

# How deeply has COVID-19 impacted Canada's economy and financial health?

Canada Economic and Fiscal Snapshot, July 8, 2020

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On Wednesday July 8, Canada's Finance Minister Bill Morneau presented an "Economic and Fiscal Snapshot" (EFS) in parliament. The snapshot provided information on the current state of the Canadian economy and the federal government's response to support Canadians during the COVID-19 pandemic. It was the federal government's first public assessment of the country's economic and financial situation since the COVID-19 pandemic forced provinces into lockdown in March.

"Fiscal projections from the government are critical in providing greater certainty to Canadian businesses as they start to open up," said Sadiq S. Adatia, Chief Investment Officer at Sun Life Global Investments. "They give companies an indication of the government's current financial health and how long fiscal support programs are likely to continue."

Here are some highlights from the EFS:

- Canada's federal deficit for 2020-21 is expected to rise to \$343.2 billion from the \$34.4 billion deficit projected before the pandemic.
- Much of the increase can be attributed to \$212 billion in direct support measures the federal government is providing to individuals and businesses.
- Canada's economic slowdown is estimated to have added another \$81.3 billion to the deficit in 2020-21
- The economy is projected to shrink by 6.8% this year before bouncing back by 5.5% next year, making this crisis Canada's worst economic contraction since the Great Depression, and more than twice as large as the contraction in 2009-10 following the Global Financial Crisis.
- As a result, Canada's debt-to-GDP ratio is expected to rise from 31% in 2019-20 to 49% in 2020-21.
- Between February and April, 2020, 5.5 million Canadians either lost their jobs or saw their work hours significantly reduced. Canada's unemployment rate rose to 13.7% in May — the highest rise on record — from a pre-crisis low of 5.5% in January.
- As of July 3, 688,000 applicants have been approved for about \$27.41 billion in Canada Emergency Business Account (CEBA) loans — \$7 billion of which is forgivable if the loan is paid back before December 31, 2022. The cost of the program is expected to rise to \$13.7 billion by the time it ends
- Morneau noted that Canada's debt structure is prudent and compares favourably with our G-7 peers.

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