Weekly Updates Issue # 779

1. Weekly Markets Changes

[August 28, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,705.79 +187.9 +1.14%	3,508.01 +110.8 +3.26%	28,653.87 +723.5 +2.59%	11,695.63 +383.8 +3.39%	$0.7635 +0.62c +0.82%	$1,964.03 +23.55 +1.21%	$42.94 +0.69 +1.63%

2. Covid-19 dealt a shock to the world's top economies

[August 28, 2020] The world's top developed economies are all officially in a recession. What happens next is far from certain.

On Friday, Canada joined France, Germany, Italy, Japan, the United Kingdom and the United States in reporting that its economy shrank dramatically in the first half of 2020 due to the pandemic. Canadian economic output shrank by 11.5% between April and June, the sharpest decline in records dating back to 1961.

Now, six months after the coronavirus outbreak began to accelerate rapidly outside China, it's increasingly clear that countries will not bounce back in tandem. The impact of the virus, public health policy and stimulus measures are creating divergent paths forward, with ramifications that could last years.

"It's the path of the virus and the vaccine that's critical to the recovery story," said James Knightley, ING's chief international economist.

Different speeds

While Covid-19 delivered a brutal hit to every country's economy, the magnitude of the shock has varied significantly across the globe.

The United Kingdom has fared the worst of any of its big global peers, with its economy shrinking by more than a fifth between April and June.

Ben May, director of global macro research at Oxford Economics, attributes this weakness in part to statistical factors, including how the government accounts for inflation. But he also pointed to the importance of consumer spending to the British economy, which magnifies the effects of social distancing, as well as the UK government's initial reluctance to impose strict quarantine measures.

"The UK government has been criticized for taking too long to lock down the economy and effectively allowing the pandemic to gain a stronger foothold in the country," May said in a recent note to clients.

Even countries that locked down sooner than the United Kingdom have suffered dramatic economic slowdowns, with the number of coronavirus cases and government decisions on when to reopen offices and restaurants dictating the scale of damage.

GDP for all G7 economies fell sharply during the second quarter of 2020, while China began its recovery.

Change in GDP Q2 on Q1 2020:

- UK -20.4%
- France -13.8%
- Italy -12.4%
- Canada -11.5%
- Germany -9.7%
- US -9.1%
- Japan -7.8%
- China +11.5%

While all G7 countries suffered their worst drop in GDP on record, France appears to have been knocked harder than Germany in part because of the extremely harsh quarantine it adopted in April, according to Berenberg Bank economist Florian Hense. And while Italy emerged as an epicenter of infections in March, its decision to impose restrictions on movement early may have set it up for a second quarter that was slightly less severe than feared.

Some parts of the US economy started reopening in May, which meant the decline was not as sharp as was first forecast. But this may just lead to a weaker July-to-September quarter, especially given that a spike in cases in Sun Belt states in June forced some local officials to reimpose restrictions late that month.

The Back-to-Normal Index from Moody's Analytics and CNN Business shows that the US economy is operating at 78% of where it was in early March.

What comes next

The clear outlier among major economies is China, which catapulted into recovery mode in the second quarter following a drop in GDP between January and March, its worst performance over a three-month period in decades.

As the initial hub of the outbreak and the first in the world to impose draconian measures to try to control the spread of the virus, China was the first major economy to reopen. That's given it a head start.

Where these countries go from here depends in large part on the virus and the race for a vaccine, Knightley said, with some economists warning of the potential for a double-dip recession in which output falls again.

They also caution that while a big rebound is expected in the third quarter, that may not dictate the long-term trajectory, despite huge injections of cash from central banks and massive increases in government spending.

A rapid increase in serious cases could prompt governments to reintroduce strict lockdown measures. That would slam consumer confidence for a second time, reduce spending and investment and throw the recovery off track.

Government relief efforts also have a vital role in determining where economies go next. In the United States, Democrats and Republicans still can't agree on a fourth stimulus package. Though President Donald Trump took executive action to enhance jobless benefits in the absence of a deal, adding $300 per week to state unemployment checks, the lack of more comprehensive measures is a risk, according to Knightley.

The additional $600 per week that jobless Americans received until July served as a big boost to consumer spending. Even as unemployment skyrocketed, personal income in the United States rose 10.5% in April as the government provided extra support and cut $1,200 checks.

Strategists at Goldman Sachs estimate that the lapse in the $600 benefit will result in a $70 billion decline in personal income in August, hitting both consumer spending and retail sales. With consumer services driving roughly 70% of the US economy, that could create problems.

Germany, meanwhile, recently extended the length of its program that keeps workers on corporate payrolls by subsiding their wages through 2021.

Oxford Economics' May said another crucial factor could be public faith in the government response. If people don't trust government leaders to make decisions in their interest, it could keep a lid on spending, he said.

A Pew Research Center survey of 14 advanced economies released this week found that a majority of Americans and Brits did not think their country had done a good job dealing with Covid-19.

3. Deficit hit $120 billion in June: Finance Department

[August 28, 2020] The federal government ran a deficit of $120.4 billion during the first three months of its 2020-2021 fiscal year as the treasury pumped out aid to cushion the impact of the COVID-19 pandemic.

The result compared with a deficit of $85 million for the same period in the 2019-2020 fiscal year.

In its monthly fiscal monitor, the Finance Department says program expenses for the three-month period of April to June hit almost $167.9 billion, an increase of about $90.3 billion from the same period a year earlier.

Much of that bump in spending was a result of emergency aid programs the Liberals rolled out as businesses shuttered and workers were laid off, furloughed or had their hours slashed.

Major transfers to persons – which consists this fiscal year of seniors benefits, employment insurance payments, the Canada Emergency Response Benefit, and children's benefits – increased by 193.5 per cent year-over-year, hitting almost $70.6 billion.

Also adding to spending costs was the government's wage subsidy program, which the fiscal monitor says cost almost $22.8 billion for the first quarter of the fiscal year.

Revenues for the period totalled $52.4 billion, were down $32 billion or 37.9 per cent compared with the same period last year, primarily as a result of the government deferring tax filing deadlines and collection.

Public debt charges decreased by about $2 billion, or 29.8 per cent, to $4.9 billion from $6.9 billion, largely reflecting lower consumer price index adjustments on real return bonds.

Last month, the Liberals projected a historic deficit of $343.2 billion for this fiscal year. The Finance Department says the figures through June remain consistent with that estimate.

4. CMHC readies for housing market risks in wake of Covid-19 downturn

[August 28, 2020] The Canada Mortgage and Housing Corp. is bracing for further impacts on the housing market from the COVID-19 pandemic.

The Crown corporation says it expects the housing market will have to reckon with significant short-term uncertainty, as well as falling housing demand from weaker household incomes in the medium term.

The Canadian housing market broke sales and price records in July, continuing to play catch-up after spring shutdowns.

But CMHC says the economic shock of the pandemic has not yet been fully reflected in the latest housing market data, predicting the process of containing COVID-19 could still pose a risk to prices, sales, and new building projects.

CMHC is reporting net income of $566 million in the three months ending June 30, up from $379 million during the same period last year, with an arrears rate of 0.34 per cent.

While CMHC took on new government programs and funding, it also saw claims expenses jump by $256 million, or 711 per cent due to an increase in provisions for COVID-19 related claims, including the outlook for mortgage loans currently in deferral.

"While it will take several months for the economic impacts of COVID-19 to fully materialize, some factors are starting to work their way into in our financial results – for example, we are starting to see the impacts in our provisions for insurance claims," said Lisa Williams, CMHC's chief financial officer, in a statement.

"We remain in a strong financial position to bear the full impacts of COVID-19, and to take further steps to support Canadians and the economic recovery if necessary."

5. Record drop for Canadian economy in Q2

[August 28, 2020] The Canadian economy suffered its worst three-month stretch on record in the second quarter as the economy came to a near halt in April before starting to recover in May and June.

Statistics Canada said Friday real gross domestic product contracted at an annualized rate of 38.7 per cent for the quarter, the worst posting for the economy dating back to when comparable data was first recorded in 1961.

Almost every single component of the economy used to calculate GDP was at its lowest point during the three-month stretch – driven largely by widespread lockdowns in April meant to slow the spread of COVID-19.

However, economic output rebounded in May by 4.8 per cent, and the agency said June saw an increase of 6.5 per cent, a monthly record, beating the 5.6 per cent preliminary forecast.

The agency's preliminary estimate for July indicated a three per cent increase in real GDP, which on its own would have been a monthly record prior to this year, BMO chief economist Douglas Porter said.

The economy is starting to come back faster than most expected, and the decline in the second quarter wasn't as steep as predicted, he said.

"That means that the damage wasn't quite as bad as we thought in the second quarter and the early stages of the rebound have gone about as well as could have been reasonably expected," he said in an interview.

"It's the direction here that counts."

Even with the gains in June, economic output remains about nine per cent below pre-pandemic levels, Statistics Canada said. Gains in the third quarter likely won't recover all that was lost as some businesses remain unable to open even as restrictions are rolled back.

TD senior economist Brian DePratto wrote that the new data suggest the shape of the recovery could look more like a "K" where some sectors rebound well, while others are left behind.

The record decline in output in the second quarter was fuelled by record drops in spending as businesses stayed closed, Canadians stayed home, and millions were put out of work.

Household spending dropped 13.1 per cent in the quarter, and business investment fell 16.2 per cent, Statistics Canada said. Employee compensation fell by 8.9 per cent, the steepest drop ever recorded, as workers were laid off, furloughed, or had their hours slashed.

Federal emergency aid, including the Canada Emergency Response Benefit (CERB), more than offset that drop, the agency said, noting a 10.8 per cent increase in household disposable income. That drove up the savings rate from single digits to 28 per cent, "potentially leaving some extra cash for spending" in the coming months, said CIBC's Royce Mendes.

Overall, federal benefits increased by 193.5 between April and June compared with the same period last year, hitting almost $70.6 billion, not including the wage subsidy program that cost $22.7 billion over that time, the Finance Department said Friday.

The most recent figures show the government has spent almost $30 billion in wage subsidies, and nearly $71.3 billion through the CERB.

The Liberals are proposing a $37-billion income-support package that would extend the CERB by four more weeks before winding it down and replace it with a trio of benefits and changes to employment insurance, which will add to the $343-billion record deficit.

Economist and consultant Roslyn Kunin said the massive spending made sense early on in the crisis, but it may not as the economy emerges from crisis mode.

"They have put out the fire, they have saved us from a 1930s depression, we are in slow economic times, but we're getting back into a situation that … could be normal for five or 10 years," said Kunin, a former B.C. regional economist for the federal government.

"To continue what has become more extravagant deficit spending may not be the wisest thing because now we're in it for the long-term."

On Thursday, credit rating agency Fitch Ratings said government spending will remain high while economic activity takes years to recover and warned it may have to further downgrade the country's credit rating if deficits and debts weren't brought under control.

6. Macklem says central bankers must speak simply or risk losing public trust

[August 27, 2020] The head of the Bank of Canada is making an international pitch to his fellow central bankers to better connect with average citizens lest they lose public trust and face an existential crisis.

Governor Tiff Macklem said Thursday that maintaining trust is key for central banks during the economic crisis caused by Covid-19, as well as for rebuilding once the pandemic passes.

He points to declining trust in public institutions and experts, as well as the rise of political populism in the wake of the 2008 financial crisis as trends central bankers cannot brush off.

Macklem says it's more important, yet harder, for central banks to be trusted sources of information at a time when they have rates near-zero and are using unconventional policy tools.

For the Bank of Canada, that has meant a foray into what's known as quantitative easing, which is a way for central banks to push money into the economy to encourage lending and investment.

Speaking at an annual meeting hosted by the Federal Reserve Bank of Kansas City, Macklem said central bankers shouldn't sound like "oracles delivering messages from an ivory tower."

"The imperative is to step boldly beyond market transparency and engage with the public to explain how our actions serve our economy-wide objectives," Macklem said.

“This means listening to more people, understanding their perceptions — accurate or not — factoring in broader public views into our policy decisions and communicating with people on their terms, not ours.”
The remarks to the meeting in Jackson Hole, Wyo., capped a week of messages from the Bank of Canada about reaching a broader audience as it looks to renew the foundation of its policy decisions.
The foundation for some 25 years has been targeting an annual inflation rate of 2% and adjusting its key interest rate to keep prices and the economy steady. The path of the bank’s policy rate influences the rates charged for loans and mortgages, for example.
Inflation has collapsed as economic restrictions have been put in place to curb the spread of Covid-19. National inflation readings in April and May showed price declines, or deflation. Inflation itself is expected to stay low this year and next.
What the Bank of Canada has heard is that people don’t feel like prices are coming down, but rather going up. They are spending less on things that cost less, like gasoline, and more on things where prices are rising.
“We need to find out and understand what is preoccupying the public, including the perspectives of communities and groups we have not been very good at reaching,” Macklem said. “And we need to address those preoccupations.”
The bank has slashed its key rate to 0.25%, which is as low as it will go and where Macklem says it will stay until the economy rebounds.
The pronouncement provided a forward-looking statement to markets and marked a shift from Macklem’s predecessor, Stephen Poloz.
In his talk Thursday, Macklem said central banks can’t keep talking to what Bank of England officials labelled “MEN,” meaning markets, economists and news services.
He noted that the Bank of Canada has seen a sharp increase in traffic to its website, with its plain-language guide to the economy and social media posts getting twice as many views than before the pandemic.
More traditional content like speeches and the bank’s monetary policy report has seen an increase in traffic of over 10%, Macklem said.

7. U.S. economy dropped 31.7% in Q2

[August 27, 2020] The U.S. economy shrank at an alarming annual rate of 31.7% during the April-June quarter as it struggled under the weight of the viral pandemic, the government estimated Thursday. It was the sharpest quarterly drop on record.

The Commerce Department downgraded its earlier estimate of the U.S. gross domestic product last quarter, finding that the devastation was slightly less than the 32.9% annualized contraction it had estimated at the end of July. The previous worst quarterly drop since record-keeping began in 1947 was a 10% annualized loss in 1958.

Last quarter, businesses shuttered, and millions of workers lost jobs as the world's largest economy went into lockdown mode in what succeeded only fitfully in limiting the spread of reported viral infections. The U.S. economy fell an annualized 5% in the first three months of the year as the coronavirus began to make its presence felt in February and March.

A bounce-back in hiring as many businesses reopened suggested that the economy began to recover in June with third quarter growth estimated to be around 20% annualized. But economists say a full recovery remains far off given that the virus has yet to be contained and the government's financial support has faded.

"As we approach the fall, we see four important risks for the economy: a failure to provide further fiscal stimulus, a second wave of Covid-19 infection during the flu season, major election uncertainty and rising trade tensions with China," said Lydia Boussour, senior U.S. economist at Oxford Economics.

Unemployment is still high at 10.2%, and roughly 1 million people are applying for jobless aid each week even as the amount of aid they receive has shrunk. Consumer confidence has tumbled. Though the stock market and home sales are surging, the broader economy shows signs of stalling, and millions face potential evictions from their homes.

The challenges reflect the unusual nature of the downturn. Many U.S. households have increased their savings and paid off debt — which could either signal a hesitancy to spend as they have in the past or pent-up demand that could be unleashed once the pandemic ends.

8. BoC eyes effect on wealth, income distribution in review

[August 26, 2020] The second-in-command at the Bank of Canada said Wednesday that any changes to the underpinning of its monetary policy will be judged against how they affect the distribution of income and wealth in this country.

Senior deputy governor Carolyn Wilkins said the various frameworks the bank is considering are also being tested for how they fare in good economic times and bad.

The central bank is examining its monetary policy framework ahead of its renewal and is looking at whether to maintain its current goal of targeting an annual inflation rate or adopt a different target.

Whichever is chosen will underpin central bank decisions, including the path of its key interest rate that can then influence the rates charged for loans and mortgages.

Speaking at the start of a day-long workshop hosted by the bank, Wilkins said no one framework has emerged as a clear front-runner.

She added that no matter what framework is chosen, the bank’s ability to smooth out sharp, sudden drops in the economy or provide sector-specific help will be limited.

“Monetary policy is ill-equipped to deal with sector-specific issues. We need to take them into account in our monetary policy decisions, but our focus must be on the macro economy to support sustainable growth and price stability,” Wilkins said, according to the prepared text of her opening remarks.

“In the current context, coming out of such a severe hit to jobs and economic activity, the bank must keep its eye on the ball.”

She noted that other policies are better at handling the issues the central bank can’t, such as government aid, or mortgage stress-testing to limit debt risk when interest rates are low.

“All of this together highlights the challenges of policy co-ordination and the importance of central bank independence,” Wilkins said in her remarks.

Next year, the central bank will renew its framework agreement with the federal government as part of a regular five-year review that has taken place since the 1990s when it first started targeting inflation.

The 2% inflation target is considered largely arbitrary, but the bank has found it to be the sweet spot for keeping the economy and prices stable.

If inflation runs high, the bank can raise its key interest rate to cool the economy and drop rates if there’s a need to prod economic activity — just as it has over the past few months.

The bank slashed its key interest rate at the start of the pandemic to 0.25%, which is as low as governor Tiff Macklem says it will go. He has also said that’s where the rate will stay until the economy has rebounded and inflation is back at the 2% target.

Inflation is projected to remain low this year and next, and the economy and employment not back to pre-pandemic levels potentially until 2022, based on projections from the federal government, the bank, and private sector economists.

While official measures show near-zero inflation, the perception for consumers is that prices have jumped since March, such as for meat, which is up by more than 4% since February, Wilkins says.
“Prices that are falling, like those around travel, are not relevant to most people, but the prices that are rising, like the cost of food, are those we encounter every week,” the text of her statement says.

9. Ontario’s credit rating remains stable despite Covid-19 pandemic: FAO

[August 25, 2020] Ontario’s fiscal watchdog says the province’s credit rating has remained stable in 2020 despite the costs incurred by the government during the Covid-19 pandemic.
The Financial Accountability Office says in a report today that all four major international rating agencies have reaffirmed the province’s credit at either AA- or A+, the fifth and sixth highest ratings.
But the FAO warns that those ratings are all contingent on the province’s post-pandemic plan including steady decreases in budget deficit and lowering debt burden.
Earlier this month, the province announced that its deficit projection had nearly doubled in three months because of the outbreak.
Finance Minister Rod Phillips said the deficit would be $38.5 billion, up from the $20.5 billion projected in March.
Premier Doug Ford has said Covid-19 will also scuttle the government’s previous plans to balance the budget by 2023-2024.

10. Exxon was the world's largest company in 2013. Now it's being kicked out of the Dow

[August 25, 2020] For decades, ExxonMobil was an unstoppable machine. It made gobs of money, spent that cash wisely and rewarded shareholders lavishly.
As recently as 2013, Exxon was the most valuable company on the planet. Its market value topped out at $446 billion in mid-2014, the last time crude prices traded above $100 a barrel.
But Exxon is now a shell of its former self.
A series of strategic decisions backfired badly, from betting on natural gas at the top of the market to being late to America's shale boom.
Exxon is now losing money for the first time in decades. Its long track record of raising the dividend is in doubt. Exxon is the poster child for the fossil fuels

industry at a time of deep concern about the climate crisis. And the company's market value has crumbled by a staggering $267 billion from the peak.

The latest humiliation for Exxon: It's being kicked out of the Dow Jones Industrial Average, the exclusive index it's been a part of for 92 years. Fittingly, given the swings in fortune in the modern economy and stock market, Exxon is being replaced by a technology company: Salesforce. And Chevron, a more successful company of late than Exxon, is now the Dow's sole oil company.

"It's pretty symbolic," said Stewart Glickman, energy analyst at CFRA Research. "It's a recognition that the energy sector doesn't have anywhere near the same clout it used to."

The energy sector comprised 16% of the S&P 500 in 2008, when oil prices spiked above $140 a barrel, according to Bespoke Investment Group. Today, the energy industry makes up a mere 2.5% of the S&P 500.

That shift reflects the transformation of the American economy in favor of technology -- and the momentum in the market in that direction, too. It's no secret that many tech companies, including Amazon, Apple and Zoom are thriving during the pandemic.

By contrast, oil companies have been crushed by the crash in prices, which briefly went negative for the first time ever, and collapse in demand.

Dividend doubts at Exxon

But the shakeup in the Dow isn't just about the troubles of the energy industry broadly. It's about the turmoil at Exxon specifically.

When US stocks bottomed out on March 23, Exxon was trading at the weakest level in nearly 18 years. Although Exxon has since rebounded along with the broader market, it remains down more than 40% this year. By contrast, Chevron is only down 28%.

That reflects more confidence in Chevron's ability to make money in this turbulent period and the safety of that company's coveted dividend.

"Chevron has been more conservative with its balance sheet. It has kept it very clean," said Jason Gammel, an energy analyst at Jefferies.

Exxon has proudly raised its dividend 37 consecutive years, making the company a member of the dividend aristocrat group. But analysts said that streak is now in jeopardy.

Last year, Exxon relied on asset sales and borrowing to cover 64% of its dividend payout, according to the Institute for Energy Economics and Financial Analysis. That's well above the company's 10-year average of 30%.

"Historically, Exxon was arguably the most efficient company in the oil and gas space. The dividend, which was very manageable for them when cash flows were stronger, has become more of a burden," said CFRA's Glickman.

Late to shale, bad bet on gas

The seeds for these struggles were laid years ago.

In 2009, Exxon plunked down $41 billion to buy natural gas giant XTO Energy. That deal proved to be terribly timed because natural gas prices plummeted and never recovered.

Exxon -- and Chevron to a lesser extent -- initially failed to capitalize on the epic oil boom taking place in their own backyard. In hindsight, Exxon surely wishes it bought up land in the Permian Basin of West Texas rather than spend heavily on expensive deep water drilling projects in Russia and in the oil sands of Canada -- neither of which panned out.

"Exxon and Chevron were late to the game," said Glickman.

Those blunders forced Exxon to play catch-up. At a time when Wall Street is demanding discipline from oil companies, Exxon is spending heavily to ramp up its production in the Permian and develop offshore projects overseas.

"The market has not liked that strategy given that most peers have been trying to return more cash to shareholders," said Gammel.

The good news is that some of those overseas bets are finally paying off.

Exxon's investments in Guyana could prove to be lucrative as that region is expected to turn into a major source of growth for the company down the line.

Exxon estimates there are more than 8 billion barrels of recoverable oil barrels in Guyana. But it will take time and money to turn those barrels into revenue.

"The problem for Exxon is investors are not valuing energy companies on the basis of 2023 results. It's what can you do for us in 2021," said Glickman.

Exxon's Tesla problem

Yet even if Guyana turns out to be a win for Exxon, the company faces an uphill battle because of the climate crisis.

Exxon is the best-known company in the fossil fuels industry at a time when investors would prefer to bet on solar, wind and Tesla.

Although European oil companies including BP and Total have aggressively invested on renewable energy and set bold emissions targets, Exxon's efforts have been far more muted.

"It's a PR problem for energy companies," said Ben Cook, portfolio manager at Hennessey BP Energy Fund. "You can either part of the solution or be seen as part of the problem."

Of course, even the most bearish analysts aren't predicting oil demand will vanish overnight. But a gradual shift away from crude means that only the best-run oil companies will thrive. And too often over the past decade, that has not been Exxon.

11. A provincial outlook for Canada's economic recovery

[August 24, 2020] British Colombia's economy is expected to outperform its provincial peers for the 2020–21 period, the Conference Board of Canada says, while Ontario and Quebec would have fared worse during the pandemic had it not been for financial sector employees and other business services industries working remotely.

B.C. was expected to experience less severe economic fallout than other provinces because it was in a better fiscal position heading into the Covid-19 pandemic, allowing it to provide large amounts of fiscal stimulus, according to the think tank's economic outlook released on Monday.

Also, along with P.E.I. and Manitoba, lower per capita Covid-19 cases mean B.C. would likely suffer smaller economic declines.

The report forecasted a relatively modest contraction of 5.5% for B.C. in 2020, and an expansion of 6.7% in 2021.

While Canada's economy is expected to continue its recovery over the rest of the summer and fall, the large economic hit in the first half of 2020 — GDP fell by more than 2% in Q1 and more than 12% in Q2 — will drag GDP down by 8.2% for the year, the report forecasted.

The Conference Board said Canada's GDP was set to expand by 6.7% next year, though the economy likely won't to return to its pre-pandemic level of output until the second half of 2021, as restrictions slowly ease.

Further, the Conference Board's outlook depended "crucially" on U.S. developments, the report said. The surge in Covid-19 cases south of the border could lead to less household spending and subsequently less demand for goods from Canada.

"Canadian exporters will be hurt if U.S. economic growth drops below our current assumptions due to the inability of the Trump administration and the governors of Florida and other hard hit states to halt the spread of Covid-19," the report said.

B.C. takes the lead during 2020–21

In addition to B.C.'s strong fiscal position before the pandemic, the province didn't halt work on major energy projects, including LNG Canada's terminal in Northern B.C.

Growth in Alberta, on the other hand, is expected to contract more than 11% in 2020 — the worst performance of all the provinces, the report said.

Alberta, Saskatchewan and Newfoundland were particularly hard hit because of the additional challenge of collapsing oil prices. Demand for oil and other resources was expected to remain weak into 2022, as restrictions related to air transportation continue, the report said.

However, Alberta was forecasted to post the best overall growth in 2021 (about 7.8%), as its economic activity rebounds fastest from this year's lows.
After Alberta, New Brunswick was expected to have the greatest change in GDP growth in 2021, at 7.1%, in response to government stimulus and a gradual increase in global resource demand.
Ontario closely followed, with GDP growth forecasted at 7% in 2021, following a 7.6% contraction this year. Ontario and Quebec would have fared worse during the pandemic, the report said, had it not been for employees in the financial sector and other business services industries working remotely.
"Toronto's key financial services sector remains in good shape, as job losses in this industry have been minimal," the report said.
Still, Toronto remains an area of concern because its economic shutdown lasted longer than those of other regions, and its economy will be hurt by a decline in immigration.
Ontario will also be affected if a surge in Covid-19 cases in the U.S. results in ongoing decreased demand for the province's exports.
Quebec's GDP for 2020 was forecasted to grow by 5.3% in 2021, following a 7.2% contraction this year. While the province had the most Covid-19 cases and thus had to respond aggressively, its restrictions allowed it to restart non-essential industries earlier than in other provinces.
While job levels in most sectors in Quebec have recovered to 90% of their pre-pandemic levels, recovery will take time.
"Quebec's aerospace industry has been hit especially hard by the Covid-19 pandemic and the resulting unprecedented decline in tourism and global air travel," the report said.
The report's forecasts were based on key assumptions, including ongoing physical distancing, no second outbreak of Covid-19 occurring, and a vaccine being widely available to Canadians by June 2021.

Have a nice and fruitful week!