

## Prepared by the New Zealand High Commission in Ottawa

*N.B: All monetary amounts below are in Canadian Dollars*

### Summary

- Deputy Prime Minister and Minister of Finance Chrystia Freeland delivered the 'Fall Economic Statement' to the Canadian House of Commons on 30 November 2020.
- The accompanying [report](#) titled 'Supporting Canadians and fighting COVID-19' gave detail to a number of initiatives the Government had indicated in the Speech from the Throne.
- New initiatives include a national long-term care fund with related standards, a secretariat to consider a national childcare system, support for affected sectors such as airlines, multinational digital corporations and extensions on current business support programmes.
- Separately, on 28 November Agriculture Minister Bibeau announced further details around compensation for supply managed industries, including a three-year timeline for dairy funding.

### Report

On 30 November 2020, Minister Chrystia Freeland delivered a fiscal update to Canada's Parliament. This was the first detailed economic update from the federal government since March 2019, although a 'fiscal snapshot' had been provided in July, after the 2020 budget was cancelled due to the pandemic.

The focus was on how government support measures have stabilised the economy, across several economic indicators. It was reiterated that Canada had entered 2020 in a strong position financially, with the lowest debt to GDP ratio in the G7 (a retained position) and that COVID-19 funding was the largest economic relief package since WWII.

#### Notable announcements

Delivering on several promises indicated in the Speech from the Throne, the federal government announced some key groups which would receive additional funding, in recognition of how the pandemic has been affecting them.

**Long-term care** – the establishment of a \$1 billion "Safe Long-term Care Fund", to set new national standards that will help provinces and territories protect vulnerable seniors. These facilities continue to be hit hard by COVID-19 in Canada, with one in every four cases within rest homes resulting in death. The programme is contingent on provincial governments providing a detailed spending plan about how they will improve infection prevention and control in long-term care homes.

**Childcare** – based off a programme in Quebec, funding for a secretariat on national early learning and child care will be provided (\$20 million over 5 years, with \$4.3 million ongoing), to help women return to the work place. This hopes to respond to the 'she-cession' and the disproportionate economic impacts on women from COVID-19. Freeland commented "I say this both as a working mother, and as a finance minister: Canada will not be truly competitive until all Canadian women have access to the affordable child care we need to support our participation in our country's workforce". There will also be an increase in the Canada Child Benefit, with temporary support of up to \$1,200 for each child under the age of six, and \$600 for those over six in 2021.

**Affected sectors** – support through the new Highly Affected Sectors Credit Availability Program will help some of the hardest hit industries such as airlines, arts and culture, tourism, hospitality and hotels. This will provide loans of up to \$1 million for up to 10 years backed fully by the government, with favourable terms for those who have lost revenue as a response to people staying at home.

**SMEs and student loans** – many measures have been in place for SMEs and in this fiscal update several of the programmes were extended. The maximum rate of the Canada Emergency Wage Subsidy was raised to 75% and along with the Canada Emergency Rent Subsidy and Lockdown Support, all have been extended until 13 March 2021. For students, all federal interest on Canada Student Loans and Canada Apprentice Loans will be eliminated for 2021-22 (this does not impact remaining provincial interest).

**Multinational company tax** – the statement announced the implementation of a Goods and Services Tax/Harmonized Sales Tax (GST and HST) on multinational digital corporations (such as Netflix and Amazon), as well as limited stock option deductions for the largest companies.

### Economic indicators

Predictions for the **debt to GDP ratio** are now at 50.7% with a projected peak in 2022-2023, before it slowly starts to decline. This is slightly higher than was indicated in the July snapshot (49.1%) and significantly higher than the 2019 budget (31%). The national debt for 2020 is expected to rise to \$1.107 trillion, up from \$1.06 trillion forecast last in July 2019 and does not include planned stimulus that would take effect in 2021.

In September, the Parliamentary Budget Officer predicted this year's federal **deficit** at \$328 billion — but the fiscal update suggests instead that the best case scenario will produce a \$381.6 billion deficit by March 2021, and if the rate of infections increases and restrictions/lockdowns are escalated it could climb to nearly \$400 billion. This deficit is expected to drop significantly over the next two fiscal years (to \$43 billion in 2023-24).

Predictions of the **unemployment** rate suggest a rise to 10% on average in 2020, then a decline to 8.1% in 2021, 7% in 2022 (still above pre-COVID levels), and then stabilising at 6% after 2023. It was announced that 80% of the 3 million jobs lost at the outset of the pandemic have now been recovered.

## COVID-19

The fiscal update shows that since March the Federal Government has spent more than \$322 billion on direct COVID-19 measures, including more than \$52 billion on co-ordinated federal, provincial and territorial measures. The statement announced further funding – \$8 billion on new healthcare measures, with \$3.6 billion for the remainder of 2020 and \$3.95 billion in 2021. Health Canada and the Public Health Agency of Canada will receive \$565.4 million to ensure federal and provincial government laboratories continue to fund COVID testing and develop innovative ways to test people for the virus. Replenishing the national stockpile of personal protective equipment will be facilitated through \$500 million in 2020 and a further \$1 billion over the next 9 years. Other headline policies included reducing the cost of face shields and facemasks for Canadians by removing sales taxes, and improving ventilation in public buildings.

Given the recent focus on vaccines the statement provided substantial detail on dosages and the versatility of the vaccine portfolio that Canada has negotiated. Canadian agreements will result in 429 million doses from seven different vaccine candidates – enough for at least 10 doses per Canadian citizen.

The statement introduced the term 'fiscal guardrails' – which translates to data triggers (such as the unemployment rate) to help the government establish when programmes can be wound down. These will help the Government ascertain when the virus is 'under control' enough, for the growth plan to begin. Unspecified stimulus projects, in the form of 3-4% of GDP (between \$70 to \$100 billion) between 2021 and 2024 are what the federal government proposed would jumpstart the economic rebound, with details set to come in the spring.

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## **A green and inclusive approach to recovery**

Linking economic recovery to the green economy was a large focus of the Speech from the Throne, and as a result, several parts of this fiscal update announced environmental projects. There was a commitment to plant 2 billion trees over the next 10 years, alongside grants for 700,000 home owners to make energy efficient upgrades to homes (up to \$5,000), and investments in zero-emissions vehicles charging stations across the country.

The federal government acknowledged that the pandemic has had a disproportionate impact on minorities and vulnerable people, with women, youth, Indigenous, black and other racialized Canadians accounting for much of the workforce in some of the hardest hit industries. Stimulus programmes supporting these groups include:

- \$221 million over four years to launch the first Black Entrepreneurship programme;
- \$380 million in 2021 for the Indigenous Community Support Fund;
- \$272 million to support Northern Communities and Business groups;
- \$1.5 billion to speed up the process of lifting all long-term drinking water advisories in First Nations communities and \$112 million to support a safe return to reserve schools;
- \$70 million over 5 years, and \$15 million ongoing to sustain the existing federal Indigenous Early Learning and Child Care Secretariat.

## **Compensation for agricultural supply management industries**

On Saturday 28 November, Federal Agriculture Minister Marie-Claude Bibeau announced details around compensation funding for supply managed industries in response to CETA and CPTPP. No compensation has been announced yet for concessions made in CUSMA, but Bibeau said that the Government remains committed to this, which was reiterated in the Fall Economic Statement.

From the compensation announced, Canadian dairy farmers will receive (on the basis of their milk quota) \$468 million in 2020-21, \$469 million in 2021-22 and \$468 million in 2022-23. This is on top off the initial \$345 million distributed in 2019. Canada's 4,800 poultry and egg farmers will get access to \$691 million through 10 year programmes, designed "in consultation with sector representatives and launched as soon as possible".

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