COVID-19: Assessing the Potential Economic Impacts for Atlantic Canada

March 18, 2020

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Today’s Presenters

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2020: The Year for Atlantic Economic Shocks

NS: Closure of Northern Pulp mill

ATL: Blockades disrupt supply chains

NL: Snowmageddon disruptions

and now...

ATL: COVID-19

NL: Drop in oil prices
COVID-19 Global Pandemic

Mainly concentrated in China in January; accelerating in Europe by late February and now spreading in North America.

160 countries
200,000 cases
7,980 deaths

Speed and Scale of Transmission Varies Considerably by Country

Cumulative COVID-19 cases, selected countries (per million people)

Source: John Hopkins University

Note: Data up to 17 March 2020
COVID-19 Has Spread Across Canada

Canada
Deaths: 8
Confirmed cases: 569
Probable cases: 28
Cases per million people: 16

Atlantic Canada
Deaths: 0
Confirmed cases: 4
Probable cases: 15
Cases per million people: 8

Source: Government of Canada, Statistics Canada
Last updated: March 17, 2020, 9pm AST
COVID-19: Potential Economic Impacts

• Nature of impacts: temporary, permanent and long-term
• Severity of impacts: Modest, short-term; moderate and prolonged; deep
• Key economic risks: loss of job/income (individual), cash flow and supply chain (business)

• Complete economic shutdown for 1 week: - 1.9%
• Shutdown 10% of the economy for 1 month: - 0.8%

• Current estimates for Canada: Annual growth downgraded by 1.4% for 2020 (TD, RBC)
• Canadian economic growth in 2020: current forecasts of 0-0.2% (Canadian banks)

• Key unknowns: Duration and severity; individual, business and policy responses

• Lack of timely data: www.apec-econ.ca/covid  Share your updates: covid@apec-econ.ca

Source: APEC
Wealth Effects: Recovery Time From Economic Shocks Varies Widely

Loss in average monthly value of TSX index from peak (%)

- Recession 1981-83
- Recession 1989-93
- Great Recession 2008-2014
- COVID-19 (as of March 17)

Source: Statistics Canada, Yahoo Finance, APEC
Impacts Rippling Across the Economy; Intense in Some Sectors

Source: Statistics Canada, APEC

Total employment by industry, Atlantic Canada 2019 (‘000s)

- Health
- Retail
- Education
- Construction
- Public administration
- Accommodation/food
- Manufacturing
- Professional services
- Transport
- Financial services
- Business services
- Info/culture/recreation
- Other primary
- Wholesale
- Mining/oil and gas

Prolonged lower oil prices will lead to cutbacks, risk for future developments

Panic buying, shoppers stay home, store closures

Restaurants, bars and hotels scaled back/closing

Scaling back and some closures, access to TFW for processing

Passenger transport hit hard

Sporting events, cultural activities cancelled; drop in tourism

Retail and manufacturing slowdowns

Major impact
Sizeable Impacts on Select Atlantic Industries

Restaurants and bars
• Average weekly spending at food service & drinking establishments: $75 million (March-April 2019)

Retail
• Average weekly retail sales: $750 million (March-April 2019)

Cruise industry
• Ports of Halifax, Saint John, Sydney and Charlottetown received about 800,000 cruise passengers in 2019, expected to grow 18%+ in 2020
• Average spend $68 per passenger, more than $54 million total in 2019
• Season delayed to at least July 1: Loss of >$7 million in passenger spending (Halifax and Saint John only)

Source: Statistics Canada, Port of Halifax, Port of Sydney, Port Saint John, Port of Charlottetown
COVID-19 Disruptions Will Impact Atlantic Exports and Supply Chains

Atlantic Canada’s Top 10 Merchandise Export Markets (2019)

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports, 2019 ($m)</th>
<th>Leading exports</th>
<th>Total COVID-19 cases</th>
<th>COVID-19 cases per million persons</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>25,000</td>
<td>Refined petroleum, crude oil, seafood, tires</td>
<td>6,421</td>
<td>20</td>
</tr>
<tr>
<td>China</td>
<td>2,000</td>
<td>Seafood, iron ore, pulp</td>
<td>81,058</td>
<td>58</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1,400</td>
<td>Crude oil, iron ore, refined petroleum</td>
<td>1,708</td>
<td>99</td>
</tr>
<tr>
<td>UK</td>
<td>1,300</td>
<td>Crude oil, iron ore</td>
<td>1,960</td>
<td>30</td>
</tr>
<tr>
<td>Japan</td>
<td>660</td>
<td>Iron ore, shellfish</td>
<td>878</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>530</td>
<td>Crude oil</td>
<td>31,506</td>
<td>521</td>
</tr>
<tr>
<td>Belgium</td>
<td>420</td>
<td>Iron ore, nickel</td>
<td>1,243</td>
<td>109</td>
</tr>
<tr>
<td>Spain</td>
<td>370</td>
<td>Crude oil, copper</td>
<td>11,748</td>
<td>252</td>
</tr>
<tr>
<td>Turkey</td>
<td>300</td>
<td>Iron ore, scrap metal</td>
<td>47</td>
<td>1</td>
</tr>
<tr>
<td>France</td>
<td>270</td>
<td>Iron ore, seafood</td>
<td>7,700</td>
<td>115</td>
</tr>
</tbody>
</table>

Note: COVID-19 data as of 17 March 2020
Disruptions to International Movement of Workers

**Seasonal agricultural workers**
- 900 seasonal workers in Atlantic Canada in Q1 and Q4 of 2019; 500 in Q2 and Q3
- Risks to planting season (and subsequent harvest)

**Temporary foreign workers**
- 1,600 temporary foreign workers in Atlantic Canada in 2019
- Particularly important to seafood processing

**Immigration**
- 17,900 immigrants to Atlantic Canada in 2019; provinces had targeted further growth this year

Source: Immigration, Refugees and Citizenship Canada, Employment and Social Development Canada
## Potential Risk to Fall Enrollment of International Students

<table>
<thead>
<tr>
<th>Country of citizenship</th>
<th>Atlantic university enrollments, 2018/2019</th>
<th>Share of international students (%)</th>
<th>Total COVID-19 cases</th>
<th>COVID-19 cases per million people</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>4,543</td>
<td>27</td>
<td>81,058</td>
<td>58</td>
</tr>
<tr>
<td>India</td>
<td>2,777</td>
<td>17</td>
<td>142</td>
<td>0.1</td>
</tr>
<tr>
<td>US</td>
<td>827</td>
<td>5</td>
<td>6,421</td>
<td>20</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>828</td>
<td>5</td>
<td>10</td>
<td>&lt; 0.1</td>
</tr>
<tr>
<td>Nigeria</td>
<td>660</td>
<td>4</td>
<td>3</td>
<td>&lt; 0.1</td>
</tr>
<tr>
<td>Bahamas</td>
<td>553</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Iran</td>
<td>436</td>
<td>3</td>
<td>16,169</td>
<td>200</td>
</tr>
<tr>
<td>Bermuda</td>
<td>314</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>France</td>
<td>257</td>
<td>2</td>
<td>7,700</td>
<td>115</td>
</tr>
<tr>
<td>Japan</td>
<td>250</td>
<td>1</td>
<td>878</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>5,263</td>
<td>31</td>
<td>87,461</td>
<td>22</td>
</tr>
<tr>
<td>Total</td>
<td>16,708</td>
<td>100</td>
<td>199,841</td>
<td>25</td>
</tr>
</tbody>
</table>

Source: Maritime Provinces Higher Education Commission, Memorial University, World Health Organization

Note: COVID-19 cases as of March 17
Policy Measures Need to Target Cash Flow and Income

Initial Federal Economic Policy Measures Focused on Liquidity and Credit:

• **Lower interest rates, increase liquidity**: Bank of Canada cut policy rate by 100 basis points; additional liquidity measures to support the financial system

• **Increase business credit**: $10 billion of support for businesses (Business Credit Availability Program) through BDC & EDC to support financing and credit insurance with private sector lenders

• **Increase bank lending**: Lower asset requirements for large banks (Domestic Stability Buffer requirement) to open up $300 billion of additional lending capacity for Canadian banks. CMHC Insured Mortgage Purchase Program ($50bn) to provide stable funding to banks/mortgage lenders.

• **Other measures** (March 18) include: RRIF withdrawals, Canada Student Loans, Farm Credit

• **Tax deferrals for households and businesses**: Defer tax payments until after August 2020 (total liquidity impact of tax deferrals $55 billion).

Source: APEC
March 18 Federal Economic Policy Measures Increase Focus on Incomes:

- **Enhance program to reduce layoffs**: Work-sharing program provides income support to employees working temporarily reduced work week

- **Faster EI access**: eliminate 1 week waiting period for new quarantined EI claimants

- **Direct aid for households and businesses ($27 billion)** including:
  - Up to 15 weeks in EI ($900 bi-weekly) under the Emergency Care Benefit for those sick and in self-isolation or caring for someone who is sick and in self-isolation, who would not normally qualify for EI ($10 billion)
  - Emergency Support Benefit, a similar program for those who lose their job ($5 billion)
  - Boosting the Canada Child Benefit ($2 billion) and increasing the GST/HST credit for low-income Canadians ($5.5 billion)
  - A 10% wage subsidy for 3 months for small businesses/non-profits (max: $1,375 per employee, $25,000 per employer)

**Other Measures**

- **Provincial health care support**: $500 million to the provinces for critical health care system needs
- **Provincial programs**: Provinces also developing support programs (e.g., PEI $25 million)

Source: APEC
Federal balance fell by $66 bn during the last recession; took 5 years to return to balance.

Federal deficit currently $28 bn.

If GDP slows from 1.6% to 0.2% (RBC forecast), would increase deficit by $7 bn.

Policy measures to address COVID-19 could double the deficit this year, including $28 bn in direct funding.

Source: Department of Finance Canada, RBC Economics, APEC
Fiscal balance as a share of GDP (%)

Source: Atlantic provincial governments budget and Public Accounts, TD Economics

Last recession reduced provincial fiscal balance by 1-2% of GDP in the Maritimes.

With modest surpluses, Maritime provinces entering this fiscal year in better position than in 2008.

Newfoundland & Labrador was already facing a large deficit this year; now compounded by a drop in oil prices and the economic impact of COVID-19.

Source: Atlantic provincial governments budget and Public Accounts, TD Economics

* forecast pre COVID-19
National and International Perspectives

Craig Alexander
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The decline in economic activity will be a function of weaker global demand, lower commodity prices and restrictions on the movement of goods and people.

Canadian Quarterly Real GDP Growth

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Share additional questions or economic updates: covid@apec-econ.ca
Comparisons with Previous Health Crises

COVID-19 (January 2020 to March 17, 2020)
• 160 countries: 200,000 cases and 8,000 deaths globally (4% of cases)
• Canada: 569 cases, 8 deaths
• More substantial economic disruption due to containment of rapidly spreading virus

H1N1 (April 2009 to August 2010)
• 214 countries: about 18,450 deaths globally (1.3% of reported cases)
• Canada: 428 deaths
• By April 2010, 41% of Canadians age 12 or older had a H1N1 flu shot

SARS (November 2002 to July 2003)
• 26 countries: about 8,100 cases, 770 deaths and 8,100 cases globally (10% of cases)
• Canada: 251 cases, 43 deaths (43% of cases were health care workers)
• Reduced Canada’s real GDP by $1.5 billion in 2003, mainly in Toronto (Conference Board)

Source: John Hopkins University, Government of Canada, World Health Organization, Conference Board of Canada