



Fiscal Countermeasures for COVID-19

Prepared by: Patrick Gill, Sr. Director, Tax & Financial Policy, Canadian Chamber of Commerce
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Purpose:

The Canadian Chamber has begun tracking fiscal countermeasures for COVID-19. This document summarizes the measures that have been publicly announced or considered in order to facilitate discussions between the Canadian business community and government.

Summary:

Outbreaks of COVID-19 outside of China are accelerating across the globe. (Since February 26, new detections of COVID-19 infections outside of China have outpaced detections inside of China.) The spread of the virus across international borders is swiftly impacting the global economy. Unlike other major economic disruptions of recent decades, COVID-19 has the potential to impact both the demand and supply of global activity and resources. According to Canadian Finance Minister Bill Morneau, the economic effects felt most acutely by Canada thus far relate to weakening: 1) commodity prices; 2) travel and tourism activity; 3) global supply chains; and 4) business and consumer confidence.

Like many governments across the globe, the Canadian government is actively considering potential fiscal countermeasures to soften the impact weakening demand and supply are having on its economy and workforce. On March 6, Minister Morneau informed Canadians the government's initial response would focus on: 1) supporting the Canadian health system; 2) supporting Canadian businesses and workers; and 3) increasing the risk adjustment for the 2020 Budget. On March 11, the Canadian government announced a \$1 billion response package to COVID-19. The package: 1) makes \$500 million available for provincial and territorial needs; 2) releases \$200 million to support the federal government's health response; 3) sets \$275 million aside for research and medical countermeasures; 4) waives the one-week waiting period for Employment Insurance; 5) introduces special measures under the Work-Sharing program; and 5) supports businesses' access to credit via crown corporations. The Canadian Chamber views the government's response package as a positive and pragmatic initial step. Additionally, the Chamber welcomes the government's whole-of-government approach and its close coordination with the Canadian business community.

For the immediate term, the growing consensus among global policymakers and economists is to implement measures that can swiftly stabilize commercial activity by supporting business and personal liquidity positions – especially during periods of isolation. (Measures with delayed effects, such as infrastructure spending or corporate tax cuts, are not actively being considered.) The focus on business and personal liquidity is understandable considering the weak financial positions of Canadian households and small businesses. (A 2017 study by accounting firm MNP, indicates more than half of Canadians are living within \$200 per month of not being able to pay their bills. A 2015 survey for BMO, estimates 41% of Canadians have less than \$5,000 saved for a financial emergency. No comparable statistics are available for small businesses.)

In response to the 2008 global financial crisis, governments around the world introduced large fiscal stimulus packages. Today, the widely-held view is that the size, timing and coordination of the response was

