Weekly Updates Issue # 768

1. Weekly Markets Changes

[June 12, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,256.57 -597.5 -3.77%	3,041.31 -152.6 -4.78%	25,605.54 -1,505.4 -5.55%	9,588.81 -225.8 -2.30%	$0.7355 -0.92c -1.24%	$1,730.75 +45.69 +2.71%	$36.26 -3.29 -8.32%

2. Household finances hang tough — for now

[June 12, 2020] In the midst of the Covid-19 crisis, Canadian households appear to be holding on to their financial positions, based on an economic analysis released on Friday by CIBC Economics.

For example, government support has offset lost income. Using StatsCan data, the CIBC Economics report found that total income assistance from the Canada Emergency Response Benefit (CERB) roughly matched total income lost for recipients — $43.5 billion.

"This means that since the beginning of the crisis, personal income in Canada has at least remained stable," the report said.

Another positive for households' financial positions is decreased credit use. Data from Equifax show that households recently reduced their use of credit across most major products.

Since mid-March, overall credit fell by almost 1%, the report said, and outstanding balances on credit cards fell by more than 10% since the crisis began.

With CERB offsetting income losses and debt outstanding falling, the debt-to-income ratio is likely to be stable or lower than it was before the crisis, the report said — "a totally different experience than was seen in the 2008 recession, when the debt-to-income ratio rose from 140% to 150%." (A debt-to-income ratio of 150% means there was $1.50 in credit market debt for every dollar of household disposable income).

StatsCan's latest data show that the ratio rose slightly in the first quarter to 176.9% from 175.6% in the fourth quarter of last year.

The CIBC report also considered the risk of mortgage holders being in arrears this fall, with just over 15% having deferred mortgage payments. Analyzing credit scores, it found that borrowers with the lowest scores accounted for less than 1% of mortgages.

Overall, CIBC expects that stable incomes, mortgage deferrals during the pandemic and lower interest rates will likely lead to a temporary decline in the debt service ratio (credit payments as a proportion of income).

"While such an improvement was seen in all other recessions, the current one will probably be more notable given the large scale of the income and debt payment assistance available to households," the report said.

For the first quarter, the debt service ratio fell to 14.67% from 14.81%, StatsCan said.

In the medium term, will households continue to hold up?

CIBC said the trajectory of financial health will be "a function of how quickly and in what fashion the assistance programs are removed, and to what extent labour income can replace them."

That's where things get iffy. Much economic uncertainty lies ahead, and, for businesses and governments, debt levels are rising considerably.

For non-financial corporations, for example, the debt-to-equity ratio rose to 212.3% in the first quarter — the highest level since the first quarter of 2009, StatsCan said — from 188.6% in the fourth quarter.

Rising debt levels may not be concerning in the short term with low rates, but they do pose a risk in the medium to long term.

A Desjardins Economics Studies report released on Friday said higher debt could "weaken the Canadian economy's situation should interest rates suddenly and unexpectedly increase."

Impact of new CMHC mortgage rules

CIBC Economics said it doesn't expect the latest tightening rules from the Canada Mortgage and Housing Corporation (CMHC) to have a significant impact on the mortgage market.

Last week, CMHC increased its lending standards, which included upping the required credit score to obtain an insured mortgage, and limiting the thresholds for the gross and total debt servicing ratios.

The new rules are aimed at restraining borrowers who may be accumulating too much debt, given low interest rates, the CIBC report said.

However, its analysis found that the impact of the new rules on homebuyers will be marginal.

For example, the raised credit score will affect only about 5% of CMHC's mortgage originations. It also noted that CMHC accounts for only 15% of total originations, and private insurers aren't implementing similar rules.

"The bottom line is that this is not a game changer for the market," the report said.

Still, a segment of homebuyers will be affected — likely first-time buyers, considering that the rules apply to insured mortgages.

As such, the rules represent "another barrier to entering the housing market after years of unaffordability in some major cities," the report said.

3. One bright spot in somber StatsCan data

[June 12, 2020] Industrial prices seem to have ticked up in May, representing a bright spot in 2020 amid an array of gloomy new economic data from Statistics Canada.

A new so-called "flash" estimate from StatsCan indicates that its Industrial Product Price Index (IPPI) recorded its first increase for 2020 last month: the IPPI for May rose by 1.2% month-over-month.

An increase in meat prices led the way, after the pandemic led to closures that reduced supply.

Refined energy product prices also contributed to the increase, StatsCan said, as that component increased 9.4%.

Amid the huge economic disruption caused by Covid-19, StatsCan has begun providing 'flash' estimates of certain indicators in an effort to give early insight into the economic effects of the outbreak. These readings are subject to revision, with the final IPPI released on June 29.

In the meantime, assorted other data releases from the national statistical agency provided more insight into the depth of the downturn.

For example, it reported that motor vehicle sales plunged by 74.6% in April, following a 48.5% drop in March.

These back-to-back declines were the two largest on record, StatsCan said.

The forced closure of new car dealers due to the pandemic drove the decline in sales, which were limited to online purchases from mid-March and throughout April.

StatsCan also reported that overall retail sales declined by 10.9% in March to $43.4 billion — again due to the effects of Covid-19.

The drop in vehicle sales led the decline in retail sales, StatsCan noted, adding that lower sales were reported in 12 of 19 product categories.

Retail food sales, on the other hand, posted a 19.5% sales increase in March, as more households cooked at home due to the pandemic.

Additionally, StatsCan reported that alcohol sales rose by 10.4% in March and that sales of cannabis products were up 197.1% from the same month last year.

Household hoarding also drove higher demand for certain products, including toilet paper, paper towel, and batteries.

Finally, StatsCan reported that industrial capacity utilization rates declined in the first quarter, led by the manufacturing sector.

"Canadian industries operated at 79.8% of their capacity in the first quarter, down from 81.4% in the previous quarter," it said.

"This was the third consecutive quarterly decline and was because of the slowdown in most sectors caused by physical distancing measures implemented in response to the Covid-19 pandemic," the agency noted.

4. Household debt ratios could hit record highs

[June 12, 2020] A key measure of household debt rose in the first quarter as the Covid-19 pandemic began to take hold of the economy, Statistics Canada said Friday.

The agency reported household credit market debt as a proportion of household disposable income rose to 176.9% from 175.6%.

In other words, there was $1.77 in credit market debt for every dollar of household disposable income.

Statistics Canada added that annual trends show that lower income households tended to have a higher debt to disposable income ratio.

BMO economist Priscilla Thiagamoorthy said well before the pandemic that household debt was a key vulnerability for the economy.

"We could see a blip in the next quarter as the ratio declines amid a slowdown in borrowing and government measures shore up incomes," Thiagamoorthy wrote in report.

"But with the economic downturn deeply impacting income growth and low rates enticing borrowing, the debt ratios will likely hit fresh record highs in the coming quarters leaving households even more indebted."

On a seasonally adjusted basis, total credit market borrowing increased $1.9 billion to $27.6 billion in the first quarter. Mortgage loans rose $3.8 billion to $23.1 billion, while demand for consumer credit and non-mortgage loans fell $1.9 billion to $4.5 billion.

Overall, Statistics Canada said credit market debt totalled $2.33 trillion at the end of the quarter including $1.53 trillion in mortgage debt and $802.1 billion in consumer credit and non-mortgage loans.

Meanwhile, the household debt service ratio — measured as total obligated payments of principal and interest on credit market debt as a proportion of household disposable income — fell to 14.67% from 14.81%.

"One silver lining in today's report was the decline in debt servicing costs, with the DSR falling for the first time in more than two years as interest rates fell across a broad range of loans," TD Bank economist Ksenia Bushmeneva wrote.

"In addition to lower interest rates, deferrals and other modifications of mortgages and other credit products also helped lower expenses related to debt servicing."

5. Emergency disability benefit stalled

[June 12, 2020] Prime Minister Justin Trudeau and Conservative Leader Andrew Scheer angrily traded accusations Thursday over who is to blame for blocking an emergency benefit to help Canadians with disabilities weather the Covid-19 pandemic.

Trudeau used his daily news conference to lambaste the Conservatives for refusing to give the unanimous consent necessary to swiftly pass a bill Wednesday that would have delivered on his promise of a one-time, tax-free benefit of up to $600 for people with disabilities.

The bill included a number of other measures — including controversial penalties for Canadians who fraudulently claim the Canada Emergency Response Benefit and an expansion of the wage subsidy program to cover more seasonal workers.

For a variety of reasons, some of them unrelated to the content of the legislation, no opposition party was prepared to give the unanimous consent needed to debate and approve the bill within a matter of hours.

The government then proposed splitting the bill to deal quickly with the disability benefit separately. The other opposition parties agreed but the Conservatives nixed that idea, holding out instead for a full resumption of business as usual in the House of Commons.

“Politics got in the way of actually helping Canadians,” Trudeau said Thursday.

He said the government remains committed to getting the benefit to Canadians with disabilities “but it’s going to be harder because opposition parties chose to play politics instead of working together.”

Trudeau was particularly incensed with the Conservatives, whom he accused of holding up the benefit in a fit a pique over their failure to win enough support for their push to have the House of Commons resume normal operations. Instead, the Liberals, supported by the New Democrats, decided last month to continue with an expanded special Covid-19 committee that has served as a stand-in for the Commons.

“So, because they didn’t get their way two weeks ago they continue to complain and play politics and they blocked help to Canadians with disabilities because they’re still trying to argue something that they lost the debate on two weeks ago,” Trudeau said of the Conservatives.

Scheer shot back later during a meeting of the special committee, accusing Trudeau of “shamefully misleading Canadians, trying to shirk responsibility for his failures in providing help for people with disabilities.

“He is the one who waited months before bringing proposals forward to help people with disabilities; and then yesterday, when Conservatives proposed a motion to have Parliament meet to debate this legislation, it was Liberals who said no,” Scheer said.

The Conservative motion called for the Commons resume normal sittings.

Trudeau was not in the Commons to respond but Deputy Prime Minister Chrystia Freeland suggested the Conservatives may have mistakenly blocked the disability benefit.

“The mistake yesterday was Liberals’ shamefully saying no to allow Parliament to deal with that legislation and then disgustingly today trying to play petty politics on the backs of people with disabilities,” Scheer retorted. “That’s shameful, and Canadians won’t forget it.”

Freeland shot back: “What is shameful is to allow partisan politics and procedural manoeuvring to stop Canadians with disabilities who are truly facing additional challenges because of coronavirus. What is shameful and, indeed, disgusting, is to prevent those Canadians from getting that $600.”

The finger pointing escalated despite a call from the chair of the Council of Canadians with Disabilities for all federal politicians to work together to help disabled Canadians weather the Covid-19 crisis.

“We are absolutely concerned that partisan politics reared just (as) some people living with disabilities might have seen relief during this pandemic,” Jewelles Smith said in an email.

"We hope the parties realize that citizens with disabilities are struggling and seeking support from their government. There is a great deal of despair from those at the furthest margins right now."

Smith said she hopes the government will reconsider the parameters of the proposed benefit, which critics have said will cover just 40% of Canadians with disabilities.

The benefit, along with other measures in the bill, are now in limbo.

Government House leader Pablo Rodriguez has vowed to continue negotiating with the opposition parties to try to find a resolution.

Most likely, that will involve introducing a separate bill for the disability benefit, which could be passed relatively quickly if at least one opposition party is prepared to support it and agree to limit the amount of time for debate.

The NDP has indicated it would not block the proposed benefit if it was dealt with in a stand-alone bill, even though New Democrats maintain the benefit is inadequate.

Gaining support for other measures in the bill could prove to be more difficult. The NDP is adamantly opposed to imposing fines or jail time on Canadians who fraudulently claim the CERB — despite Trudeau's assurances that the penalties are intended only for the small number who deliberately defraud the government.

6. Layoffs can have lingering consequences

[June 10, 2020] The economic fallout from Covid-19 has generated extensive layoffs, and the proportion of laid-off workers who become permanently jobless will be critical in determining the long-run effects of the pandemic, Statistics Canada says.

According to a new StatsCan study, on average, 12.4% of Canadian workers have faced monthly layoffs since February.

By comparison, average monthly layoff rates during previous labour market downturns varied between 2.5% and 3.5%, it said.

StatsCan also reported that in the last three recessions (1981–1982, 1990–1992 and 2008–2009), about 45% of layoffs were permanent, and another 15% of workers subjected to temporary layoffs lost their jobs within the following year.

"The degree to which the Covid-19 pandemic will result in permanent layoffs is crucial to understanding how it might affect Canadian workers in the longer term," StatsCan said.

From the late 1970s to early 2010s, at least one in five permanently laid-off workers saw their real earnings decline by at least 25% even five years after job loss, the study said.

Numerous other factors will play into the long-term impact on workers, including shifting work habits (greater automation and remote working), increased operating costs due to public health requirements, reduced household spending and the impact on business investment, the study said.

7. Extending CERB could double its cost, PBO says

[June 10, 2020] Parliament's spending watchdog says extending the Canada Emergency Response Benefit to provide more weeks of payments, and letting people earn some extra income, would cost the federal treasury an additional $64 billion.

Under one scenario the parliamentary budget officer looked at, the government would claw back 50 cents of each dollar earned over $1,000 and allow recipients to receive an additional 12 weeks of benefits.

The first cohort of CERB recipients will hit the current 16-week limit early next month.

Budget officer Yves Giroux's report says simply extending the maximum number of weeks to 28, and extending the program through to January 2021, would cost about $57.9 billion.

The costs in Giroux's report don't take into account what the government has already spent on the CERB, which now has a budget of $60 billion, up from $35 billion, because more people have claimed it for longer than expected.

The most recent federal figures show 8.41 million people have applied for the CERB, with $43.51 billion in payments made as of June 4.

Under either scenario, Giroux estimates that letting recipients receive payments for 28 weeks, rather than the current 16-week maximum, could be an incentive for some to not go back to work as restrictions ease and businesses reopen.

The cost for that could be over $3.2 billion, the report says, but with a caveat that calculations about how recipients respond to changes "are highly uncertain and rely on strong assumptions."

Similarly, the overall cost estimates could change based on economic conditions and the course of the pandemic itself, and how many companies use a federal wage subsidy to rehire workers and pull them back from the CERB.

The report comes as the House of Commons is set to discuss proposed changes to the Covid-19 pandemic–related aid, with proposals mirroring some of what Giroux probed as part of a request from the Opposition Conservatives.

People would be cut off if they fail to return to work when "it is reasonable to do so" and their employer has asked them to come back, or if they are able to work but decline a reasonable job offer.

Claim periods would be reduced from four to two weeks for Canadians experiencing short-term job loss, or needing to quarantine.

Many small business owners support measures to cut off CERB payment to workers who are offered their jobs back, barring health-related issues, the Canadian Federation of Independent Business says.

The organization, which represents tens of thousands of small businesses across the country is also asking for changes to the wage subsidy program to ease revenue-loss requirements and create a sliding scale with smaller subsidies for firms with smaller revenue losses due to Covid-19.

CFIB president Dan Kelly said that whatever the Trudeau Liberals decide about the wage subsidy and CERB, they need to do it soon to provide certainty for companies as they reopen.

"While it's too early to do away with CERB, it's time to shift gears on the federal support programs to encourage people to rejoin the labour force," he said in a statement.

Almost three million people remained unemployed in May, according to the latest figures from Statistics Canada, as even more decided anew to look for work, pushing the unemployment rate to an all-time high of 13.7%

Men started gaining back jobs at a faster pace than women in May, widening a gender gap in employment losses.

Women with children six and up gained back jobs at a faster rate than those with younger children, showing what experts say is a need for child care to help workers go back to their jobs.

A survey of more than 8,000 regulated child-care centres and home daycares, released Wednesday by a group of child-care groups, suggested that over one-third were uncertain they would be able to reopen with restrictions easing. Some 70% also said they had laid off staff, with almost 90% of centre staff applying for the CERB.

"To get child care back up and running, governments must find ways to bring employees back to the sector," Don Giesbrecht, chief executive of the Canadian Child Care Federation, said in a statement.

"This means addressing the problem of low wages and inadequate compensation, and putting in place special funding to make sure that child-care facilities are safe for both children and staff."

The federal government has offered $14 billion to provinces to help with reopening plans, with an unknown part of that targeted toward child care.

8. U.S. consumer spending plummets at record speed in April

[June 10, 2020] U.S. consumer spending plunged by a record-shattering 13.6% in April as the viral pandemic shuttered businesses, forced millions of layoffs and sent the economy into a deep recession.

Last month's spending decline was far worse than the revised 6.9% drop in March, which itself had set a record for the steepest one-month fall in records dating to 1959. Friday's Commerce Department figures reinforced evidence that the economy is gripped by the worst downturn in decades, with consumers unable or too anxious to spend much.

Even with employers cutting millions of jobs, though, incomes soared 10.5% in April, reflecting billions of dollars in government payments in the form of unemployment aid and stimulus checks. Wages and salaries, normally the key component of overall income, sank by an annualized $740 billion in April. By contrast, income in the form of government support jumped by an annualized $3 trillion. That form of income, though, will likely fade in coming months as certain government aid programs expire.

Friday's report showed sharp declines in consumer spending across the board _ from durable goods like cars to non-durable items such as clothing to services ranging from doctor visits to haircuts. Spending tumbled 17.3% for durable goods, 16.2% for non-durables and 12.2% for services.

"The economics of fear and sudden stops were apparent in April as fearful and locked-down households cut back on spending," Gregory Daco, chief economist at Oxford Economics, said in a research note.

The depth of the spending drop is particularly damaging because consumer spending is the primary driver of the economy, accounting for about 70% of economic activity. Last month's figure signalled that the April-June quarter will be especially grim, with the economy thought to be shrinking at an annual rate near 40%. That would be, by far, the worst quarterly contraction on record.

With spending plunging and incomes surging on the strength of government support payments, Americans' personal savings rate hit a record high of 33% of after- tax income in April. Economists said this underscored how anxiety and uncertainty about the economy are making consumers reluctant to spend. Daco suggested that "more frugal consumer behaviour … will dampen the recovery."

“This is particularly true as the social benefits will gradually erode over time, leaving households more financially constrained,” he said.

Friday’s report showed that an inflation gauge preferred by the Federal Reserve fell 0.5% after a 0.2% drop in March. Fed officials have cited the absence of inflation pressures as one reason they can be aggressive in supporting the economy by cutting their benchmark interest rate to near zero and pumping billions of dollars into credit markets to keep them flowing smoothly.

In April, the nation’s jobless rate was 14.7%, the highest since the Great Depression, and many economists think it will top 20% for May. States are gradually restarting their economies by letting some businesses reopen with certain restrictions, and some laid-off employees are being recalled to work. Still, the job market remains severely depressed, and the outlook for the rest of the year is still bleak.

Some financial support for the tens of millions of consumers who have been laid off over the past two months is coming from the weekly unemployment benefits. Besides whatever unemployment aid states are providing to laid-off workers, the federal government is providing $600 a week in additional benefits.

A debate in Congress over whether to extend the $600 a week in federal unemployment aid looks sure to intensify, with the number of people receiving that aid now topping 30 million _ one in five workers. The money is set to expire July 31. Yet with the unemployment rate widely expected to still be in the mid-teens by then, lawmakers will face pressure to compromise on some form of renewed benefits.

The Trump administration asserts that the economy will begin to regain its health in the second half of the year, with businesses increasingly reopening and restoring jobs and consumers increasing spending. Most economists say, though, that the lingering effects of the job losses and likely business bankruptcies will take longer to overcome, especially if a second wave of the coronavirus erupts. Analysts generally believe the economy won’t manage to sustain a solid recovery until a vaccine is widely available.

And until Americans resume spending at something close to their previous levels, jobs won’t likely return in a significant way. Data from Chase Bank credit and debit cards shows that consumers have slowly increased their spending since the government distributed $1,200 stimulus checks in mid-April.

But most of that increase has occurred in online shopping. Spending in regular brick and mortar stores, which makes up the vast majority of consumer spending, is still down 35% from a year ago, according to Chase, after having plummeted 50% at its lowest point.

9. Net income for Canadian corporations was down sharply in Q1

[June 9, 2020] Canadian corporate profits dropped in the first quarter, but the real impact of the Covid-19 outbreak has yet to register in the data, Statistics Canada says.

According to the latest StatsCan data, Canadian corporations reported net income before taxes of $74.3 billion in the first quarter. This represented a drop of nearly 40%, down by $46.5 billion, from the fourth quarter of 2019.

Compared with the first quarter of 2019, net income for Canadian corporations was down 28%.

The decrease in corporate profits was primarily driven by the non-financial sector, StatsCan said, as profits for these companies fell by $35.3 billion from the fourth quarter to $49.4 billion.

"Oil and gas extraction and support activities led the decline, reporting a net loss before taxes of $17.2 billion," amid lower oil prices, it said.

The financial sector also saw net income decrease by $11.2 billion to $24.9 billion.

While profits dropped in Q1, StatsCan noted that the pandemic had little impact on first-quarter results as provincial shutdowns were imposed only in the last two weeks of March.

"However, these data will provide a valuable benchmark on how Covid-19 has affected the financial health of all areas of the economy, ranging from the banking sector and the housing market, to manufacturing and retail trade," it said.

In a separate release, StatsCan said that issuance of debt securities by Canadian corporations and governments surged to $97 billion in the first quarter, led by the banks and the federal government.

"The Government of Canada's economic response plan to support enterprises and households impacted by the Covid-19 pandemic resulted in an increased need for borrowing in March," it said.

In addition to the net issuance activity, currency moves helped drive an overall $190 billion increase in outstanding debt to $4.6 trillion during the first quarter.

The banks issued a net $66.2 billion of debt in the first quarter, primarily covered bonds ($57.1 billion), "in response to Bank of Canada actions and measures to support the Canadian financial system and overall market liquidity conditions during the Covid-19 pandemic," StatsCan said.

Conversely, non-financials recorded $0.7 billion in net debt retirement, as bond redemptions exceeded new borrowing in the quarter.

10. Expect record sovereign downgrades: Fitch

[June 8, 2020] The global response to the Covid-19 outbreak will degrade government finances around the world and lead to record sovereign downgrades, says Fitch Ratings.

In a new report, the rating agency noted that governments and central banks around the world have taken steps to combat the fallout from the pandemic.

"Much of the burden of the coronavirus policy response is on sovereigns," it said.

In fact, for the first time, Fitch forecasted that "nearly all rated sovereigns will experience an annual fiscal deterioration."

Governments will face larger deficits or smaller surpluses in 2020, and government debt levels will increase in almost all countries, it said.

In turn, this is putting "significant pressure" on sovereign ratings, Fitch said.

"We expect there to be a record number of sovereign downgrades in 2020," it noted.

For the financial sector, while many of the measures to shore up market liquidity and to support both households and businesses "are positive for financial stability," Fitch said, "the capital, asset quality and profitability of most financial institutions will still be weakened by pandemic-related stress in the medium term and long term."

In the broader corporate sector, Fitch said, government support programs "will mitigate some short-term downward pressures on corporate ratings to the extent that they solve immediate liquidity concerns, particularly among speculative-grade issuers."

It added: "Incremental loans are likely to have the largest hangover effect on post-pandemic corporate credit profiles."

In the structured finance market, Fitch said, loan forbearance for both households and small businesses "is the most impactful policy measure" and that this has been used in all countries with an active securitization market.

"Loan forbearance will help reduce ultimate losses on securitized assets," Fitch said, "but will inevitably delay the recognition of losses caused by coronavirus-related economic disruption in many markets."

11. U.S. recession began in February, declares national bureau

[June 8, 2020] The U.S. economy entered a recession in February as the coronavirus struck the nation, a group of economists declared Monday, ending the longest expansion on record.

The economists said that employment, income and spending peaked in February and then fell sharply afterward as the viral outbreak shut down businesses across the country, marking the start of the downturn after nearly 11 full years of economic growth.

A committee within the National Bureau of Economic Research (NBER), a trade group, determines when recessions begin and end. It broadly defines a recession as "a decline in economic activity that lasts more than a few months."

For that reason, the NBER typically waits longer before making a determination that the economy is in a downturn. In the previous recession, the committee did not declare that the economy was in recession until December 2008, a year after it had actually begun. But in this case, the NBER said the collapse in employment and incomes was so steep that it could much more quickly make a determination.

"The unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy, warrants the designation of this episode as a recession, even if it turns out to be briefer than earlier contractions," the NBER panel said.

The way the NBER defines recessions, they begin in the same month that the previous expansion ends. Because the economy peaked in February, that is the month when the recession officially began, rather than in March, when unemployment began to rise.

Financial markets had little reaction Monday to the NBER's declaration.

February is when the stock market hit its own record high before stumbling into a severe downturn from which it has mostly recovered, thanks to extraordinary stimulus and support measures from the Federal Reserve and Congress as well as expectations that the worst of the economic pain may have passed.

The unemployment rate is officially 13.3%, down from 14.7% in April. Both figures are higher than in any other downturn since World War II. A broader measure of underemployment that includes those who have given up looking and those who have been reduced to part-time status is 21.2%.

On Friday, the government said that employers added 2.5 million jobs in May, an unexpected gain that suggested job losses may have bottomed out. A

recession ends when employment and output start to pick up again, not when they reach their pre-recession levels. So it's possible that the recession could technically end soon.
That would make the current recession the shortest and deepest on record. It is expected to be followed by an extended recovery before the economy manages to regain its pre-pandemic levels of production and employment. Some economists say it could take two years or more, with the unemployment rate likely still 10% or higher at the end of this year.
The states have begun reopening their economies, thereby allowing businesses to recall some employees to work. But economic activity is returning only very gradually. A full recovery won't occur until Americans are willing to resume their previous habits of shopping, eating out, and travelling. That might not happen until a vaccine is developed or testing is more widely available.
Diane Swonk, chief economist at Grant Thornton, an accounting firm, said the NBER committee might end up declaring this recession to have already ended in May based on the fact that hiring rebounded that month.
"We could have the shortest recession in history — it seems ridiculous, but we could," Swonk said. Still, it will take much longer for the economy to rebound, she said.
"This bottom is going to be uniquely deep, and we don't know how fast we will get out of the bottom," she said.

12. Income inequality exacerbated by Covid-19: report

[June 8, 2020] The shift to remote working in the face of the Covid-19 outbreak may exacerbate economic inequality, according to a new study from Statistics Canada.
The national statistical agency reported that, given disparities in the ability to work remotely, the burden of lockdowns due to the pandemic may fall disproportionately on families that are financially vulnerable.
"If so, these work interruptions will likely increase family earnings inequality, at least during the pandemic and economic recovery," StatsCan said.
The study found that workers with lower earnings and lower levels of educational are least likely to be able to work from home.
StatsCan reported that approximately 40% of Canadian workers are in jobs that can be done from home, but the likelihood of being in a job that can be done remotely varies.
"For example, fewer workers in goods-producing sectors can work from home than those in service industries," StatsCan said.

Additionally, StatsCan found that dual-income families with higher earnings "are more likely than lower-income families to hold jobs that can be done from home."

Specifically, the agency found that more than half (54%) of dual-income families that are in the top 10% of earners can both work from home.

Conversely, just 8% of workers in dual-income families that are in the bottom 10% of earners are in jobs that can be done remotely.

The ability to work from home is also correlated with education levels.

StatsCan found that "primary earners with high levels of education are more likely to hold jobs that can be done from home."

For example, about two-thirds of workers with at least a bachelor degree can do their jobs remotely, compared with less than 30% of those with high-school level education.

Given the differing effects of lockdowns on households, "the long-term impacts of the recent work interruptions on family earnings inequality will be worth monitoring after the pandemic subsides," StatsCan said.

Have a nice and fruitful week!