Weekly Updates Issue # 773

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1. Weekly Markets Changes

[July 17, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,123.48 +409.66 +2.61%	3,224.73 +39.7 +1.25%	26,671.95 +596.7 +2.29%	10,503.19 -114.25 -1.08%	$0.7367 +0.11c +0.15%	$1,810.42 +11.72 +0.65%	$40.59 +0.04 +0.10%

2. COVID comeback casts doubt on U.S. recovery

[July 17, 2020] The relentless rise in Covid-19 cases in the U.S. represents a growing downside risk to its economic recovery, warns Fitch Ratings.
In a new report, the rating agency said that, while U.S. economic activity started ramping up in May and June, the recent spike in Covid-19 infections poses a threat to third quarter growth.
The number of new cases being reported in the U.S. each day is now above 60,000, compared with the previous peaks in April at under 40,000 daily cases.
This, in turn, has prompted renewed lockdown measures, or delays in reopening, in some of the largest U.S. states (by GDP), including California, Texas and Florida.
"Re-opening delays and renewed social distancing disruptions are a material downside risk to our forecast of a 4.6% rise in U.S. GDP in Q3," said Brian Coulton, chief economist at Fitch.

The report also noted that data indicate retail visits started to decline again in July.
"A renewed sharp and sustained fall in mobility across the country would weigh very heavily on the leisure and hospitality sector," the report stated.

3. Liberals revise Covid-19 wage subsidy, ease eligibility in bid to boost take up

[July 17, 2020] Finance Minister Bill Morneau says the Liberals are easing eligibility rules for the government's emergency wage subsidy and changing the amounts businesses can receive.

The government had been under pressure to make the subsidy more accessible, specifically by loosening the requirement of a 30% drop in revenues, so more companies under that cut-off can qualify.

Speaking in Toronto, Morneau says the rules will be changed so amounts paid out will be proportional to revenue declines due to the Covid-19 pandemic.

The program is the heart of the Liberals' promise to help Canadians get back to work, even if it has to be at a slower pace, as the pandemic wanes.

Morneau's fiscal update last week boosted the budget for the program to $82.3 billion from $45 billion in a sign of impending changes and an extension beyond this summer.

Morneau says the program will now end Dec. 19.

He's hoping the extension will give companies confidence to rehire workers, knowing what the rules are and that the program will be around for longer.

The most recent federal figures for the program show the government has given almost $20.4 billion in payroll help to about 262,200 companies.

The government's proposed changes to the wage subsidy are part of a bill that will be debated next week when the House of Commons sits, including a one-time disability payment and extensions to some court deadlines that were both in a bill that failed to pass the Commons in June.

Speaking in Ottawa on Friday afternoon, Employment Minister Carla Qualtrough said the bill will widen the number of recipients receiving a disability tax credit to include those receiving Canada Pension Plan disability payments or supports from Veterans Affairs Canada.

Each would receive a $600 one-time, tax-free payment, she said.

The legislation proposes offering the payment to anyone who applies for the disability tax credit within 60 days of Parliament approving the bill.

"This financial support matters. Canadians with disabilities can have confidence that we will bring this project past the finish line," said Qualtrough, who has responsibility for disability issues.

4. Big banks expose huge divide between Main Street and Wall Street

[July 17, 2020] The stark divide between Main Street and Wall Street is on display in the shifting fortunes of America's big banks.

Goldman Sachs and Morgan Stanley are minting money despite the turmoil in the real economy. These Wall Street-focused banks reported blockbuster second-quarter results by capitalizing on sizzling markets and bustling trading activity.

But banks that rely on Main Street for a large chunk of their profits took a hit. JPMorgan Chase, Bank of America and Citigroup all reported sharp declines in profits as they brace for a wave of defaults by setting aside tens of billions of dollars. Wells Fargo, still reeling from years of scandal, suffered its first loss since the 2008 financial crisis and set in motion a deep dividend cut.

This gap in the banking industry reflects the bifurcated rebound in the United States from the pandemic.

The stock market has largely recovered from the crisis and companies are raising record sums of money in capital markets. But the real economy is still in crisis. Millions of Americans are out of work, countless small businesses are on the verge of collapse and corporate bankruptcies are mounting.

"Time is the killer in this. The longer this pandemic goes on, the worse it gets," said Chris Marinac, a banking analyst and director of research at Janney Montgomery Scott.

Bad-loan war chest boosted by another $31 billion

Big banks are planning for the worst by ramping up cushions against bad loans.

JPMorgan, Bank of America, Wells Fargo, Citi, PNC and US Bancorp set aside a combined $31.1 billion in additional loan-loss reserves during the second quarter. Although prudent, those moves sharply dented profits and reflect a sense that more trouble in the real economy is coming.

"Bankruptcies continue to rise. There is continued stress in the labor market. This is not going to be over anytime soon," said Constance Hunter, chief economist at KPMG.

Bank of America, for instance, set aside another $4 billion to guard against loans that go bad because of the "weaker economic outlook related to COVID-19." Those credit losses drove a 52% plunge in Bank of America's profit.

PNC ramped up its loan loss reserves by $2.5 billion, causing the super-regional bank to post a loss based on continuing operations.

"We're still in the middle of the storm. Banks are focused on getting ahead of it," said Marinac.

Low rates mean weak profits

But it's not just the mounting loan loss reserves dinging banks.

They're are also getting squeezed by the extremely low interest rates imposed by the Federal Reserve to soften the blow from the pandemic. Banks make much of their money on the difference between interest charged on loans and interest paid on deposits. Near-zero rates crush that gap, known as net interest income.

That key metric of bank profitability fell 4% quarter-over-quarter at JPMorgan and 11% at Bank of America.

Wells Fargo's net interest income tumbled 13% because the bank is still under Fed sanctions for its countless consumer abuses. Those Fed penalties cap the size of Wells Fargo's balance sheet, making it impossible for the bank to offset pressure from low rates by lending more.

Buy analysts are confident the big banks can weather the storm, for now at least. That's because they were forced after the Great Recession to bulk up on loss-absorbing capital for the next crisis.

And one bright spot in the Main Street business is housing, which is being boosted by record-low mortgage rates and a desire by many city dwellers to head for the suburbs.

For instance, US Bancorp's mortgage banking revenue more than tripled during the second quarter from the year before.

Gangbusters quarter for Wall Street banks

While banks' Main Street businesses mostly stumble, the Wall Street side of the industry is cruising.

Morgan Stanley's revenue jumped 30% during the second quarter to a record $13.4 billion. Goldman Sachs grew revenue by 41%, the second-best quarterly haul in the bank's history.

Both companies are thriving on a surge of trading activity.

Morgan Stanley's sales and trading revenue surged 68% from a year ago on "elevated client activity." Fixed-income trading revenue nearly tripled to $3 billion thanks to "robust global capital markets activity."

Likewise, Goldman's fixed-income trading revenue hit a nine-year high, while its equities unit brought in the most revenue in 11 years.

"There was a lot of volatility — and that's good for business," said Marinac.

It's not just that people were trading more.

The Fed's emergency actions, including its unprecedented promise to buy junk bonds and other corporate debt, flung capital markets wide open after they essentially shut down in March. US companies raised nearly $190 billion

through stock sales during the second quarter — more than ever before, according to Dealogic.
That kind of dealmaking is music to the ears of Wall Street banks, which get paid to underwrite IPOs and other stock and bond sales. Goldman Sachs reported record revenue for underwriting both debt and stock sales.
Of course, the strong capital markets didn't only benefit Goldman and Morgan Stanley. They helped to cushion the credit losses for the more diversified big banks. For instance, JPMorgan's corporate and investment bank reported an 85% profit leap on record revenue. Its trading business also grew sharply, with a 99% spike in fixed-income trading revenue. Without booming markets, JPMorgan's profits would have tumbled much further.
Yet analysts -- and even bankers themselves -- warn that the roaring investment banking revenue is unsustainable. Eventually, these trends will flatten out.

Wall Street CEOs aren't banking on V-shaped recovery

Bank executives, in stark contrast to the euphoria on Wall Street, struck a decidedly cautious tone this week.
Jennifer Piepszak, JPMorgan's chief financial officer, said the bank is prepared for double-digit unemployment through the first half of next year. The Fed, on the other hand, has been projecting that unemployment would get down to 9.3% by the fourth quarter of this year.
"You're going to have a much murkier economic environment going forward than you had in May and June," JPMorgan CEO Jamie Dimon said. "We are prepared for the worst case. We simply don't know. I don't think anyone knows."
Wells Fargo boss Charlie Scharf simply said, "The economic recovery will not be smooth."
All of this suggests the road ahead will be challenging for big banks. Until the real economy gets back on its feet, banks will struggle.

5. The world loves the US dollar. Trump and the pandemic could change that

[July 16, 2020] When the novel coronavirus sent investors running for the exits in March, there was a mad dash to snap up US dollars, the world's ultimate safe haven asset.
But as the United States struggles with fresh Covid-19 outbreaks weighing on the economic recovery, the dollar has stumbled. Now, some on Wall Street warn it could fall further, due in part to President Donald Trump's handling of the crisis and isolationist policies.

"We expect the US dollar to follow a path of reduced dominance and weaken over the long term," Nomura said Monday in a report to clients.

The dollar — an important symbol of America's global standing — remains the primary currency of choice for investors, who use it to trade a wide array of assets around the globe. It's also the world's top reserve currency, held in large quantities by governments, central banks and other major financial institutions. Dollar bulls and skeptics alike note that at present, there's no real alternative.

Yet investors are becoming less sanguine about the dollar's outlook. Growing debt loads and Trump's commitment to "America First" policies have added to risks. A diminished role for the United States on the world stage could encourage allies to step up holdings of other top currencies.

Meanwhile, asset managers like BlackRock are encouraging clients to consider investment opportunities in Europe, where countries appear to have a better handle on the health and economic challenges posed by the virus. This could hurt the dollar's value in the coming months, though any substantial change in the global currency regime would take decades.

A weak outlook

Those looking to bet against the dollar point to the worsening economic outlook in the United States, where the number of confirmed Covid-19 cases has climbed to nearly 3.4 million.

As US caseloads spiral out of control, many states are reimposing strict lockdown measures, threatening the fragile recovery that started in April. In California, which boasts the fifth largest economy in the world, Gov. Gavin Newsom on Monday shut indoor seating at restaurants, movie theaters, zoos, museums and bars. At least 27 states have now put a hold on reopening businesses or reimposed measures aimed at slowing the spread of the virus.

"The US has reopened too early, as you can see," Nomura strategist Jordan Rochester said. "The dollar should weaken in the medium term thanks to the Covid response." He also noted concerns that unemployment will stay elevated, a view shared by some of America's biggest banks.

The economic environment supports the view that US interest rates will stay near zero for longer, weighing on the dollar. It also doesn't bode well for the country's ballooning fiscal deficit. US federal debt is projected to reach 101% of GDP this year.

The US government is ramping up borrowing to fund massive stimulus programs to prop up the economy. The budget deficit for June surged to $864 billion, the Treasury Department said this week. And it's coupled with a sizable current account deficit, which means the United States spends more on goods, services and investments abroad than it brings in.

Other developed economies are borrowing way more, too. But in the United States, the government is issuing debt faster than the Federal Reserve is buying it. That means there are more US Treasuries in the market, which hangs over the value of the dollar, Rochester said.

Eye on the euro

Meanwhile, the euro looks increasingly appealing to some investors. It has climbed about 2% against the dollar so far this year despite a savage recession in Europe.

Rochester noted that high-frequency data suggests the recovery has stalled in the United States as the country battles fresh outbreaks, while in Europe, which entered lockdown sooner, activity is still improving.

There's also optimism that despite their differences, European nations could agree on a recovery package this month, which would see the bloc raise €750 billion ($825 billion) via financial markets through its 2021-27 budget.

This could "represent a major step toward greater fiscal policy coordination in the region and, importantly, a new source of highly-rated euro-denominated debt for global investors," Goldman Sachs strategist Zach Pandl said in a note to clients last month.

Pandl said that he expects the euro to appreciate gradually against the dollar but a quicker move is in the cards. "Recent news on the euro area has cut in a clearly positive direction," he wrote.

The United States boasts a long list of blue-chip companies that are unlikely to fall out of favor. But European assets are getting a closer look as conditions in the region improve, which could drive demand for the region's currency.

A Bank of America survey of fund managers released Tuesday found a "big jump" in European stock holdings. More than 40% of those surveyed said they wanted more exposure to the euro.

Few alternatives, for now

There are reasons to be cautious. The decline of the US dollar has been predicted on many occasions, and it's always been premature.

The dollar benefits from being the currency of choice for many global transactions, including the trading of commodities like oil. It accounts for 62% of the world's currency reserves and is involved in 88% of all global currency trades. That's unlikely to change drastically in the near or medium term.

"I don't think we are at the point where the dollar will lose its attraction," said Jane Foley, head of currency strategy at Rabobank.

She noted that because the dollar tends to strengthen when the global outlook deteriorates, problems in the United States, the world's largest economy, could actually feed demand for the currency.

But over time, US debt concerns, a weak economy and greater cohesion in Europe could start to undermine the currency, Nomura said. The bank says the dollar could lose up to 20% of its value over the next five years.
The trend may be exacerbated by geopolitics. If Trump wins a second term, Nomura thinks an ongoing push toward deglobalization could undermine the US dollar and encourage greater use of China's yuan, or renminbi, to settle trades.
Research supports the idea that an "America First" philosophy could hurt the dollar in the long run. A working paper published by the National Bureau of Economic Research in 2017 found that foreign demand for dollars could decline if the country was no longer seen as guaranteeing the security of its allies, leading them to hold more of their reserves in euros, yen and renminbi.
Foley noted that Russia and China are increasingly avoiding the dollar when settling crude oil deals, and that after the United States pulled out of the Iran nuclear agreement, top EU officials began lobbying for greater use of the euro. Companies that kept operating in Iran feared the Trump administration would implement sanctions that blocked their access to dollars.
Then there's the rise of digital currencies, which could also eat away at the dollar's sovereignty. Facebook is pushing ahead with its Libra project, while China's central bank is testing a digital version of the renminbi.
Huge regulatory barriers remain due to concerns about fraud and financial crime. But Nomura said it's especially focused on efforts in China, where the desire to increase global use of the renminbi is strong.

6. China becomes first economy to grow since virus pandemic

[July 16, 2020] China became the first major economy to grow since the start of the coronavirus pandemic, recording an unexpectedly strong 3.2% expansion in the latest quarter after anti-virus lockdowns were lifted and factories and stores reopened.
Growth reported Thursday for the three months ending in June was a dramatic improvement over the previous quarter’s 6.8% contraction – China’s worst performance since at least the mid-1960s. But it still was the weakest positive figure since China started reporting quarterly growth in the early 1990s.
“We expect to see continuous improvement in the upcoming quarters,” Marcella Chow of JP Morgan Asset Management said in a report.
China, where the coronavirus pandemic began in December, was the first economy to shut down and the first to start the drawn-out process of recovery in March after the ruling Communist Party declared the disease under control.

“The national economy shifted from slowing down to rising in the first half of 2020,” the National Bureau of Statistics said in a statement.

Economists say China is likely to recover faster than some other major economies due to the ruling Communist Party’s decision to impose the most intensive anti-disease measures in history. Those cut off most access to cities with a total of 60 million people and suspended trade and travel – steps later imitated by some Asian and European governments as the virus spread.

Manufacturing and some other industries are almost back to normal. But consumer spending is weak due to fear of possible job losses. Cinemas and some other businesses still are closed and restrictions on travel stay in place.

“The pandemic is creating winners and losers,” said Bill Adams of PNC Financial Services Group in a report. “Manufacturing is leading China’s recovery.”

Private sector analysts say as much as 30% of the urban workforce, or as many as 130 million people, may have lost their jobs at least temporarily. They say as many as 25 million jobs might be lost for good this year.

The ruling party promised in May to spend $280 billion on meeting goals including creating 9 million new jobs. But it has avoided joining the United States and Japan in rolling out stimulus packages of $1 trillion or more due to concern about adding to already high Chinese debt.

China reported 4,634 coronavirus deaths and 83,611 confirmed cases. It has not reported any domestically transmitted cases since an outbreak in Beijing that infected more than 330 people before it faded early this month.

On Tuesday, the government eased some curbs on domestic tourism after China reported no new locally acquired infections in nine days. The Ministry of Culture and Tourism said tourist sites can allow 50% of their daily visitor capacity, up from 30%, and tours from one province to another can resume.

In the three months ending in June, factory output rose 4.4%, rebounding from the previous quarter’s 8.4% contraction after factories that make the world’s smartphones, shoes, toys and other goods reopened.

Retail sales shrank by 3.9%, but that was a marked improvement over the previous quarter’s 19% contraction while millions of families were confined to their homes and shopping malls were shut down. Online retail sales rose 14.3%, up from the previous quarter’s 5.9%.

June exports grew by an unexpectedly strong 0.4% but still are off 3% for the first half of the year. Imports rose 3% per cent – including a 10.6% jump in purchases of U.S. goods despite a tariff war – but are down 3.3% so far this year.

Forecasters warn exporters are likely to face another decline in demand as sales of masks and other medical supplies taper off and U.S. and European retailers cancel orders.

"This suggests sustained pressure on employment, currently the government's foremost policy priority," said JP Morgan's Chow.

A potential stumbling block is worsening relations with the United States, China's biggest national export market, over disputes about trade, technology, human rights and Hong Kong.

The two governments signed an agreement in January to postpone further tariff hikes in their fight over Beijing's technology ambitions and trade surplus. But most increases already imposed remained in place.

7. Canadian companies face shutdowns, layoffs

[July 15, 2020] A significant share of Canadian businesses have only a few months operating at their current revenues and spending levels before they'll face shutting down or making more staff cuts, Statistics Canada says.

In a survey of Canadian businesses, 19.3% said they have fewer than six months in prevailing conditions before they'd have to consider further layoffs, closure or bankruptcy.

In the food and travel sector, more than one-third of firms (34.7%) would face drastic measures within that time period.

The risk was also elevated in the cultural industries sector (31.5%) and in the arts, entertainment and recreation sector (26.8%), StatsCan said.

So far, more than one-quarter (28.4%) of businesses have laid off workers due to the pandemic, and another 40% have reduced working hours, the survey found.

For firms with layoffs, 61.3% said they've laid off at least half of their workers.

This share rose to over 80% in hard-hit sectors, such as the arts and entertainment sector, the food and travel sector, and the agriculture, forestry, fishing and hunting sector, StatsCan said.

The survey also found that 23.6% of businesses had rent or mortgage payments deferred due to the pandemic, and that 5.7% had their deferral requests rejected.

Most businesses (60.1%) either haven't sought deferrals or weren't offered them, it said.

Looking ahead, StatsCan's survey found that almost two-thirds of companies (65.8%) expect their employee headcount to remain the same over the next three months; another 15.1% see their employment numbers rising.

Businesses also expect to see more employees working remotely, even after the pandemic ends.

Currently, about one-third (32.6%) of businesses said at least 10% of their workforces are now working remotely, up from 16.6% before the pandemic.

Post-pandemic, 22.5% of businesses expect to continue with more than 10% of their staff working remotely, StatsCan said.

In certain industries, such as the information and cultural sector, almost half (47.2%) of businesses expect working remotely to continue. In the professional, scientific and technical services sector, the share was 44.5%.

8. Small biz added $117B of new debt to battle Covid-19: CFIB

[July 15, 2020] The Canadian Federation of Independent Business estimates that a total of $117 billion of new debt has been loaded onto small businesses as a result of the Covid-19 pandemic.

The national association based its estimates on an online survey of small business owners from June 26 to July 2.

About 2,100 of the survey's 4,502 respondents agreed to reveal how much debt they'd incurred due to Covid-19.

On average, the small businesses that provided information for the CFIB survey had $135,000 in debt for a total of nearly $285.4 million.

The CFIB estimates that would result in $117 billion of total Covid-related debt for small business as a whole, based on Statistics Canada's count of small and medium-sized enterprises in Canada.

The 110,000-member association also estimates that 58% of small businesses have re-opened fully, 35 per cent are back to full staffing but only 24% are back to normal revenue.

According to the polling industry's generally accepted standards, online surveys cannot be assigned a margin of error because they do not randomly sample the population.

9. BoC holds rate, forecasts decline in GDP of 7.8% this year

[July 15, 2020] The Bank of Canada is holding its key interest rate at 0.25% in response to what it calls the "extremely uncertain" economic outlook from the Covid-19 pandemic, and plans to keep it there until the picture improves.

In its updated outlook, the bank said Wednesday it expects the economy to contract by 7.8% this year, driven downward by a year-over-year contraction of 14.6% in the second quarter.

The report pegs the annual inflation rate at 0.6% this year, rising to 1.2% in 2021 and 1.7% in 2022.

Its inflation target is 2%, and the bank said in its policy statement it will maintain the current rate until that target is achieved.

The rate will have to stay low to provide “extraordinary monetary policy support” to help recuperate from the economic impact of Covid-19, it said.

The forecasts included in the Bank of Canada’s monetary policy report also come with a caution that the numbers could be thrown off.

The bank’s outlook is based on the assumption that there won’t be a broad-based second wave of the pandemic, that lockdowns will be gradually lifted, and the pandemic will have run its course by mid-2022 thanks to a vaccine or effective treatment.

The monetary policy report said there isn’t enough information to forecast how deep the economic scarring will be from business closures or widespread job losses.

It’s also unclear how quickly consumer demand will recover through changes in spending habits, work patterns and social behaviour, the report said.

Still, the central bank said it appears the country has avoided a worst-case scenario envisioned by the bank in its last report in April.

The central bank’s key interest rate has been at 0.25% since March when it was rapidly dropped in response to the economic fallout from Covid-19.

Governor Tiff Macklem has seemingly ruled out any further drops and has said that the central bank doesn’t plan to raise the rate until well into an economic recovery.

The Bank of Canada’s June interest rate announcement came on Macklem’s first day on the job as the country’s top central banker. Though he was only an observer during the June round of deliberations by the bank’s governing council, he endorsed the decision to keep the rate on hold.

The report Wednesday said growth will pick up beginning in this quarter, the third of the year, with the country recouping about 40% of the drop in output from the first half of 2020.

Much of that will be driven by the reopening of businesses and partial rebound in spending, the bank says.

But after an initial, quick bounceback, Canada will enter what the bank calls a “recuperation phase” where the pace of recovery will slow.

“As reopening progresses, many people will probably continue to fear contracting the virus, and uncertainty about job security is likely to persist,” the report said.

“Both consumer and business confidence are therefore expected to remain subdued, restraining spending and employment, particularly in activities that involve in-person interaction.”

The bank said the pandemic will continue to affect consumer and business confidence during this phase amid widespread changes in the economy, including the energy sector where low prices and reduced demand have put production well below its pre-pandemic path.

As well, the shock facing the oil sector has “renewed questions about the likelihood of pipelines being developed,” the report said.

Some lower income workers, disproportionately affected by job losses or cuts in earnings, “will face prolonged income losses” and push more households to the financial brink, the bank warns.

While higher income households may have excess savings to spend during this phase, some households will prioritize paying down debts or padding rainy-day funds due to the uncertain economic environment, the report said.

Heavy discounts on unwanted inventory and smaller-than-planned price increases for firms will also act as a drag on inflation, which the bank expects to remain weak before gradually getting back to its 2% target.

Housing activity is also expected to slow over the next few years with the ripple effects of the downturn and lower immigration, the report said.

The central bank said it will provide a more detailed analysis of its long-run assumptions for the domestic economy when it updates it outlook in October.

10. Time to consider a basic income?

[July 14, 2020] The federal government should consider creating a guaranteed basic income, reforming the Canada Emergency Response Benefit (CERB) and restoring Parliamentary oversight of spending to combat the economic effects of the Covid-19 outbreak, a Senate committee report says.

In an interim report on the government’s response to the pandemic and its economic effects, the Senate Committee on National Finance recommended that the government consider adopting a guaranteed basic income.

“The effectiveness of the CERB as an emergency income support has led many people to wonder whether it is time to consider a more permanent solution, such as a basic income guarantee,” the report said.

Among other things, the committee also made recommendations for restructuring CERB as a declining benefit, based on income, and improving access to the Canada Emergency Wage Subsidy (CEWS).

While the committee lauded the government’s response to the pandemic — including federal financial support programs, such as CERB and CEWS,

noting that these likely prevented a more severe economic crash — it also said that the government has used extraordinary powers to introduce these measures.
On March 24, Parliament passed legislation that granted the government greater spending power and exempted it from requiring Parliament's approval to expand its borrowing.
The report noted that "the threat of Covid-19 shows no sign of abating in the near term," and, as a result, it recommended a return to traditional parliamentary procedures for government spending.
"Parliament has a fundamental role in reviewing and approving government spending," the report said.
The committee also recommended that the government provide quarterly financial updates throughout the crisis, so that policymakers, lawmakers and Canadians have accurate information about the country's financial health.
"While the government and public service acted with commendable speed in implementing crucial financial supports, public and parliamentary scrutiny of spending measures will be crucial for Canada's economic recovery," said Senator Percy Mockler, chair of the committee, in a statement.
Looking ahead, the committee said that it will focus on recovery strategies when it resumes meeting in the fall and make recommendations for building a "fairer and more sustainable economy."
"We hope that our study will lead to improved programs and services that will see all Canadians share in the economic recovery. We look forward to laying out a vision for this recovery when we continue our study," said Senator David Richards.

11. Feds extend wage subsidy until December

[July 13, 2020] The federal government is extending its program to subsidize wages in companies hit hard by the Covid-19 pandemic until December, Prime Minister Justin Trudeau said Monday.
The program is the heart of the government's promise to help Canadians get back to work, even if has to be at a slower pace, as the pandemic wanes.
As of July 6, the wage subsidy had paid out $18.01 billion to 252,370 companies in payroll help.
The government's fiscal and economic "snapshot" last week boosted the budget of the wage subsidy program to $82.3 billion in a sign of impending changes.

Trudeau isn't saying today how the government will reshape the eligibility rules for the program that critics have said stop some employers from getting aid they need.

The wage-subsidy program covers 75% of wages up to a weekly maximum of $847 for eligible companies and non-profits.

The Liberals originally saw the wage subsidy as a key tool in helping cushion the economic blow from Covid-19 by helping workers stay tied to their employers as businesses stayed closed due to the pandemic.

Instead, the budget for the program dropped as more workers accessed the Canada Emergency Response Benefit (CERB) for people who lost their jobs or nearly all their hours.

The $500-a-week benefit had, as of July 5, paid out almost $54.8 billion to 8.25 million people.

The budget for that program is now at $80 billion, but it's scheduled to close in the fall.

Finance Minister Bill Morneau suggested last week that as health restrictions roll back and more companies reopen, more people would shift from the CERB to the wage subsidy. The government has pointed to about 1.2 million fewer people receiving the CERB in May in support of that view.

Morneau spent weeks leading up to July 8's fiscal update getting input from businesses, labour groups and other stakeholders about how to reshape the program.

The government has hinted at changes to revenue-reduction thresholds that may discourage companies from growing, lest they find themselves suddenly cut off from federal aid.

"We need to reduce disincentives to growth," Morneau said last week. "We need to make sure the subsidy is appropriate for the challenges facing enterprises in actually rehiring and getting people back to work."

Have a nice and fruitful week!