi.org/10.25318/1410037201-eng>.

## Concluding remarks

While this analysis focused on a selected group of service industries, the trend observed is generally positive in the first half of 2021. Most service industries have adapted their operations since the pandemic started by adopting one or several adjustment measures (work from home, retrofitting the workplace, contactless business models or by leveraging digital technology among others).<sup>14</sup>

The analysis will be carried out for a wider group of professional, administrative and consumer services industries, including culture, recreation and entertainment industries once the full year of data is available in the spring 2022 thus providing a complete look into the adaptation of service industries to fluctuating economic factors during the year.

## Note to readers

Although the GST revenue data after validation were historically comparable, reliable and a high-quality coherent proxy for preliminary estimates of annual operating revenue for several industries, it is not a good proxy for all professional and administrative support services. Not all goods and services are subject to the GST and businesses do not have to collect GST if their revenue does not exceed \$30,000 annually. Moreover, some services are zero-rated and others are GST exempt.

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14. A significant number of businesses responding to the annual services industries surveys for reference year 2020 indicated that they had to make changes to their operations in response to the pandemic.