



SPECIAL REPORT

Federal Fiscal and Economic Snapshot 2020

Written by: IMPACT Public Affairs

Wednesday, July 8, 2020 - Today, Minister of Finance Bill Morneau delivered a Fiscal and Economic Snapshot in the House of Commons. Given the ongoing COVID-19 pandemic, this is not a traditional economic update or budget document. Instead, it provides a picture of how much money has been spent since the pandemic began, deficit projections for the rest of the 2020-2021 fiscal year, and the GDP to debt ratio. The update is also significant as it is the first comprehensive spending update that Canadians or Parliament have received since the government was granted sweeping spending powers to quickly roll-out support programs for Canadian workers and businesses.

This is also the first economic update of the Liberal Minority Government, as the previously scheduled 2020 Budget had been shelved due to the rapid onset of the COVID-19 pandemic.

Financial Situation

To date, the government estimates it has spent over \$231 billion on health and safety measures (such as the purchase of Personal Protective Equipment and other safety measures) and on its marquee support programs (e.g. Canada Emergency Wage Subsidy, the Canada Emergency Response Benefit, the Canada Emergency Business Account). The government has underscored that due to the quick roll-out of the support programs, this number is an estimate and will be updated as additional data is acquired.

In total the Government of Canada is projecting a record-setting deficit of \$343.2 for the 2020-2021 fiscal year. The snapshot notes that this level of spending is on par with spending seen during the Second World War. The federal debt to GDP ratio sits at 49.1%, and unemployment is at nearly 14%. That number is expected to drop to 7% by the end of 2021, still higher than before the pandemic was declared. The national debt now sits at an estimated \$1.3 trillion.

Economists expect the Canadian economy to contract by 6% in 2020 – the sharpest drop since the Great Depression, and anticipate a rebound of 5.5% in 2021.

Major sources of expenditure to date include:

- **Canada Emergency Response Benefit (CERB):** 8.2 million Canadians have applied for the \$2,000/month CERB program, totaling \$53.5 billion in aid payments;
- The **Canada Emergency Business Account (CEBA)**, which offers interest-free businesses loans of up to \$40,000, has seen 688,000 applicants receive loans, totaling \$27.4 billion of which \$7 billion is forgivable.
- **Canada Emergency Wage Subsidy (CEWS):** 252,370 unique applicants to the 75 per cent emergency wage subsidy program CEWS, totaling \$18.1 billion spent;
- **Canada Emergency Student Benefit (CESB):** which provides \$1,250 a month to eligible students has seen \$1.4 billion paid out to more than 600,000 applicants;

The Canada Emergency Wage Subsidy (CEWS) Program

The Economic Snapshot makes note of the above-expected uptake of the CEWS program. When first launched, CEWS was intended to last 12 weeks. Since then, it has been extended by an additional 12 weeks to August 29, 2020.

Following significant support from businesses, non-profits, and labour organizations for a further extension of the program, the Fiscal Snapshot notes that \$50 billion in additional funds for CEWS have been allocated and an announcement will soon be made on additional changes to CEWS to stimulate rehiring, provide support to businesses during reopening and help them adapt to the new normal. Senior officials noted to media that a further extension of CEWS beyond August 29 is expected.

The Canada Emergency Response Benefit (CERB)

The CERB has been the government's cornerstone program to help Canadians who have been laid off or are unable to work due to the COVID-19 pandemic. Originally announced to run for 16 weeks, this program was extended to 24 weeks.

The government will continue to monitor the progress of the virus and international best practices, and is ready to make necessary changes to the CERB later this summer to support people as the economy reopens.

Notably, additional \$10 billion has been allocated to Canada's Employment Insurance program to be used when the CERB is phased out.

Business Credit Availability Program (BCAP)

The BCAP loan program was designed to help small to medium-sized businesses access a wider range of credit and liquidity support, up to \$12.5 million through the Small and Medium Enterprise co-lending program and a further loan of up to \$6.25 million under the BCAP Guarantee program. As of July 3, 148 guarantees have been confirmed for a total loan value of over \$303.59 million – a concerning low uptake.

The government notes that experience with similar products made available during the 2008-2009 financial crisis, means they expect uptake of these programs is expected to grow steadily over time.