

## Weekly Updates Issue # 759

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### 1. Weekly Markets Changes

[April 9, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
14,166.63 +1,228.3 +9.5%	2,789.82 +301.2 +12.1%	23,719.37 +2,666.8 +12.7%	8,153.58 +780.5 +10.6%	\$0.7151 +0.8 +1.13%	\$1,696.65 +75.84 +4.7%	\$22.76 -6.24 -21.52%

### 2. March job losses are the worst on record: StatsCan

[April 9, 2020] Statistics Canada reports the economy lost 1,011,000 jobs in March — the worst recorded single-month change — as the Covid-19 crisis began to take hold, lifting the unemployment rate to 7.8%.

Economists warn the numbers are likely to be even worse when the agency starts collecting April job figures, with millions more Canadians now receiving emergency federal aid.

The 2.2 percentage-point increase is the biggest monthly change in the national unemployment rate over the last 40-plus years of comparable data and brings the rate to a level not seen since October 2010.

Statistics Canada retooled some of its usual measures of counting employed, unemployed and “not in the labour force” to better gauge the effects of Covid-19 on the job market, which has been swift and harsh.

The number of people considered unemployed rose by 413,000 between February and March, almost all of it fuelled by temporary layoffs, meaning workers expected their jobs back in six months.

The number of people who didn't work any hours during the week of the labour force survey increased by 1.3 million, the national statistics office says, while the number who worked less than half of their usual hours increased by 800,000.

Statistics Canada says those changes in hours can all be attributed to Covid-19, which has led governments to order businesses to close and workers to stay at home to slow the spread of the pandemic.

It also warned that the number of people absent from work for a full week who weren't paid — which hit a seasonally adjusted rate of 55.8% — “may be an indication of future job losses.”

All told, Statistics Canada says some 3.1 million Canadians either lost their jobs or had their hours slashed last month due to Covid-19.

“It is expected that the sudden employment decline observed in March will have a significant effect on the performance of the Canadian economy over the coming months,” the agency said in its report.

Job losses were felt across all provinces, with the largest in Ontario, Quebec, British Columbia and Alberta. Ontario shed 403,000 jobs, Quebec lost 264,000, B.C. saw a drop of 132,000, and Alberta lost 117,000 compared to just one month earlier.

The jobs report out this morning also says that most of the losses were in the private sector, with the greatest employment declines observed for youth aged 15 to 24. The youth unemployment rate in March was 16.8%, the highest it has been since June 1997.

### **3. Recession fallout expected to surpass Great Depression: IMF**

**[April 9, 2020]** The coronavirus pandemic will push the global economy into the deepest recession since the Great Depression, with the world's poorest countries suffering the most, the head of the International Monetary Fund said Thursday.

“We anticipate the worst economic fallout since the Great Depression,” IMF Managing Director Kristalina Georgieva said Thursday in remarks previewing next week's virtual meetings of the 189-nation IMF and its sister lending organization, the World Bank.

She said that the IMF will release an updated world economic forecast on Tuesday that will show just how quickly the coronavirus outbreak has turned what had been expected to be a solid year of growth into a deep downturn.

Just three months ago, the IMF was forecasting that 160 nations would enjoy positive income growth on a per capita basis. Now the expectation is that over 170 nations will have negative per capita income growth this year.

Emerging markets and low-income nations across Africa, Latin America and much of Asia are at high risk, she said.

“With weak health systems to begin with, many face the dreadful challenge of fighting the virus in densely populated cities and poverty-stricken slums, where social distancing is hardly an option,” Georgieva said.

Investors have grown fearful of leaving their money in emerging economies that could be hit hard by a global recession. As a result, capital outflows from emerging-market countries have totalled more than \$100 billion over the last two months, more than three times larger than the same period at the start of the global financial crisis, Georgieva noted.

In addition, countries that depend on exporting commodities have taken a double blow because of the steep fall in commodity prices.

Georgieva said there was no question that 2020 will be an “exceptionally difficult” year. She said if the pandemic fades in the second half of the year, allowing the gradual lifting of containment measures and the reopening of the global economy, the IMF is forecasting a partial recovery in 2021.

“I stress there is tremendous uncertainty around the outlook,” she said. “It could get worse depending on many variable factors, including the duration of the pandemic.”

She said that she and World Bank President David Malpass will pursue at next week’s virtual meetings an agreement to adopt a standstill on debt payments over the next year by the world’s poorest nations, freeing up money they can use for critical health needs.

She also said that the IMF is prepared to commit its \$1 trillion in lending capacity to providing support to nations that need help dealing with the pandemic.

“We are responding to an unprecedented number of calls for emergency financing from over 90 countries so far,” she said.

The IMF’s executive board has agreed to double the loan levels it will provide from its emergency facilities that she said should allow the IMF to provide around \$100 billion in financing to low-income countries.

#### **4. Nearly 7 million Americans sought jobless aid last week**

**[April 9, 2020]** With a startling 6.6 million people seeking jobless benefits last week, the United States has reached a grim landmark: More than one in 10 workers have lost their jobs in just the past three weeks to the coronavirus outbreak.

The figures collectively constitute the largest and fastest string of job losses in records dating to 1948. By contrast, during the Great Recession it took 44

weeks — roughly 10 months — for unemployment claims to go as high as they now have in less than a month.

The job market is quickly unraveling as businesses have shut down across the country. All told, in the past three weeks, 16.8 million Americans have filed for unemployment aid. The surge of jobless claims has overwhelmed state unemployment offices around the country. And still more job cuts are expected.

More than 20 million people may lose jobs this month. The unemployment rate could hit 15% when the April employment report is released in early May. “The carnage in the American labour market continued unabated,” said Joseph Brusuelas, chief economist for RSM, a tax advisory firm.

The viral outbreak is believed to have erased nearly one-third of the economy’s output in the current quarter. Forty-eight states have closed non-essential businesses. Restaurants, hotels, department stores and countless small businesses have laid off millions as they struggle to pay bills at a time when their revenue has vanished.

A nation of normally free-spending shoppers and travellers is mainly hunkered down at home, bringing entire gears of the economy to a near-halt. Non-grocery retail business plunged 97% in the last week of March compared with a year earlier, according to Morgan Stanley. The number of airline passengers screened by the Transportation Security Administration has plunged 95% from a year ago. U.S. hotel revenue has tumbled 80%.

The government-mandated business shutdowns that are meant to defeat the virus have never brought the U.S. to such a sudden and violent standstill. For that reason, economists are struggling to assess the duration and severity of the damage.

“We’re just throwing out our textbooks,” said Beth Ann Bovino, chief U.S. economist at S&P Global Ratings.

The Penn Wharton Budget Model, created at the University of Pennsylvania’s business school, projects that the U.S. economy will shrink at an astonishing 30% annual rate in the April-June quarter — even including the government’s new \$2.2 trillion relief measure, the largest federal aid package in history by far. An economic contraction of that scale would be the largest quarterly plunge since World War II.

A key aspect of the rescue package is a \$350-billion small business loan program that is intended to forestall layoffs. Small companies can borrow enough to cover payroll and other costs for eight weeks. And the loans will be forgiven if small businesses keep or rehire their staffs. The Treasury Department has begun to roll out the loans to mixed results. Many small businesses have had trouble accessing loan applications, and many

economists say the \$350 billion is insufficient. Treasury Secretary Steven Mnuchin has said he will seek an additional \$250 billion for the program from Congress.

The rescue package also added \$600 a week in unemployment benefits, on top of what recipients receive from their states. This will enable many lower-income workers to manage their expenses and even increase their purchasing power and support the economy. It also makes many more people eligible for jobless aid, including the self-employed, contractors, and so-called “gig economy” workers such as Uber and Lyft drivers.

But many of these people have been expressing frustration and bewilderment about the process for seeking benefits as a flood of applications has overwhelmed many state offices. Margaret Heath Carignan said she called the unemployment office in Maine, where she lives, 291 times on the day that people with the last names A through H were eligible to call.

She never connected to anyone.

Carignan, 57, was laid off — temporarily, she hopes — from her position as a certified medical assistant at an orthopedic practice in Portland, Maine, a job she had held for 20 years. The office furloughed her and others because they’re unable to see many patients. She hopes to return once the coronavirus is contained.

Even with non-essential businesses largely closed and health authorities imploring people to stay at home, some Americans who have lost jobs continue to look for work. Normally, to qualify for unemployment benefits, people who are laid off must actively look for a new job. But unlike in previous recessions, that expectation has become nearly impossible. Many states as a result are waiving or loosening the requirement to look for work.

In Tennessee, people on unemployment can satisfy the job-search mandate by creating and maintaining a re-employment plan. But many appear to be unaware. And at least some of the jobless say they’re still receiving notifications from the state saying they must actively seek work.

Shamira Chism was laid off from her job as a line cook at a Nashville restaurant three weeks ago. To prove she is looking for work, she said, she must do an online job search twice a week and save the search. There are a few job postings at grocery stores and big distribution centres like Amazon but nothing in her field, she said.

Few states have managed yet to distribute to recipients the extra \$600 a week in unemployment aid that the federal package provided. Chism, 31, is able to pay her bills right now only with the help of her parents. Tennessee unemployment benefits are \$275 per week.

For other unemployed workers, the viral shutdowns have made it nearly impossible to do the kind of networking that is normally a crucial part of a job hunt.

Ryan LaRe of Salt Lake City has been looking for work since mid-February. At first, things seemed normal: He applied, got some interviews and moved through the process. He has worked as a fundraiser for non-profit groups, a field that is in turmoil as donations have dried up.

Now, nearly every employer he has looked into has imposed a hiring freeze. “It makes mundane tasks feel monumental when I don’t know where my money is going to be in a month,” said LaRe, 24. “The aspect of staying at home is hard enough, and not feeling productive is going to be what gets to me.”

## 5. Government help for business owners during Covid-19: a summary

**[April 8, 2020]** The federal government is rolling out a massive aid package for businesses affected by Covid-19, including billions in wage subsidies and credit.

See the table below for a summary of the programs available to business owners during the pandemic.

The Canada Emergency Business Account and loan programs listed are part of the government’s Business Credit Availability Program (BCAP) of \$65 billion in direct lending to small and medium-sized businesses. The BCAP will be administered by Export Development Canada (EDC) and the Business Development Bank of Canada (BDC), with loans co-ordinated through banks or other financial institutions. Full details are forthcoming.

No limit exists for BCAP support to a single business.

**Table: Support for business owners during Covid-19**

Support/program	Amount/details	Period	Eligibility	How to apply
<a href="#"><u>Canada Emergency Wage Subsidy</u></a>	75% of wages of the first \$58,700 normally earned by employees, up to \$847/week No overall limit Reduced by any amounts received under the temporary 10% wage subsidy Taxable income	Retroactive from March 15 to June 6	Includes individuals, taxable corporations and partnerships that can show their revenue dropped by 15% in March — compared to either an average of January and February 2020 revenue, or compared to March 2019 revenue. For	Through CRA’s My Business Account portal as well as a web-based application

	Employers will receive a 100% refund for EI and CPP/QPP contributions <a href="#">for furloughed employees</a>		April and May they must show a 30% drop (against Jan./Feb. 2020 or the same month last year)	
<a href="#">Temporary wage subsidy for employers</a>	10% of wages, up to a max of \$1,375 per employee and \$25,000 per employer Associated CCPCs aren't required to share the max subsidy of \$25,000 Taxable income	March 18 to June 19	Includes individuals, partnerships and corporations eligible for the small business deduction	No need to apply Employers reduce their payroll remittances of income tax by the amount of the subsidy
<a href="#">Work-sharing program</a> (provides EI benefits to workers with reduced hours, helping avoid layoffs)	Extended to 76 weeks from 38	March 15, 2020, to March 14, 2021	Any sector or industry The business must have been in operation for one year (instead of the usual two)	Submit applications to Service Canada 10 calendar days prior to the requested start date (instead of the usual 30)
<b>Canada Emergency Business Account</b>	Loans of up to \$40,000 No interest until Dec. 31, 2022 Loan forgiveness of 25% if repaid on or before Dec. 31, 2022	Application starts April 9	Employers with \$50K to \$1M in payroll	With your current financial institution
<b>Loan Guarantee for Small and Medium-Sized Enterprises</b>	Up to \$6.25M in new operating credit and cash-flow term loans	Available mid-April	Credit-worthy businesses whose activities fall within the EDC's mandate	With your current financial institution
<b>Co-lending Program for Small and Medium-Sized Enterprises</b>	Up to \$6.25M for operational cash-flow requirements Commercial interest rate 10-year repayment	Available mid-April	Credit-worthy businesses whose activities fall within the BDC's mandate	With your current financial institution

In addition to the measures in the table, businesses can defer to Sept. 1 taxes that become owing on or after March 18. GST payment and customs duties are extended to June 30. The CRA says it won't contact small or medium businesses regarding post-assessment income tax and GST/HST audits for the next month.



Farmers can receive credit through [Farm Credit Canada](#), and those with loans due from the [Advance Payment Program](#) on or before April 30 have an additional six months to pay.

## **6. Liberals rejig eligibility rules for wage subsidy**

**[April 8, 2020]** Prime Minister Justin Trudeau says the federal wage-subsidy program for employers hit by Covid-19 will have looser standards than previously announced.

Rather than having to show a 30% decline in revenues, he says they can show a 15% decline in March and can compare their revenues to previous months rather than the previous year.

Charities can also choose whether to include revenues from governments in their calculations when they apply.

He says businesses need to survive and workers need to get paid if the economy is to “come roaring back after this crisis.”

Trudeau also announced the federal government will cover 100% of wages for students hired under the Canada Summer Jobs Program.

He says he hopes this will encourage businesses to hire students to allow them to get the work experience they need and earn incomes during the downturn.

He says more help will be announced soon to help people not eligible for the emergency benefit programs announced so far, including gig workers and seniors worried about losses to their savings.

Earlier today, Conservative finance critic Pierre Poilievre said relief from the federal government for small businesses suffering losses due to Covid-19 is not rolling out fast enough.

He noted the United States has already delivered \$66 billion in forgivable loans to businesses in America while Canadian companies are still waiting for promised emergency financial help.

“If these businesses go bankrupt during this crisis, many will never reopen and these millions of workers will be without jobs and opportunity. This will be a social catastrophe for our country,” Poilievre said Wednesday in Ottawa.

“That’s why we are calling on the government to get moving. A little less conversation, a little more action, please, as Elvis used to say.”

Conservatives are calling for the Liberal government to use faster measures, including reimbursing GST payments remitted by small businesses for the 12 months prior to the start of the Covid-19 crisis — a move that Poilievre says would put \$13 billion back into the bank accounts of business owners.



The Conservatives also say the Canada Emergency Business Account, which will provide interest-free loans of \$40,000 for qualifying businesses, should be delivered by credit unions, not just banks.

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

**[April 8, 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.

Those receiving non-eligible dividends will still be eligible for CERB.

### **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 that their revenues have fallen by at least 15% for the month of March — compared to either an average of January and February 2020 revenue, or compared to March 2019 revenue — will be eligible for the benefit. In April and May, employers who can show their revenues have fallen by at least 30% (against either Jan./Feb. 2020, or the same month last year) will be eligible.

Employers will receive a 100% refund for EI and CPP/QPP contributions [for furloughed employees](#).

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 (according to the BDC website) or until Dec. 31, 2022 (according the CIBC, National Bank, Scotiabank and TD websites), 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 will be available in mid-April 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.

U.S. taxpayers in Canada have until April 15 to file for an extension of the U.S. tax filing deadline, which is important to provide flexibility in filing certain U.S. tax information returns that have no officially extended deadline.

### ***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.

## **8. Housing starts slow by 7.3% in March**

**[April 8, 2020]** Canada Mortgage and Housing Corp. says the annual pace of housing starts slowed by 7.3% in March.

The national housing agency says the seasonally adjusted annual rate of starts last month came in at 195,174 units, down from 210,574 in February.

Economists had expected an annual pace of 180,000 for March, according to financial markets data firm Refinitiv.

It says the annual pace of urban starts also slowed by 7.3% to 182,553 on a seasonally adjusted basis. The annual rate of multi-unit urban starts, such as apartments, condos and townhouses, fell 13.4% to 124,073, while single-detached urban starts increased 8.8% to 58,480.

Rural starts were estimated at a seasonally adjusted annual rate of 12,621 units.

The moving average of seasonally adjusted annual rates of housing starts was 204,717 in March, down from 209,109 in February.

## **9. GHG emissions down during pandemic, MSCI says**

**[April 7, 2020]** Global greenhouse gas emissions are set to decline in 2020 due to the economic disruption caused by the Covid-19 outbreak, according to a new report from MSCI Research.

The firm estimates that global emissions will decline by 2.1% this year compared to 2019 levels. That represents an 8.3% decrease from the level that emissions may have reached in 2020, MSCI said.

The projections are based on efforts to model the relationships between stock prices, economic growth and GHG emissions.

The expectation that emissions will decline is also validated by satellite imagery that shows reduced air pollution over China when the country was in lockdown, which reduced travel, power generation and industrial output.

“This modeled decline in 2020 emissions does not necessarily indicate a structural change to our current world economy,” MSCI said. “The estimated emission levels are still comparable to those observed over the past five years, and the economy could readily rebound, returning emissions to prior levels.” Indeed, MSCI suggested that the curb in emissions will likely only last as long as the economic downturn.

“If so, the risk climate change poses to countries, companies and investors has not dissipated. A much more visible and immediate crisis has simply overshadowed it,” MSCI said.

**Have a nice and fruitful week!**

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