Weekly Updates Issue # 789

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1. Weekly Markets Changes

[November 6, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,282.83 +702.2 +4.51%	3,509.44 +239.5 +7.32%	28,323.40 +1,821.8 +6.87%	11,895.23 +983.6 +9.01%	$0.7669 +1.6c +2.13%	$1,952.19 +73.4 +3.91%	$37.41 +1.62 +4.53%

2. Canadian economy adds nearly 84,000 jobs in October

[November 6, 2020] Statistics Canada says the pace of job growth slowed in October as the economy added 83,600 jobs in the month compared with 378,000 in September.

The unemployment rate was little changed at 8.9% compared with 9% in September.

Overall, there were about 1.8 million people out of work in October.

The average economist estimate was for a gain of 100,000 jobs in October and an unemployment rate of 8.8%, according to financial data firm Refinitiv.

Job increases were found across several industries, including retail.

Most of the gains were in full-time work, with core-aged women benefiting the most to bring their unemployment rate to 6.6%, the lowest among the major demographic groups tracked by Statistics Canada.

But those gains were partially offset by a decrease of 48,000 jobs in the accommodation and food services industry, largely in Quebec, Statistics Canada says.

More Canadians were also working at home in October, coinciding with a rise in case counts of Covid-19.

CIBC senior economist Royce Mendes says the fact the economy posted another gain in October was good news.

"It seems like employment readings are destined to ebb and flow over the coming fall and winter months, as governments try to adjust activity in attempts to contain the virus," he wrote in a note.

Statistics Canada says the unemployment rate would have been 11.3% in October had it included in calculations the 540,000 Canadians who wanted to work last month but didn't search for a job.

3. PBO says feds can spend more, but wiggle room has shrunk due to pandemic

[November 6, 2020] The parliamentary budget officer says the federal government has the wiggle room to add billions more in permanent spending before its finances become unsustainable.

Based on the budget officer's calculations, the government could increase spending, reduce taxes, or a combination of the two to the tune of $19 billion and still reduce the debt-to-GDP ratio over time to pre-pandemic levels.

That's down from the $41 billion the budget officer calculated in February before the Covid-19 pandemic.

Yves Giroux's report says the same can't be said of some provinces, the territories, local or Indigenous governments, whose current spending levels would see debt growing continuously as a share of the economy.

He estimates permanent tax increases or spending cuts totalling about $12 billion and growing in line with gross domestic product over time would be needed to stabilize the finances of those governments.

Only three provinces have finances that are considered sustainable in Giroux's view: Quebec, Nova Scotia and Ontario, each of which have varying levels of room to bump up permanent spending.

4. Ontario government presents $187B pandemic-era budget

[November 5, 2020] Ontario will spend a record $187 billion this year as it lays out a plan to recover from the Covid-19 pandemic, with money earmarked for the health-care sector, to support for seniors living at home and to subsidize electricity rates for businesses.

The province's first budget since the start of the global health crisis shows it will spend $45 billion over the next three years to respond to the pandemic — $30 billion was previously announced this year, and $15 billion in new funding will be spent over the next two years.

The fiscal plan presented Thursday also shows a record deficit of $38.5 billion for this year, consistent with the government’s summer projections. A path to balance is expected in next year’s budget.

In tabling the spending plan in the legislature, Finance Minister Rod Phillips said the budget aims to “provide as much certainty as possible in an uncertain time.”

“There is still great uncertainty in the global economy, and this means the same thing for the Ontario budget as it does for the family and business budgets,” Phillips said.

“This means there is a greater degree of risk underlying our projections than normal.”

The Progressive Conservative government said it is spending $2.5 billion more on hospitals this fiscal year, including $572 million announced Thursday aimed specifically at offsetting Covid-19 expenses.

The budget also includes a tax credit meant to help seniors stay at home longer, which will reimburse them for 25% on eligible renovations of up to $10,000, regardless of their income and whether they owe taxes for 2021.

It also renews funding to help parents with the added costs of at-home education, which consists of $200 per child under 12 and $250 per child or youth with special needs. That program will cost the province $380 million, on top of the $378 million spent earlier this year.

The document does not, however, provide costing for the new standard for long-term care announced earlier this week, which would see nursing home residents receive an average of four hours of direct care every day.

Asked about the omission, Premier Doug Ford insisted the province is “totally committed” to the new standard but said it needs to consult with stakeholders before providing more details.

Phillips said the government needs more time because it only received interim recommendations from its commission on long-term care two weeks ago.

A government study released in July also highlighted the need for increased staffing in long-term care homes.

Education spending is expected to stay largely the same over the next three years, with $31 billion allocated this fiscal year, $31.1 billion next year and $31.3 billion in 2022-2023.

The government is also taking on a long-term expense in this budget by announcing it will subsidize a portion of hydro rates for medium and large commercial and industrial businesses, a move it said will help make the province more competitive.

Starting Jan. 1, 2021, the change will see industrial businesses save 14% and commercial businesses save 16% on their average bill. The province estimates

the program will cost $1.3 billion next year, with costs gradually declining until 2040.
Opposition legislators decried what it called a lack of long-term support for hospitals, long-term care and businesses struggling to weather the pandemic, saying the fiscal plan contains only minor, one-off relief.
Phillips acknowledged in the legislature that some may question the government's pandemic response.
"We respect those who, from outside of the government, in good faith, call for different decisions and different approaches," he said.
"But please understand the difference. When critics get it wrong, the consequences are minor. When the government gets it wrong, people's lives are at stake. And every decision we make is made with the heavy knowledge that lives are on the line."
The budget includes three possible scenarios for the province's economic recovery over the next two years — an official projection based on medium growth and two alternatives, one based on a slower growth outlook and another with more rapid growth.
The government predicts the deficit will go down to $33.1 billion in 2021-2022, then to $28.2 billion the following year under the medium growth scenario.
A path of slower economic growth would see a deficit of $35.6 billion in 2021-2022 and $33.4 billion the next year, and one with faster growth would see deficits of $27.7 billion and $21.3 billion, respectively.
The government put off delivering a full fiscal plan earlier this year, citing the economic uncertainty caused by the global health crisis.
The fiscal update it gave in March instead initially included $17 billion in Covid-19 relief, though that projection was updated to $30 billion by the end of 2020-21.
The province also originally predicted a deficit of $20.5 billion, which was later raised because of the added spending.

5. Insolvency activity surging

[November 5, 2020] Insolvencies are on the rise in Canada, according to new data from the Office of the Superintendent of Bankruptcy (OSB).
The agency reported that the total number of insolvencies, including both bankruptcies and consumer proposals, rose by 18.8% in September from the previous month. Bankruptcies were up by 15.9% and consumer proposals increased by 20.4%.
In Quebec, insolvency activity jumped 25.9% in September to almost 2,300.

With over 2,700 insolvencies, Ontario remained the province with the highest level of activity, but the numbers were up a more modest 14.6% from August.
Overall insolvency activity has been down substantially since the onset of the Covid-19 pandemic due to an array of government financial supports that were rolled out as well as temporary relief measures from financial institutions.
That trend continued in September, with total insolvency numbers down 35.3% from the same month last year.
Consumer insolvencies decreased by 35.8% from 2019, the OSB reported, and business insolvencies were down by 7.9%.
In fact, insolvency activity overall was down for the 12-month period ending Sept. 30.
The total number of insolvencies in the period decreased by 19.2%, compared with the same period in 2019.
Consumer bankruptcies were down 29.2%, consumer proposals decreased by 12.3%, and business insolvencies dropped by 18.7%.
The OSB said that the construction sector and the professional, technical, and scientific services sector recorded the biggest decrease in the number of insolvencies. The sectors facing the largest increases include retail trade, the arts, entertainment, and recreation sectors.

6. EI reform could be the most enduring effect of Covid-19

[November 4, 2020] The most lasting change to come out of the Covid-19 crisis could be reform to Canada’s social safety net, suggests Benjamin Tal, deputy chief economist at CIBC Capital Markets.
Speaking at the Ontario Securities Commission’s (OSC) annual policy conference on Wednesday, Tal said that some effects of the pandemic — such as the broad shift to working from home — could well be overstated, and likely won’t represent a fundamental change in how society operates.
But Tal also cautioned against underestimating how dramatically — and permanently — society will be changed in other ways by the pandemic.
One area that could see a fundamental long-term change is Canada’s social safety net, after the pandemic exposed the vulnerability of the existing employment insurance system, particularly given the harder hit low-wage workers suffered during the crisis.
Lessons learned from the pandemic may result in governments introducing some form of guaranteed basic income or other reform to better protect

vulnerable Canadians, Tal suggested — a change that would ensure higher government spending and, ultimately, higher taxes in the years ahead.
With regard to people continuing to work from home, Tal said that large segments of the population rushing to work at the same time every day may now seem “primitive,” but he expects workers will return to the office at some point.
There will be greater flexibility in how people work, Tal predicted, but also a gradual return to normal life in the coming months as rapid testing, improved treatment and vaccines for Covid-19 are developed.
These developments should underpin a strong recovery in mid- to late-2021, Tal suggested, following a “relatively harsh” winter, in economic terms.

7. Toronto home sales rose 25% in October

[November 4, 2020] The Toronto Regional Real Estate Board says its agents sold a record 10,563 homes in October, a 25.1% increase from October 2019 as the housing market recovers from spring’s Covid-19 slowdown.
The board says the average selling price for homes was $968,318 in October, 13.7% higher than last October’s average of $851,877.
TRREB’s chief market analyst Jason Mercer says the housing market has now caught up to where it was this time last year, despite a near halt in home sales this spring when the Covid-19 lockdown began.
But the pandemic has pulled buyers away from downtown condos and toward more spacious detached homes with yards, according to board president Lisa Patel.
As buyers competed over limited listings for detached homes, the number of condos listed for sale this October was double the number of condos that hit the market in October 2019.
Condo sales rose 2.2% overall compared with this time last year but fell 8.5% in the city of Toronto and increased 28.4% in the suburbs.

8. Bill introduced to provide businesses with direct access to rent relief

[November 3, 2020] The federal government has introduced a long-awaited bill to provide businesses with direct access to emergency rent relief — almost a month after announcing the new measure.
The bill would also extend the federal emergency wage subsidy until June 2021.
The government’s previous rent relief program was widely criticized because it needed buy-in from landlords, many of whom did not participate.

The new Canada Emergency Rent Subsidy is intended to allow commercial tenants to apply directly for rent and mortgage-interest support.
Until Dec. 19, it would cover up to 65% of eligible expenses to businesses, charities and non-profits that have suffered a revenue drop due to the Covid-19 pandemic.
Claims could be made retroactively for the period that began on Sept. 27.
Businesses that are forced to shut their doors due to the pandemic would be eligible for another 25%.
Prime Minister Justin Trudeau and Finance Minister Chrystia Freeland first announced the new rent relief program on Oct. 9.

9. Labour market challenges to persist

[November 2, 2020] The economic recovery from the Covid-19 pandemic has been uneven, leaving some industries struggling more than others. Labour market statistics highlight the troubling divergence, which could persist beyond next year.
"The theme of the labour market has been asymmetry since the reopening," said Katherine Judge, economist at CIBC World Markets, in an Oct. 23 interview.
"About 40% of employment is within industries that are stuck in an L-shaped recovery trajectory."
Service-oriented industries and natural resources are among those hardest hit. Employment in accommodation and food services is down by about 15% since February, Judge said. Retail, along with mining, oil and gas, is down about 7%.
In comparison, total employment is down about 4%.
"We are seeing this dichotomy in the labour market, where there are some industries that need to operate with social distancing in place until there's a vaccine available," Judge said.
"In others, we're seeing more of an adaptation of wearing PPE and being able to function without going back into the scale of lockdown that we saw in the spring."
Smaller companies have also been disproportionately affected by Covid-19.
"Those with about 20 to 99 employees account for only about 30% of pre-pandemic employment but almost 80% of job losses since February," Judge said.
Some positive news is that another widespread lockdown isn't likely, despite the virus's second wave.

"Closures have been a lot more targeted this time around, because businesses and consumers have adapted to operating with PPE and social distancing," Judge said.

"There are examples of countries abroad that have contained [Covid-19] with just localized lockdowns, as well as intense contact tracing."

While targeted lockdowns lessen the negative economic impact during the second wave, the pace of job gains is expected to be "choppy" over the next six months, Judge said, until a vaccine is widely available — perhaps in the latter half of 2021.

"Job gains certainly will slow, and the ones that we've seen in recent months are at stake," she said.

Five straight months of job gains from May to September saw three-quarters of jobs lost early in the pandemic return. That streak could end Friday when the labour force survey for October is released.

CIBC Capital Markets is forecasting a flat month-over-month unemployment rate of 9% based on renewed restrictions — a figure that may portend the choppier path ahead.

"The October reading is likely just the beginning of what will be a rocky period for the Canadian economy," CIBC Capital Markets said in a weekly economics report.

In the first quarter of 2020, unemployment was 6.3%, and CIBC Capital Markets forecasts an unemployment rate of 8.9% in the first quarter of next year.

"We're recovering into this very weak environment — a recessionary recovery," Judge said.

"We don't think it will be until 2022 when we see a full recovery in the labour market."

10. Robots do not need middle managers, StatsCan finds

[November 2, 2020] It is the middle managers who suffer when companies introduce robots to their workforces, suggests new research from Statistics Canada.

The national statistical agency published a pair of studies looking at the effects of automation on employment. Overall, it found firms that invested in robots ended up employing more workers after controlling for company size, unionization, outsourcing and other characteristics.

On average, firms that use robots had 15% more workers than companies without robots in the same industry.

“The studies found that firms expanded both their high- and low-skilled workforce, although not their middle-skilled workforce after investing in robots,” StatsCan said, noting that companies with robots also use fewer managers.

“One possible explanation is that robots can repeat multiple tasks with a precision and consistency that humans cannot, and greater consistency may mean firms need fewer managers to monitor workers to ensure quality,” StatsCan said.

In the absence of managerial oversight, workers get more decision-making authority and greater individual performance incentives, StatsCan said.

“Robots are associated with firms focusing more on increasing product and service quality, and not on reducing labour costs,” it said, and “robots allow firms to increase productivity.”

On average, companies that invested in robots increased output by 0.8% per year, it noted.

While the auto industry accounted for about half of company investment in automation back in 2008, by 2017 it was down to less than one-third, with robots increasingly in use in agriculture, mining, construction and certain service industries such as health care and waste management, StatsCan reported.

Have a nice and fruitful week!