

## **Weekly Updates Issue # 758**

Dear clients, friends and constant readers,

Before we start with the news of the week - a little clarification. Maybe some of you would notice that I removed the designation CFP (Certified Financial Planner) from my signature here below and would wonder what happened. I removed it as well from my website, letterhead, Disclosure Agreement etc. I was holding this designation since 2005 but this year on March 31<sup>st</sup>, 2020 I did not renew it. It was not an easy decision. It took me 26 exams, including a 6-hour final state exam to get this designation back in 2005.

Last year some changes were introduced within the FPSC (Financial Planners Standards Council). Now it's called FP Canada.

The online renewal form now is designed for CFPs who are employed by financial institutions (to pick from a dropdown list). It's impossible for a self-employed person like me to proceed. To be honest, they made an exception for me and allowed me to bypass this stage of the renewal process. But still, it was just the last drop that spilled the cup. I think that it is no more economically expedient for me to keep renewing this designation. For me it doesn't make sense anymore. I hope you'd feel the same! Enjoy the newsletter!

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## 1. Weekly Markets Changes

[April 3, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
12,938.30 +250.56 +1.97%	2,488.65 -52.82 -2.1%	21,052.53 -584.25 -2.7%	7,373.08 -129.3 -1.72%	\$0.7071 -0.43c -0.60%	\$1,620.81 -7.35 -0.45%	\$29.00 +7.16 +32.78%

## 2. Understanding CERB, EI and the feds' wage subsidy

[April 3, 2020] The federal government has enacted measures valued at more than \$250 billion to mitigate the financial impacts of Covid-19. The highlights below cover employment benefits, business loans and wage subsidies, retirement accounts and individual tax benefits.

We're updating this page regularly as new information about the programs is released.

### Canada Emergency Response Benefit and EI

The Canada Emergency Response Benefit (CERB) is a taxable benefit that provides \$2,000 a month for up to four months for workers who lose income as a result of the pandemic due to job loss, illness, quarantine, caring for others (including children) and work disruption.

Canadian workers qualify whether or not they are eligible for EI.

Applications open online and by phone on April 6, with payments to arrive within five days for direct deposits and within 10 days for cheques by mail.

More information is available at [www.canada.ca/coronavirus-CERB](http://www.canada.ca/coronavirus-CERB)

Benefits for workers who applied for employment insurance (EI) on or after March 15 will mirror CERB payments for the first 16 weeks.

That means Canadians who would have received EI benefits below the \$2,000-per-month threshold will now be bumped up to the maximum payment. Those who would normally qualify for more than \$500 per week in employment insurance (the maximum benefit is \$573 per week) will instead receive the CERB payment of \$2,000.

EI-eligible workers will still qualify for their usual benefits, whether lower or higher than \$2000-per-month, after the four-month CERB period.

Canadians who were already receiving EI will continue to do so and need not apply to the CERB but can switch to the program if their EI benefits end before October if they remain jobless due to Covid-19.

Those applying for EI sickness benefits are no longer required to provide a medical certificate.

### Measures for businesses

- Wage subsidies

The Canada Emergency Wage Subsidy is a federal benefit designed to help businesses cover up to 75% of wages and keep their employees on payroll. The benefit will pay 75% of the first \$58,700 normally earned by employees, up to \$847 per week. The subsidy is expected to last for three months — retroactive from March 15 to June 6. The government said the funds will start to flow around early May.

Employers who can show their revenues have fallen by at least 30% in March, April or May compared to the same month last year will be eligible. Employees receiving the benefit cannot apply for other unemployment benefits.

Organizations that don't qualify for the Canada Emergency Wage Subsidy may still qualify for the previously announced [wage subsidy of 10%](#).

Employers can apply for the wage benefit through the Canada Revenue Agency's My Business Account portal. More information about the [subsidy is available here](#).

The [work-sharing program](#) — whereby employees whose hours get reduced by an average of 10% to 60% can claim employment insurance for lost wages — has been extended to 76 weeks from 38.

#### **- Business loans**

Loans for businesses are being offered through the [Business Credit Availability Program](#) (BCAP), which is providing \$65 billion of support through the Business Development Bank of Canada (BDC) and Export Development Canada (EDC). Those agencies are providing credit through banks.

The Canada Emergency Business Account mandates government-guaranteed bank loans of up to \$40,000 for small businesses. The loans will be interest-free for the first year and up to \$10,000 can be waived for repayment. Businesses must demonstrate they paid between \$50,000 and \$1 million in total payroll in 2019.

These programs are available now through businesses' current financial institutions.

#### **Other measures for individuals**

##### **- Canada Child Benefit**

The maximum annual CCB payment amount will increase for the 2019-20 benefit year by \$300 per child as part of the May payment. The average increase for families will be approximately \$550.

##### **- RRIFs**

The minimum withdrawal rate for RRIFs has dropped by 25% for 2020. A similar decrease will apply to those receiving variable benefit payments under defined-contribution pension plans.

- **Tax filing deadline**

The filing deadline for individuals is now June 1. For trusts with a taxation year ending on Dec. 31, 2019, the filing deadline is now May 1. Individuals and businesses that owe taxes can defer payments until September. The Canada Revenue Agency has also halted debt collection.

Those who expect to receive the GST credit and/or Canada Child Benefit (CCB) should file their returns as soon as possible to ensure their entitlements for the 2020-21 benefit year are properly determined.

- **GST credit**

Those eligible for the GST credit will receive a one-time special payment of about \$400 for singles and \$600 for couples on April 9. More [information about eligibility here](#).

- **Student loans**

Payments are paused from March 30 until Sept. 30, with no accrual of interest.

### **3. Banks flooded with requests for mortgage deferrals**

**[April 3, 2020]** The Canadian Bankers Association says the country's six largest banks have allowed customers to defer payments on more than 10% of the mortgages in their portfolios as borrowers affected by Covid-19 seek financial help.

The association says almost 500,000 requests for mortgage deferrals or to skip a payment have been completed or are in process.

Canadian banks announced a mortgage deferral program over two weeks ago in a move to help those hurt by the steps taken to slow the spread of the novel coronavirus.

The six largest banks said they would allow customers to defer mortgage payments for up to six months among other changes.

More than two million Canadians applied for employment insurance in recent weeks as a result of the Covid-19 pandemic as businesses shut their doors or scale back operations.

The federal government has responded with the new Canada Emergency Response Benefit as well as billions in new spending to help the economy and fight the virus.

### **4. Morneau says feds simplified eligibility for Covid-19 relief to speed up payments**

**[April 2, 2020]** Finance Minister Bill Morneau says imposing hard and fast rules about who can receive federal aid to weather the economic shock from

Covid-19 was the only way to get the money out the door fast — even if some people fall through the cracks as a result.

Speaking to the House of Commons finance committee, Morneau said the government stuck with three criteria for the \$2,000-a-month emergency benefit for individuals to speed up payments.

Those criteria were that a worker had to have earned at least \$5,000 in the last year, had to see their income drop to zero as a result of Covid-19, and either hadn't worked — or don't expect to work — for 14 days in the initial four-week period.

With days to go before the benefit becomes available, some analyses suggest hundreds of thousands of workers won't be helped by the \$24-billion benefit or a \$71-billion wage subsidy program to help keep employees on company payrolls.

Morneau said trying to tailor help to individual situations would have delayed desperately needed financial support.

“We're trying to make sure that we get systems up and running that can be put out to get people income as rapidly as possible,” he said by teleconference.

“I acknowledge that presents some situations that are challenging for people if they are still earning some revenue, but we just don't have the capability of administering multiple kinds of plans and also getting the money out to people rapidly.”

Among the workers who may find themselves in a tight spot are contract or gig economy workers who want to keep small jobs, or can't afford to not work for two weeks to qualify for the emergency benefit.

Other cases that Morneau conceded were things the government was looking at were volunteer firefighters or municipal politicians who receive an honorarium for their work, even if they have lost their day jobs due to Covid-19.

Morneau hinted at more details and help to come to address gaps in the economic package, now valued at more than \$250 billion with just under half of that — over \$105 billion — being direct financial aid for workers and businesses.

The remainder is made up of \$85 billion in tax deferrals and \$65 billion in loans.

The taxable benefit to workers, called the Canada Emergency Response Benefit, will begin to take applications on April 6.

Demand is expected to be high as more than 2.1 million people have filed claims for employment insurance benefits in the last two weeks, a dramatically higher number than the program would normally see.

An analysis published Thursday by the Canadian Centre for Policy Alternatives estimated one-third of unemployed Canadians, about 862,000, won't get help from EI or the CERB. A further 390,000 will get some help, but below the \$500 per week under the CERB.

"Critical changes can and should still be made to the CERB which would allow all unemployed people to receive the benefit, no matter when they lost their jobs or how much they made in the past year," wrote David Macdonald, the centre's senior economist and author of the new analysis.

It will take three to six weeks to set up the application platform for the government's promised 75% wage subsidy to businesses, non-profits and charities of all sizes. Qualifying businesses should receive payments within three business days through direct deposit, officials told the committee.

But first, Parliament has to approve the program that wasn't part of the last week's bailout bill. Conservative finance critic Pierre Poilievre chided Morneau during the meeting for announcing the program after the fact.

Earlier Thursday, the parliamentary budget officer put his cost estimates to some of the federal aid. The reports by Yves Giroux said a special GST credit payments to 13.2 million people will cost \$5.67 billion.

A top-up to the Canada Child Benefit in May to 3.4 million recipients will cost \$1.9 billion, Giroux says, with the average payment estimated at \$556. And reducing by 25 per cent the amount seniors have to withdraw this year from registered retirement income funds will cost \$506.5 million.

## **5. PBO releases cost estimate of certain Covid-19 measures**

**[April 2, 2020]** Parliament's spending watchdog says three federal measures to help low-income earners, families and seniors weather the economic shock from Covid-19 will cost over \$8 billion.

The reports this morning from parliamentary budget officer Yves Giroux say a special GST credit payment to 13.2 million people will cost \$5.67 billion.

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The reports this morning come hours before Finance Minister Bill Morneau is to answer questions about federal Covid-19 spending measures from the House of Commons finance committee.

The federal government's economic response package to date is valued at more than \$250 billion with just under half of that — over \$105 billion — being direct financial aid for workers and businesses.

Morneau said Wednesday that two of the measures would have a combined cost of \$95 billion — \$71 billion for a 75% wage subsidy, and \$24 billion for a direct benefit to workers who have lost their income due to Covid-19.

An analysis published Thursday morning by the Canadian Centre for Policy Alternatives estimated that 862,000 unemployed workers — about one-third of the total — won't receive aid from either the new workers' benefit or employment insurance.

About 1.2 million Canadians were looking for work before Covid-19 forced an economic shutdown to curb the spread of the disease, the analysis said. The centre's senior economist, David Macdonald, said half of them were not eligible for EI, and now they aren't eligible for the new emergency benefit because their employment didn't cease due to the virus.

## **6. Trade data show Covid-19 effects**

**[April 2, 2020]** Statistics Canada data on international trade in goods and services for February reflect the early impacts of the Covid-19 pandemic. The data also highlight emerging issues in producing reliable economic data.

Overall, the national statistical agency reported, services imports declined 0.5% to \$12.7 billion, and exports dropped 0.3% to \$11.0 billion.

As a result, the monthly deficit in services trade edged down to \$1.7 billion.

In particular, exports of travel services declined by 5.8% in the month, as travel restrictions with China were imposed. Imports of travel services also declined.

StatsCan said that the Covid-19 outbreak didn't appear to have a major impact on merchandise trade in February, although trade with China was affected.

Canada's merchandise exports rose by 0.5% in February due to higher aircraft exports, StatsCan said. Imports were down 0.8%, partly due to a decrease in crude oil imports.

The data released by Stats-can also reveal emerging challenges with compiling accurate data in the current environment.

For example, for the first time, StatsCan is using data from the Canada Border Services Agency's (CBSA) border inspection kiosks as a way to track trade in travel services.

Ordinarily, this data is estimated by using tourist and traveller counts.



“This approach works in a typical month, but would not work in the current situation, where travel restrictions that reduce tourist and traveller numbers are being implemented very rapidly,” StatsCan said.

The data from airport customs kiosks represent only a subset of total travellers, but, StatsCan said, “They provide relevant and timely insight.”

While travel restrictions started to affect services trade in February, StatsCan said, the effects are expected to be much greater in future data.

“It is expected that March will show a much more pronounced drop in both exports and imports of travel services, as many countries, including Canada, closed their borders in order to limit the global spread of the virus,” it said.

On the merchandise side, StatsCan expects to see greater impacts in the data for March.

To start, it noted that several North American automakers halted production in the month.

“This could have a significant effect on Canada’s merchandise trade,” StatsCan said, as this accounted for more than 17% of total merchandise trade in 2019.

Additionally, large drops in crude oil market prices will also impact merchandise trade, as oil represented almost 14% of total exports in 2019.

“The current situation is also affecting the production of statistics,” StatsCan said, as its ability to validate data may be hindered, which could lead to larger data revisions in the future.

## **7. A wave of oil bankruptcies is on the way**

**[April 2, 2020]** The first domino in the oil industry has fallen.

Whiting Petroleum, once a rising star in the shale industry, filed for Chapter 11 protection Wednesday. The oil driller survived for years at \$50-a-barrel oil. But the recent collapse to \$20 proved unbearable, sparking the first major oil bankruptcy of the current crisis.

Whiting surely won't be the last. The coronavirus pandemic has crushed the oil industry, setting off a swift and unprecedented decline in demand for gasoline, jet fuel and diesel. That pain has been amplified by an epic price war between Saudi Arabia and Russia, a mountain of debt on oil company balance sheets and the virtual shutdown of the junk bond market.

Those factors will almost surely set off a spike in oil patch bankruptcies in the coming months. And unlike the 2014-2016 oil crash, some of those companies may not survive.

"There will be a wave of bankruptcy filings this year," said Spencer Cutter, credit analyst at Bloomberg Intelligence.



Nearly 100 US oil and gas producers could file for Chapter 11 over the next year, according to Buddy Clark, co-chair of the energy practice at Houston law firm Haynes and Boone.

That would nearly match the total number of bankruptcies in 2015 and 2016 combined when oil prices crashed to \$26 a barrel.

"It's not just the guys that levered up in the mad rush of late 2010 to 2014 and put on way too much debt. Some of these companies are well structured," Clark said.

### **30% of junk energy bonds could default**

The obvious problem for the oil industry is US oil prices have plunged by two-thirds since early January to 18-year lows. March was crude's worst month since oil futures started trading on NYMEX in 1983.

"In any business, if the sale price of a product falls 70% overnight, even companies with the best plans will struggle to overcome that," said Clark.

It's not just that prices have collapsed. At \$20 a barrel they are now sharply below breakeven levels across every single major oil-producing region in the United States.

Even companies in the Permian Basin, the low-cost oilfield in West Texas that has led America's energy boom, require an average of \$49 a barrel to profitably drill, according to a survey by the Dallas Federal Reserve.

At \$40 a barrel, only 15% of oil companies would survive for a year or less, the Dallas Fed survey found. Another 24% of oil companies might be able to hold out for one to two years.

"Many companies will be in trouble in this unprofitable environment," analysts at Bank of America wrote in a note to clients Tuesday.

Defaults on high-yield energy bonds could potentially spike to 30%, they added.

Denver-based Whiting might not be a household name, but it was valued at nearly \$5 billion in late 2018. Whiting focuses on drilling for oil in the Bakken, the high-cost North Dakota oilfield that thrived at \$100 oil in the last decade but has struggled mightily since.

"At sub-\$60 oil prices, it became a slow bleed for Whiting. There was just no way they would survive with oil prices below \$45 a barrel," said Cutter, the Bloomberg Intelligence analyst.

Whiting's bankruptcy filing lists between \$1 billion and \$10 billion of debt. The company said it has reached a deal with creditors to exchange \$2.2 billion of debt for equity.

### **Money-losing oil companies can't refinance debt**

Oil companies aren't just bleeding cash. They have a mountain of debt coming due, and limited ability to refinance it.

More than perhaps any other industry, oil benefited from a decade of extremely low borrowing costs and insatiable demand for yield among investors. The junk bond market was wide open, even to the riskiest oil companies. Cheap financing helped make the United States the world's leading oil producer.

Even before this financial catastrophe investors were growing frustrated with the oil industry's weak financial performance. Over the last decade, the energy sector of the S&P 500 was the worst performer -- by far. Wall Street demanded oil companies live within their means by spending less and paying down debt.

And now that cash-strapped oil companies need to refinance their debt, the junk bond market is closed. No energy junk bonds were issued anywhere, to any company, in February and March, according to Dealogic.

Not surprisingly, investors have no interest in providing more capital to money-losing firms. "That is going to force a lot of these companies over the edge," said Cutter.

### **Red lights flashing**

The financial markets are signaling that more bankruptcies are coming.

The percentage of oil and gas companies with distressed credit ratios spiked from about 25% at the end of last year to 94% in mid-March, according to S&P Global Ratings.

Bond yields in the oil sector have also spiked well above ultra-safe Treasuries. That spread has more than tripled since the beginning of the year, to 11 percentage points, according to S&P. Spreads in the oil sector are nearly twice as high as the next-closest industry (metals and mining) and they have surpassed the highs of the 2008 financial crisis.

"The entire sector is distressed," Cutter said.

A number of other large companies are likely to fail in the oil sector in coming months.

Analysts say the obvious candidates are companies whose bonds are flashing red lights, including Chesapeake Energy, California Resources, Denbury Resources, Ultra Petroleum and Oasis Petroleum.

Even oil companies that recently had investment-grade credit ratings could come under pressure, including Devon Energy, Hess and former Bakken darling Continental Resources.

Even Occidental Petroleum, the shale giant backed by legendary investor Warren Buffett, is grappling with heavy debt incurred by its ill-timed takeover last year of Anadarko Petroleum. Occidental's debt rating suffered a rare triple downgrade by Fitch Ratings last month.

Occidental has cut its dividend by 86%, slashed spending, instituted pay cuts and installed a new chairman.

### **Survival of the fittest**

The key to surviving this downturn will be how long oil prices stay below \$40 a barrel.

A rapid rally, perhaps driven by a V-shaped economic recovery, would allow many struggling oil companies to get back on their feet.

But a sustained downturn in prices will be catastrophic for many oil companies. Unlike the 2014-2016 oil crash, some oil companies that file for Chapter 11 may not attract the financing needed to emerge from bankruptcy. If that happens, the oil assets won't die. They would get scooped up at basement prices by whatever oil companies are left standing.

The silver lining, if there is one, is that the latest oil crash could bring about a much-needed cleansing in a terribly inefficient industry.

"There have been too many weak companies hanging on for too long," said Jeff Wyll, senior energy analyst at Neuberger Berman.

It sounds oxymoronic, but a wave of bankruptcies could be just what's needed for America's oil industry to emerge stronger and more resilient.

## **8. Morneau releases details, price tag for wage subsidy**

**[April 1, 2020]** Finance Minister Bill Morneau released details Wednesday about the federal government's wage subsidy program for large and small businesses, including its roughly \$71-billion price tag.

The benefit will pay 75% of the first \$58,700 normally earned by employees, up to \$847 per week. The subsidy is expected to last for three months — retroactive from March 15 to June 6.

The funds will start to flow in about six weeks, Morneau said. There is no overall limit on the subsidy amount that an eligible employer may claim.

Employers who can show their revenues have fallen by at least 30% in March, April or May compared to the same month last year will be eligible.

Morneau said the government will continue to reassess the situation as the crisis unfolds and is open to adding new measures as necessary.

The Canadian Federation of Independent Business (CFIB) said Wednesday that many businesses won't be able to demonstrate that their monthly revenue has declined by 30% year over year.

"New businesses, seasonal businesses and those who experienced a major event last year at this time would find it challenging or impossible to demonstrate the 30% decline figure," the CFIB said in a statement.

The CFIB also said a 30% threshold is too high for firms with “very tight profit margins.”

The organization added that making businesses wait another six weeks for relief is too long, since many businesses are “facing cash flow emergencies now.”

The benefit program would exclude revenues from extraordinary items and amounts on account of capital, a department backgrounder said. Eligible remuneration does not include severance pay or other items such as stock option benefits or the personal use of a corporate vehicle.

Employers can apply for the benefit through the Canada Revenue Agency’s My Business Account portal. [Read the full departmental backgrounder here.](#)

## **9. Distancing, economic uncertainty to hurt home sales: RBC**

**[March 31, 2020]** RBC says it expects Canada’s housing market will see a significant pullback this year because of both the physical distancing restrictions and economic uncertainty caused by the coronavirus outbreak, but that it could rebound next year.

Bank analyst Robert Hogue says in a report that this year’s home resales could dive by 30% to a 20-year low as the market will “slow to a crawl” this spring, as confidence erodes and speculators sit on the sidelines.

He says he expects home prices to trend lower in the coming weeks or months, to make for a 2.9% composite benchmark drop in the second half of the year compared to last, as tight-squeezed sellers make price concessions.

Hogue, however, expects the trends to reverse next year as low interest rates, a strengthening job market and a bounce-back in immigration help sales to surge more than 40% in 2021 and price dynamics to also return to favouring sellers.

The report says oil-reliant Prairie economies will feel the housing pullback more acutely, with price declines “bound to re-accelerate significantly” and will have little prospect of prices rebounding any time soon.

The report also notes that the bank’s affordability measure, defined as the share of median income needed to cover home ownership, was steady at 50% in Canada in the fourth quarter of 2019. Vancouver was highest at 80.4%, Toronto at 68.2%, while Edmonton was 31.6%.

## **10. StatsCan says Covid-19 has lowered prices for raw materials, industrial products**

**[March 31, 2020]** The prices for industrial products and raw materials declined in February as the early effects of the Covid-19 pandemic and falling global oil prices started to emerge, according to new data from Statistics Canada.

The national statistical agency reported that prices for manufacturers' raw materials dropped by 4.7% in February, primarily due to falling crude energy prices, which dropped by 9.8% in the month.

"Concerns about the impact of Covid-19 on global demand, ample global supply of petroleum, and uncertainty about the extension of OPEC and Russia's oil cut agreement all contributed to this decrease," StatsCan said.

Excluding energy products, the Raw Materials Price Index (RMPI) was down by 1.0% in February. Here, too, the early effects of the pandemic were evident, as the price of copper declined by 4.2% in the month.

"As copper is commonly used in construction, electronics, and transportation equipment, the decline is partly attributable to concerns of Covid-19's effect on the global economy," StatsCan noted.

Year over year, the RMPI was down 5.9%, StatsCan reported.

Again, the decline was largely due to a drop in crude energy prices, which were down by 12.7% over the period.

The Industrial Product Price Index (IPPI), which tracks prices for products manufactured in Canada, declined by 0.5% in February.

"This decline was primarily due to lower prices for energy and petroleum products," StatsCan said.

Jet fuel prices dropped 11.2% in the month, and prices for other types of refined petroleum products also fell.

"These declines can be linked to lower prices for crude oil, as well as concerns about the impact of Covid-19 on demand," StatsCan said.

Along with those effects, StatsCan also noted that above-average seasonal temperatures in North America reduced the demand for heating fuel.

Year-over-year, the IPPI was down 0.3%, primarily due to a 3.0% decrease in prices for energy and petroleum products, StatsCan reported.

## **11. Economic growth slowed in January to 0.1%, Statistics Canada says**

**[March 31, 2020]** Economic growth slowed in January in a snapshot of the economy before the Covid-19 outbreak hit home.

Statistics Canada said Tuesday real gross domestic product grew 0.1% in the first month of 2020 compared with an advance of 0.3% in December.

The result for January matched the expectations of economists, according to financial markets data firm Refinitiv.

Statistics Canada said reduced trade with China and advisories against non-essential travel to the country affected potential growth in January.

Since then, the agency said, the pandemic and a collapse in oil prices has significantly affected the economy.

Benjamin Reitzes, director of Canadian rates and macro strategist at Bank of Montreal, called the January numbers “ancient history.”

“While the year got off to a decent enough start, the near-total halt in activity in the second half of March will have a hugely negative impact,” Reitzes wrote in a report.

“With the virus-mitigation measures almost certainly continuing through April, Q2 is going to get hit much, much harder.”

In January, manufacturing rose 0.8% as both durable and non-durable manufacturing increased. The finance and insurance sector increased 0.9%.

The transportation and warehousing sector fell 1.7% in January.

However, since then, steps taken to slow the spread of the novel coronavirus have brought non-essential businesses to a standstill, while oil prices have crash amid a price war between Saudi Arabia and Russia.

The result has been layoffs at businesses and more than one million Canadians applying for employment insurance benefits.

Ottawa has moved to shore up the economy by spending billions to help those affected and to ensure the health care system has the resources it needs to deal with the crisis.

The Bank of Canada has also reduced its key interest rate target to 0.25% and stepped up measures to ensure financial markets continue to operate.

“March’s GDP is likely to show a record decline — one that will stand until we get the April figures,” said Josh Nye, a senior economist at Royal Bank of Canada.

“The government, like others around the world, has committed billions and billions to supporting the economy through this period of unprecedented disruption. Those efforts won’t be enough to prevent a recession — even with a decent start to Q1, March is likely to pull the quarter into negative territory and drop in Q2 activity looks like a sure thing.”

## **12. Moody’s forecasts 2.2% contraction in Canada this year**



**[March 30, 2020]** The Canadian government's efforts to bolster the economy against the effects of the Covid-19 outbreak will help cushion the blow, but Canada will still see a recession this year, Moody's Investors Service says.

In a new report, the rating agency revised its forecast for the Canadian economy this year from 1.5% growth to a 2.2% contraction in GDP.

"As in many countries, the Canadian government's containment measures will slow the spread of the virus, but severely affect economic activity and growth. However, the emergency fiscal measures will help to cushion the shock," it said.

Looking ahead to 2021, Moody's now expects 2.4% growth in Canada, "as economic activity normalizes, supported by the government's policy response."

That response includes emergency aid to support both households and businesses negatively impacted by public health efforts to contain the virus.

"We expect Canada's efforts to contain the virus will allow the economy to rebound in the second half of the year after the virus subsides and people return to work," it said.

However, the rating agency cautions that this reflects its current assumptions.

"Ultimately, the extent of the virus' spread and depth and duration of the economic shock remain highly uncertain," it said.

**Have a nice and fruitful week!**

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