

## Federal stimulus grows to \$52 billion

March 25, 2020

Just one week ago the Government proposed a \$27 billion stimulus package including two income support benefits, as well as \$55 billion in tax deferral for individuals and businesses. Today, Finance Minister Morneau outlined a new merged benefit for workers who lose their incomes due to the health and economic effects of the virus.

With new spending of \$25 billion, the total deficit this year will likely be close to \$110 billion, rather than the \$28 billion the Government projected in the fall. The new Canada Emergency Response Benefit, merges the previously announced emergency benefits and expands eligibility to furloughed workers who remain employed but are unable to work, in addition to those who lose their jobs altogether and the previously announced 10% wage subsidy for those who keep going to work at small businesses. Together, the measures approved by Parliament this morning total 2.3% of GDP, up from 1.2% earlier.

These changes are positive, though in our view leave room for more to be done. As we noted on Monday, the stage one fiscal support by the Federal government is small in comparison to international peers, and lacks sufficient support for businesses. With nearly 1 million EI claims last week alone, according to some reports, layoffs by businesses seeking to stem losses are already occurring. By keeping strong links between employers and employees, income support for furloughed workers (as opposed to the 10% wage subsidy for those who keep working) will help reduce search and training costs when physical distancing is no longer needed, quickening the recovery from the crisis. It also brings Canadian fiscal support closer to those announced by other governments worldwide, who continue to announce new measures as well.

Still, support for workers does little to help businesses pay non-labour expenses. Short-term tax deferrals will help smooth out near-term cash flow issues, but will not keep rent, leases, and interest on existing debt from sinking businesses without any income. If physical distancing measures drag on, cash flow problems may quickly become solvency problems and layoffs could go from temporary to permanent. If their employer has failed when they're ready to go back to work, temporary income support from the Government will be little comfort to unemployed workers.

The Government should continue to look at credit support for medium and large firms, and consider lending with loan forgiveness for smaller firms that meet certain conditions (e.g., those that continue employing or paying employees through the disruption). The Prime Minister suggested more help for businesses was on the way, and we hope it comes soon.

### COVID-19 fiscal programs

