



## Federal Economic and Fiscal Snapshot 2020

July 8, 2020

Stosic & Associates

## Overview

On July 8, 2020, Federal Finance Minister, Bill Morneau, tabled the [Economic and Fiscal Snapshot](#) providing an economic analysis and a detailed account of what the government has spent to stabilize the economy and protect the health and economic well-being of Canadians across the country during the COVID-19 pandemic.

The 2020 Economic and Fiscal Snapshot ("the Snapshot") provided an update on the federal government's fiscal position to March 31, 2021 and the economic condition over this period. The Snapshot did not contain any new policy measures, and instead highlighted programs put in place as a result of COVID-19, provided short-term accounting for spending to date and the near-term forecast.

Key highlights of the Snapshot and details of programs put in place in response to COVID-19 to date are provided below.

## Key Highlights

### Annual Deficit

- The federal government projects the deficit for 2020-21 is expected to rise to \$343.2 billion from the \$34.4 billion deficit projected before the pandemic.
  - This is due to program spending in response to COVID-19 (\$227.9 billion) and revenue losses of over \$71 billion.

### Net Federal Debt

- Net federal debt will hit \$1.2 trillion.

### Debt-to-GDP Ratio

- The Federal debt-to-GDP ratio is to rise to 49.1% in 2020-21.

### The Economy

- The economy is expected to contract by 6.8% in 2020.
- The economy is anticipated to rebound by 5.5% in 2021.
- Annualized decline of over 40% in real GDP is expected in second quarter of 2020.

### Unemployment

- Between February and April, 5.5 million Canadians either lost their jobs or saw their work hours significantly reduced. This has pushed the unemployment rate to 13.7% in May, from a pre-pandemic low of 5.5% in January.

## COVID-19 Economic Response Plan

Programs put in place in response to COVID-19 to date:

- Over \$212 billion in direct support to Canadians and businesses.
- \$85 billion in tax and customs duty payment deferrals to meet liquidity needs of businesses and households.
- \$5.8 billion in support for coordinated federal, provincial and territorial action to strengthen critical health care systems, purchase personal protective equipment and supplies, support critical medical research, and vaccine developments.
- Approximately \$14 billion to support provinces and territories in the safe reopening of the country's economies over the next 6 to 8 months.
- The government has also made \$600 billion in liquidity supports available.

### Canada Emergency Business Account (CEBA)

- As of July 3, 2020, approximately 688,000 applicants have been approved for roughly \$27.41 billion in CEBA loans.
- \$7 billion of which is forgivable if the loan is paid back before December 31, 2022. The cost of the program is expected to rise to \$13.7 billion by the time it ends.

### Canada Emergency Wage Subsidy (CEWS)

- The total estimated impact of the CEWS is expected to be \$82.3 billion. This is an increase from the \$45 billion estimate provided by the government last month and reflects the proposed extension and broadening of eligibility for the program.
- The government is expected to propose an extension to the CEWS, which is set to end at the end of August.

### Canada Emergency Response Benefit (CERB)

- As of June 28, 2020, the CERB has provided over \$53 billion in benefit payments to approximately 8.16 million Canadians.
- This amount is expected to rise to \$80 billion based on the eight-week extension and significant use of the program.

### Canada Emergency Student Benefit (CESB)

- To date, the CESB has provided over \$1.4 billion to over 600,000 applicants, which is expected to rise to \$5.2 billion by the time it winds down.



## Seniors and Families

- Seniors received one-time Old Age Security (OAS) and Guaranteed Income Supplement (GIS) bonuses and families eligible for the Canada Child Benefit (CCB) received an extra \$2 billion in payouts in May.

## Indigenous Communities

- The government is investing \$650 million to support Indigenous communities on health care, income support and new shelters for women.
- \$75 million in new funding for organizations that address critical needs of indigenous people living in urban centres and off reserve.
- \$10 million is being invested for Indigenous women and children fleeing violence for emergency shelters.

## Analysis

The annual deficit of \$343 billion is proving to be one of the costliest economic crises in Canada's history. Throughout this time and ahead of today's announcement, the Prime Minister and the Finance Minister have set expectations for what has surely turned out to be a difficult financial outlook. However, the government highlighted that the cost of inaction would have been greater.

Opposition Members of Parliament (MPs) did not see it this way. The Leader of the Opposition, Andrew Scheer, has claimed the government has been wrong on every decision made during this pandemic. Meanwhile, NDP members have praised Minister Morneau's accessibility while criticizing the government for not doing enough to support all Canadians, specifically women and racialized Canadians working predominantly in hard-hit sectors of the economy, such as the hospitality and food service sectors.

The Snapshot provided no new policy measures or next steps to bring forward a plan to bring the economy to a post-pandemic world. No plans to stimulate the economy, to give cities and provinces any sense of budgets for major health and infrastructure spending.

While the days, weeks and months ahead feel uncertain, the team at Stosic & Associates is here to support you during this time. We remain available to provide you with any further information, analysis and advice that you may require.