



How to cope with the impacts of **COVID-19** on your business

What to expect and what does this mean for Canadian entrepreneurs?

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Agenda



① Current economic situation

- World
- U.S.
- Canada

② The road to recovery: 2 potential future scenarios

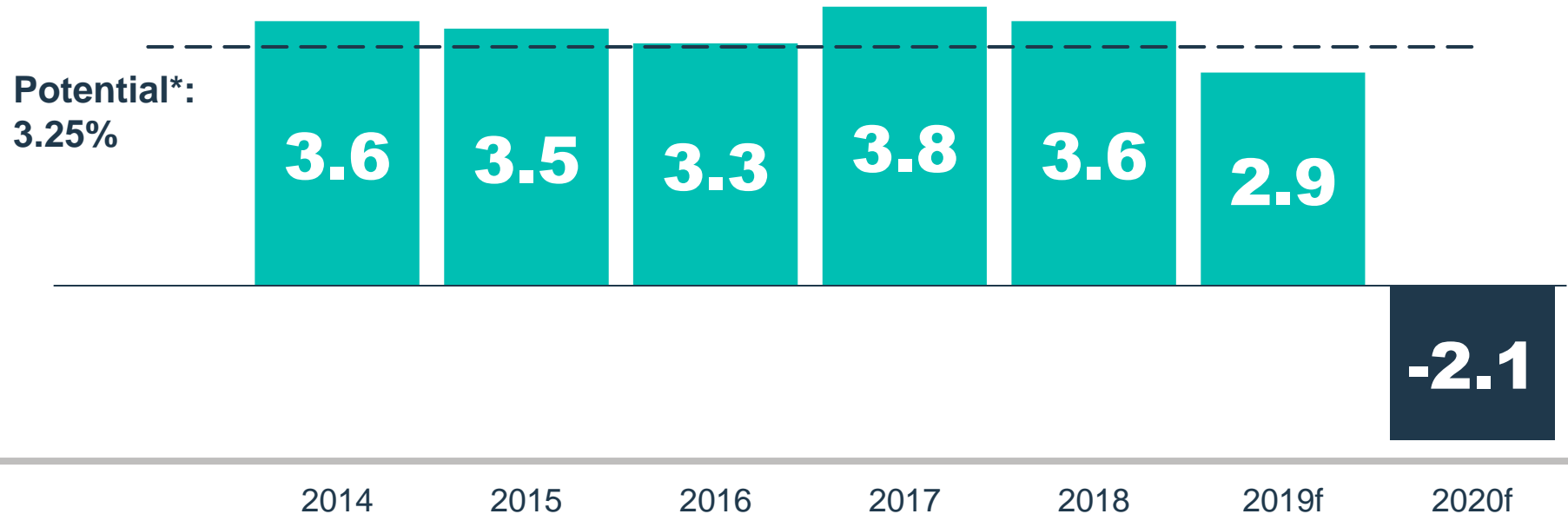


World economic outlook



The world economy is in recession

Real GDP global growth (%)



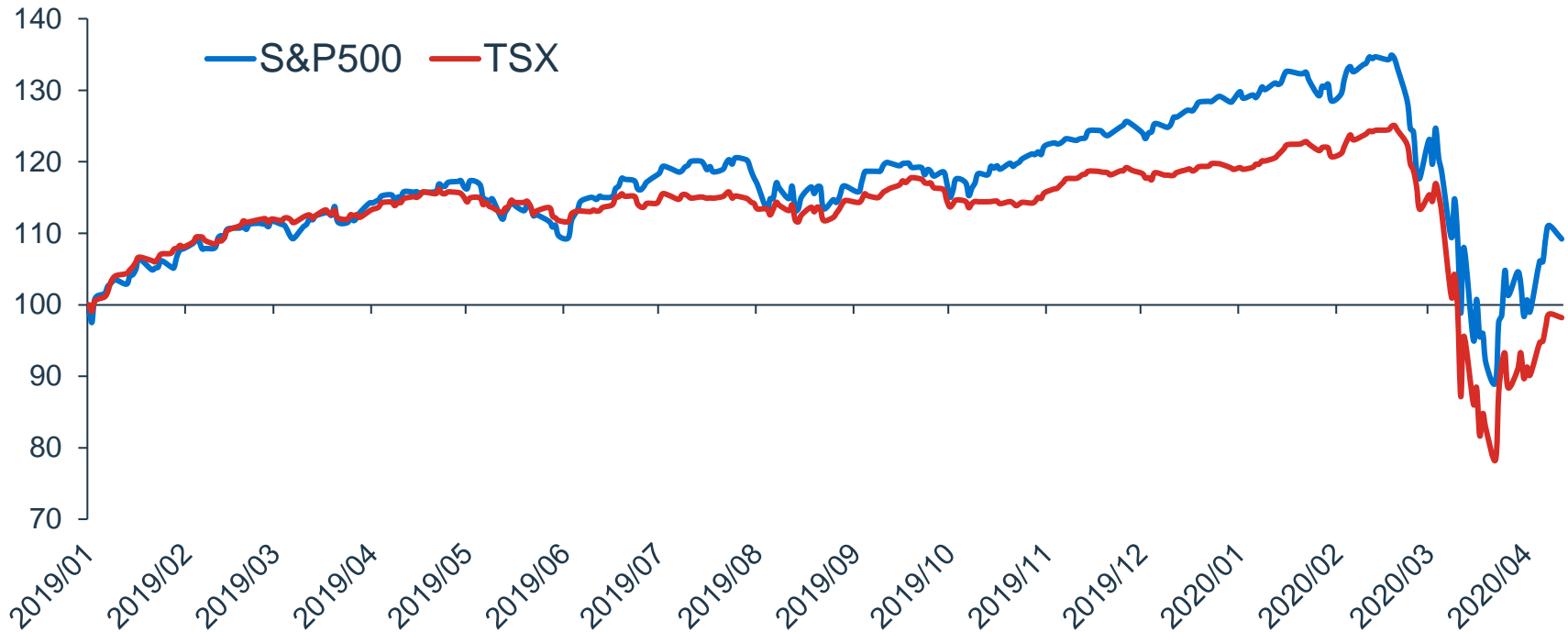
*Potential growth is the estimated growth of output that an economy can produce at a constant inflation rate. Potential growth depends on the capital stock, the potential labour force, the non-accelerating inflation or natural rate of unemployment, and the level of labour efficiency (OECD). Note: GDP 2010 constant prices; f = forecast.

Source: International Monetary Fund. World Economic Outlook Update. January 2020, Consensus Economics and Bank of Canada



Financial markets are taking a big hit

January 2, 2019 = 100

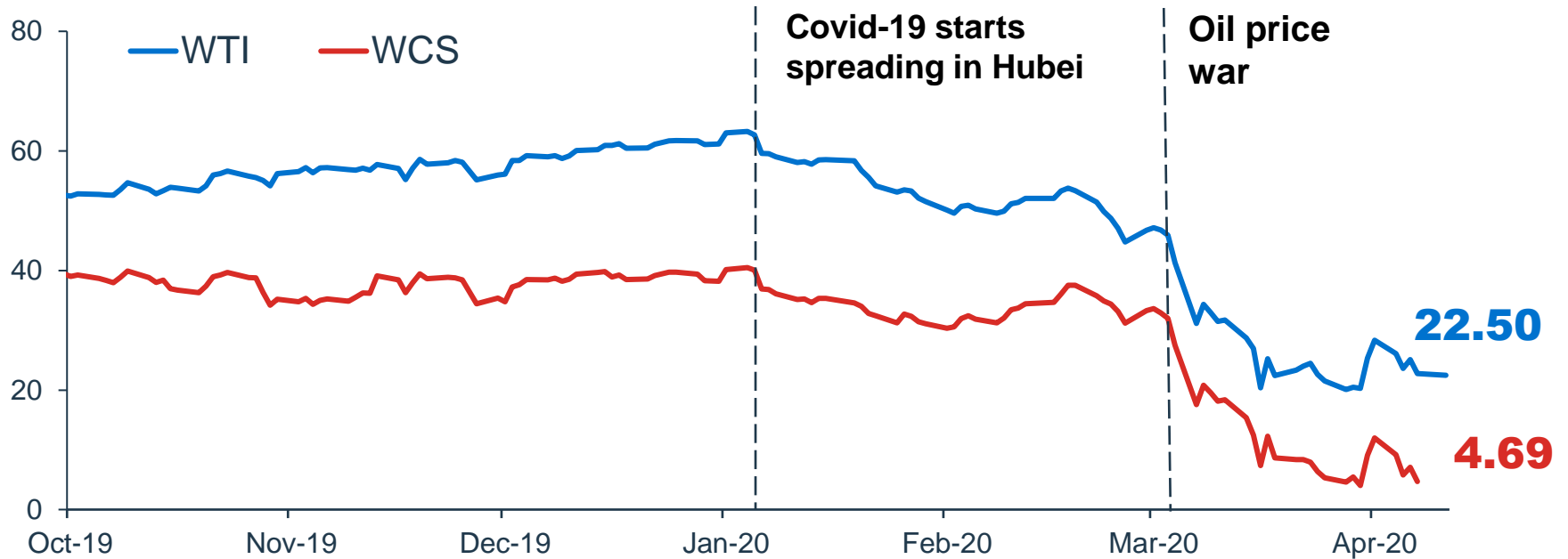


Source: Yahoo Finance, as of April 13th 2020 at 2 PM.



Double trouble for oil prices

US\$/barrel



Source: Oil Sands Magazine, WTI as of April 13th at 2PM, WCS as of April 9th.

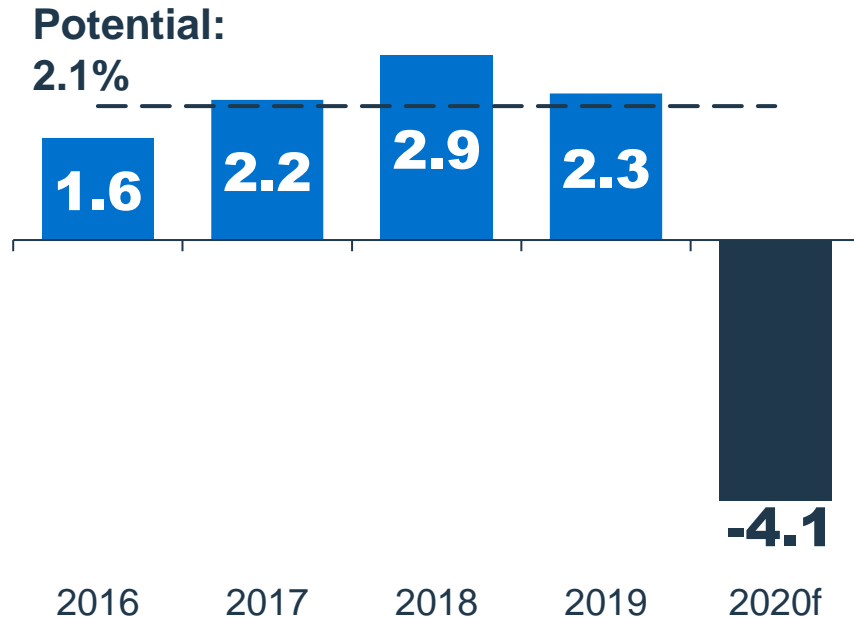


U.S. economic outlook

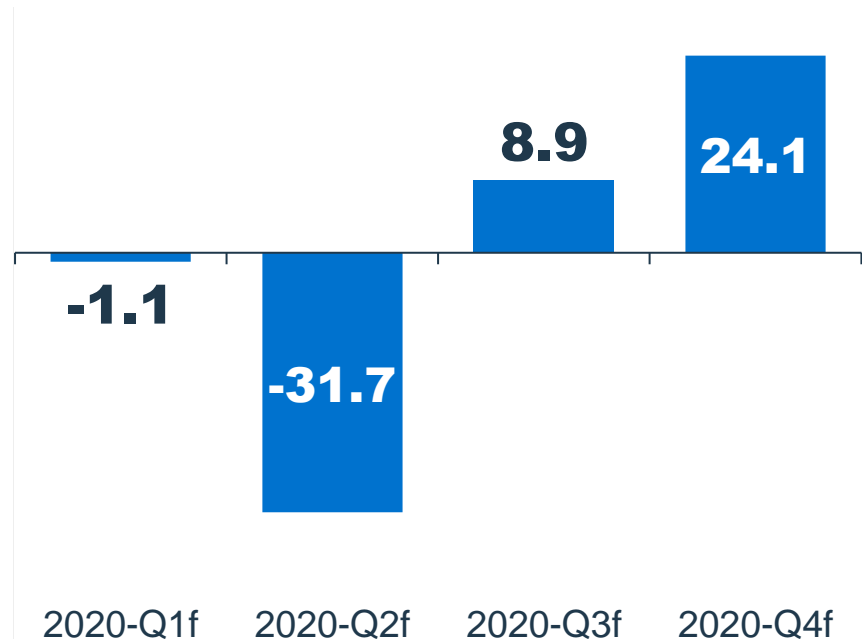


The U.S. economy is plummeting

Real annual GDP growth (%)



Quarterly growth, annualized (%)



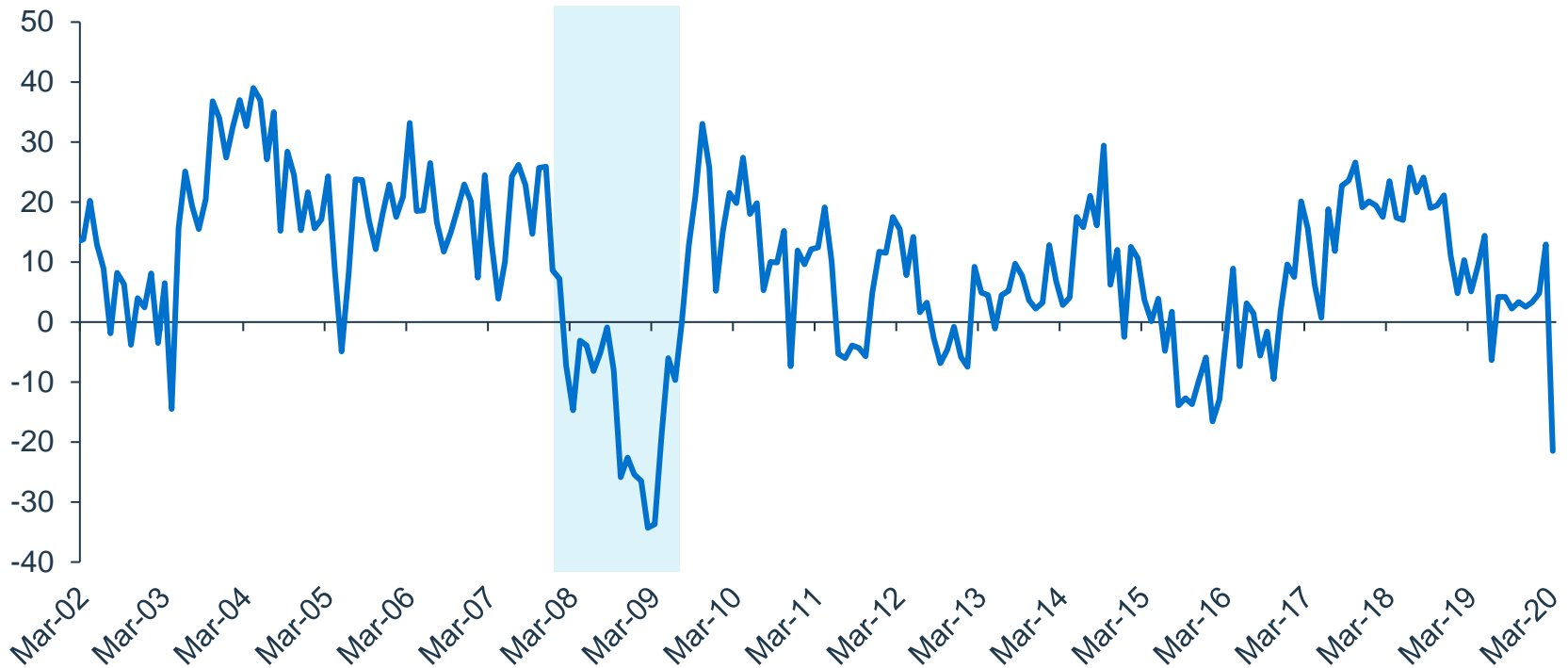
Note: f = forecast

Source: Oxford Economics, BDC calculations



U.S. manufacturing is hit hard

Empire index of manufacturing activity (NY State)





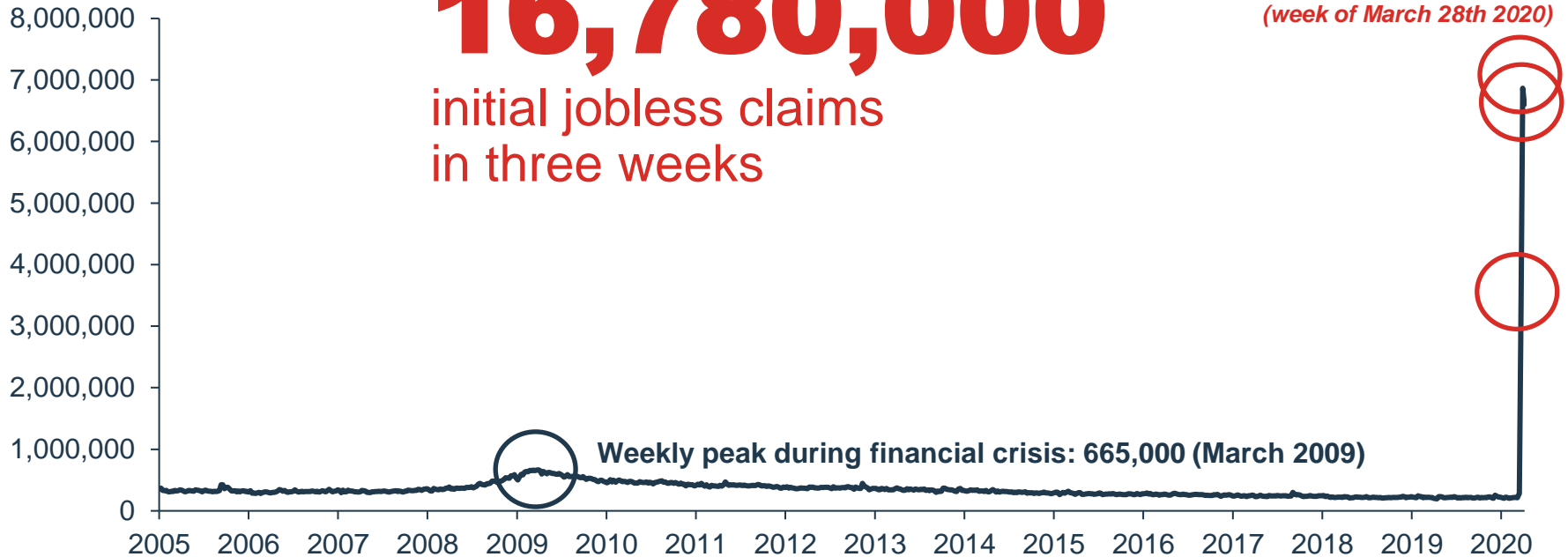
U.S. unemployment rising sharply

Initial claims, seasonally adjusted

16,780,000

initial jobless claims
in three weeks

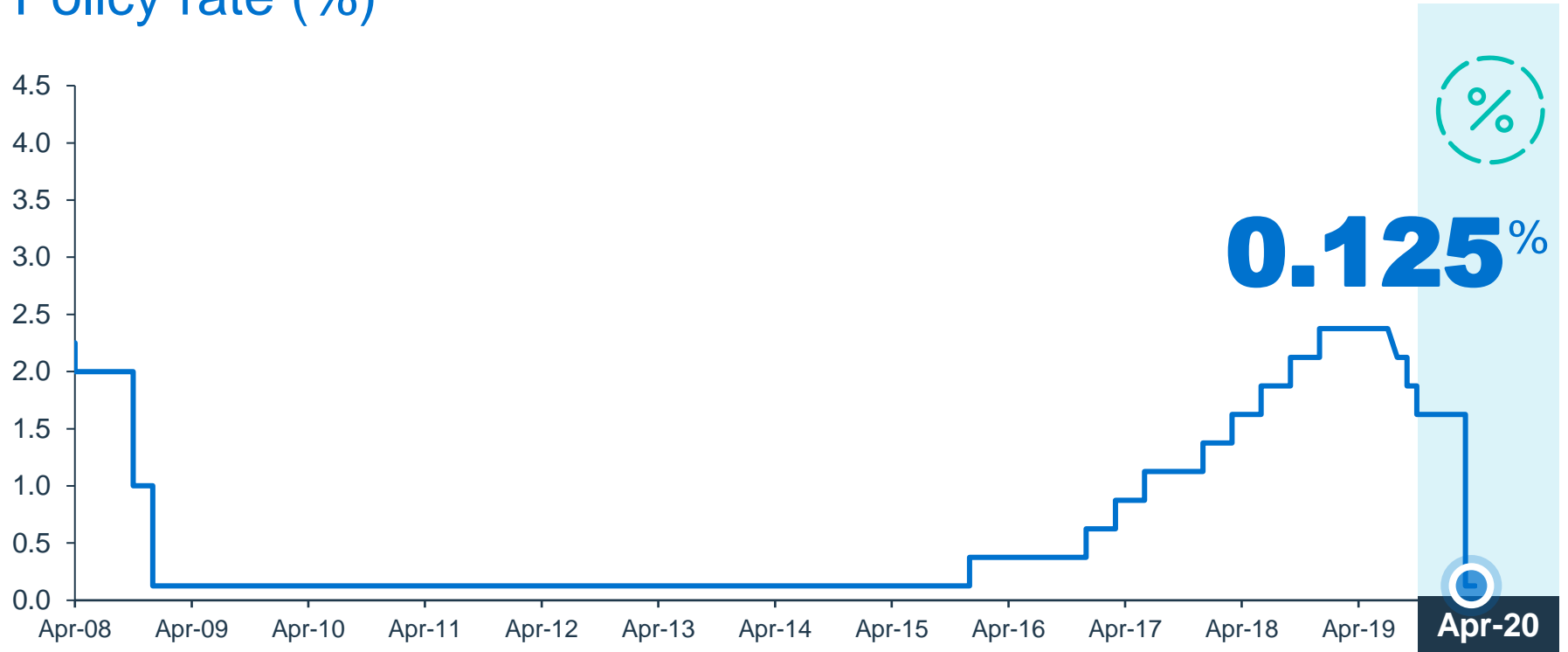
Peak: 6,867,000
(week of March 28th 2020)



COVID-19 has taken the federal funds rate back to 0%



Policy rate (%)





U.S. stimulus package is on its way

A stimulus package in the trillions will be announced, which may include:



\$525B

industry relief (of which >\$50B going to airlines)



> \$550B

direct transfers or tax cuts



> \$350B

small business assistance



\$4T

additional financing programs / increased liquidity



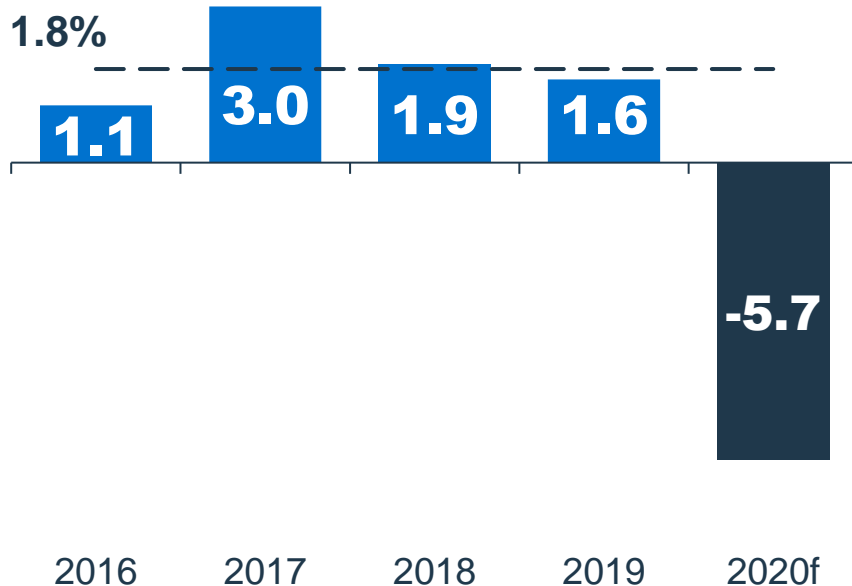
Canadian economic outlook

The Canadian economy will take a hard hit

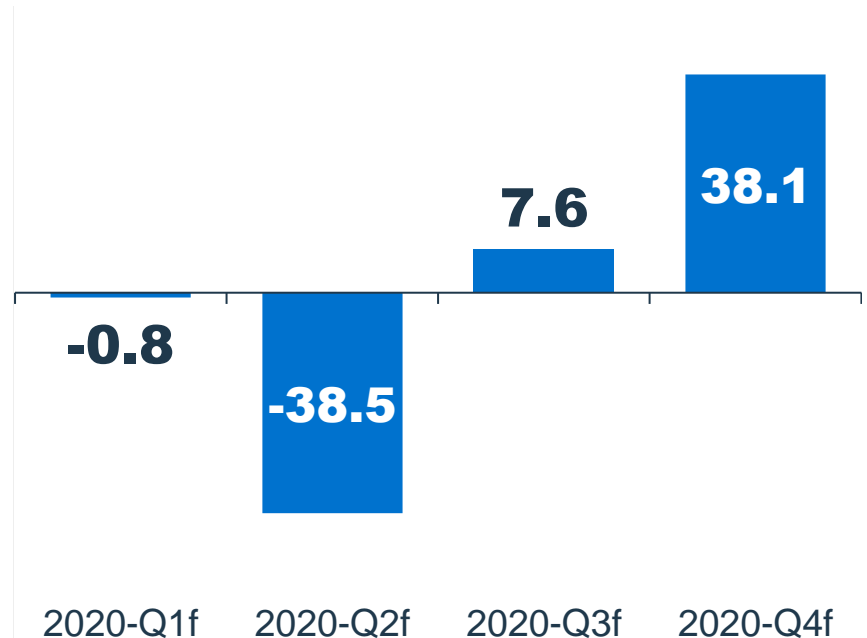


Real annual GDP growth (%)

Potential:
1.8%



Quarterly growth, annualized (%)



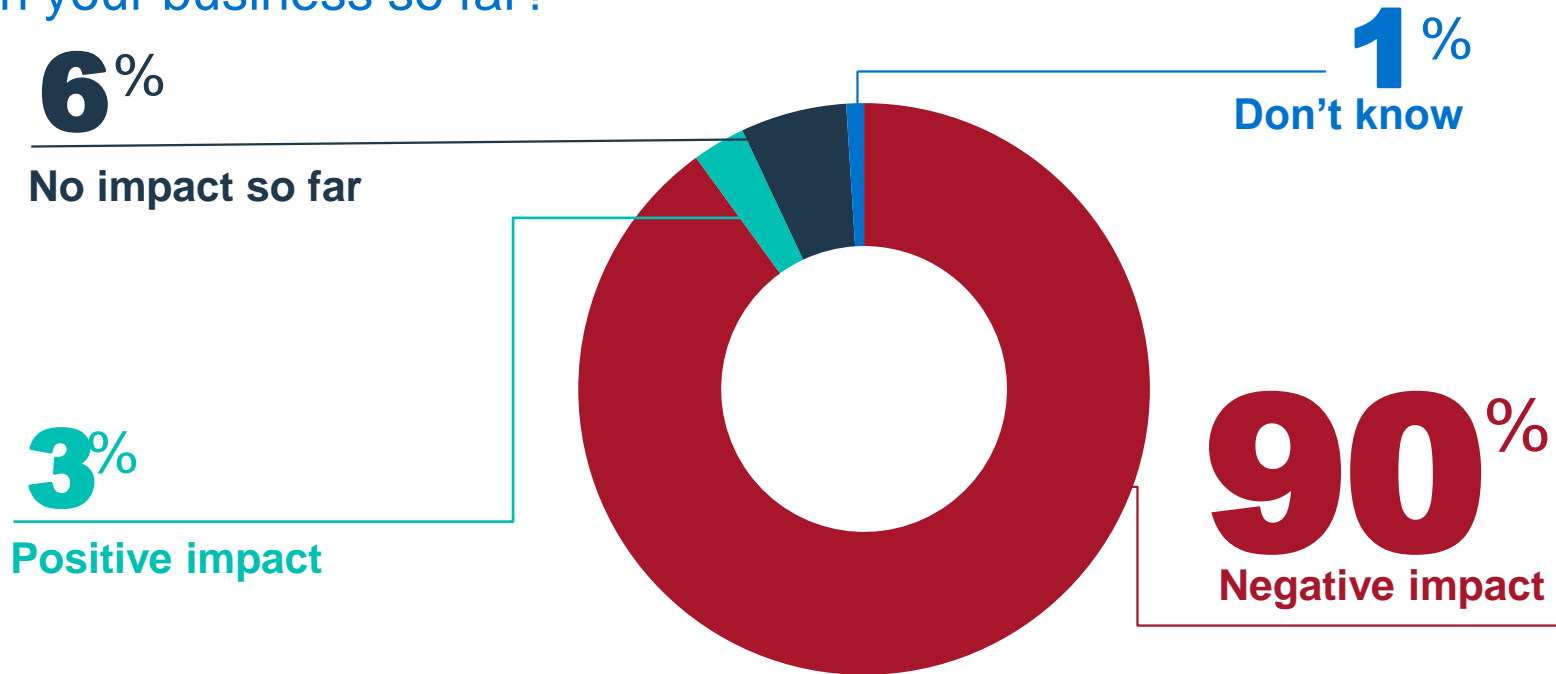
Note: f = forecast

Source: Oxford Economics, BDC calculations

Canadian businesses are profoundly affected



Have you felt the impact of the coronavirus on your business so far?

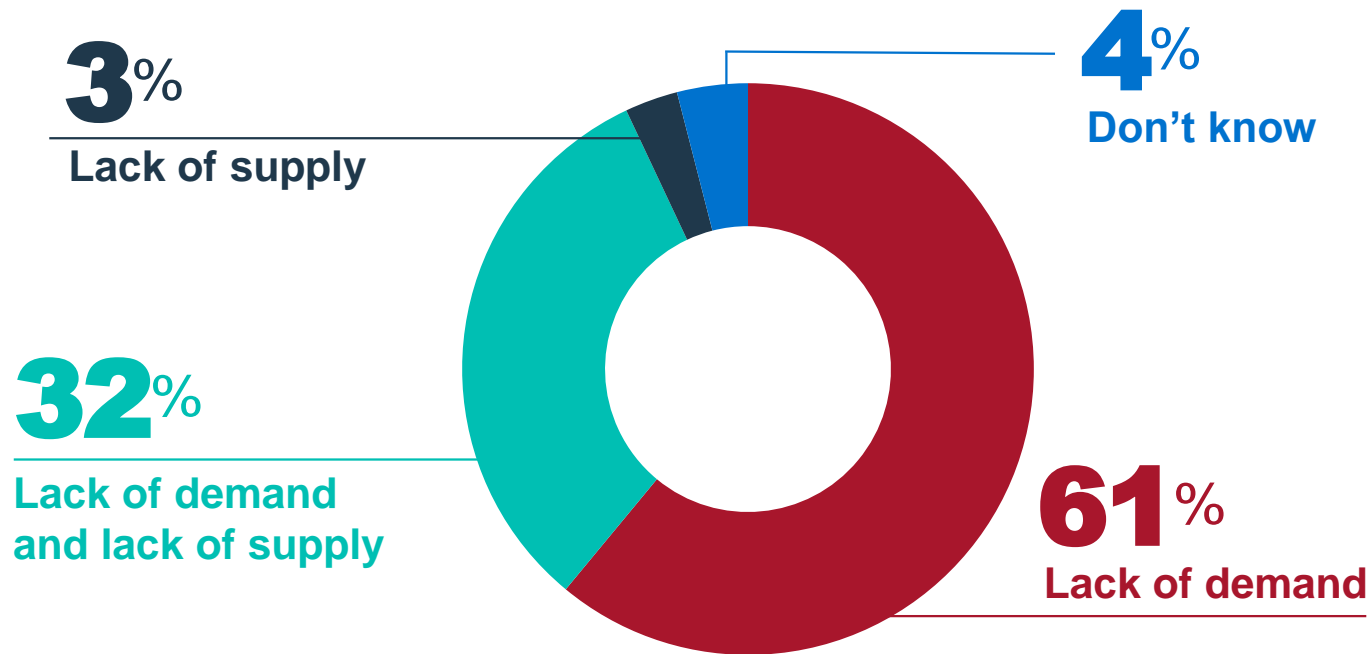


Base: All qualified respondents (n=1,139). Due to rounding, total may not equal to 100%. Survey was conducted between March 30th and April 1st, 2020, among BDC ViewPoints panel members (business owners and decision-makers).



Lack of demand is the main concern for business owners

Is or will this disruption mainly be caused by a lack of supply, or a lack of demand?

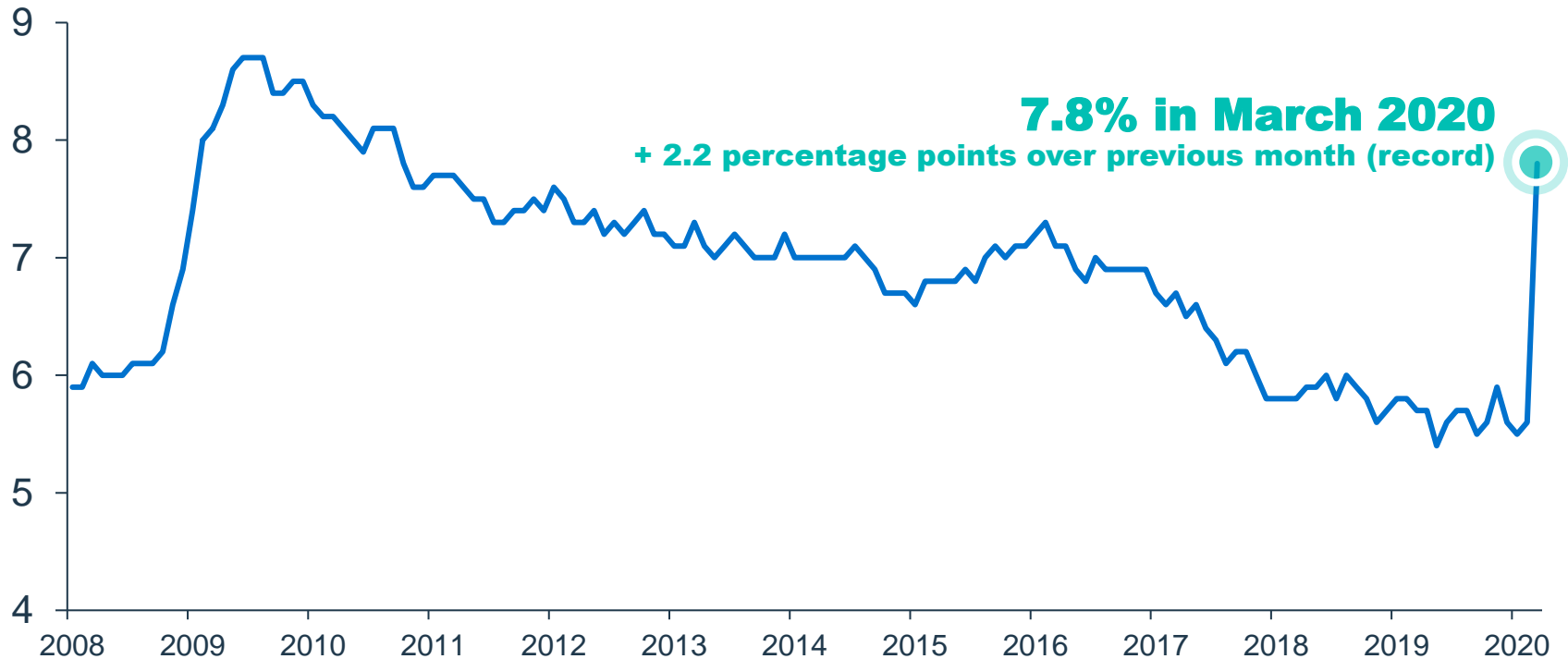


Base: All qualified respondents (n=1,097). Due to rounding, total may not equal to 100%. Survey was conducted between March 30th and April 1st, 2020, among BDC ViewPoints panel members (business owners and decision-makers).



Unemployment rising in Canada

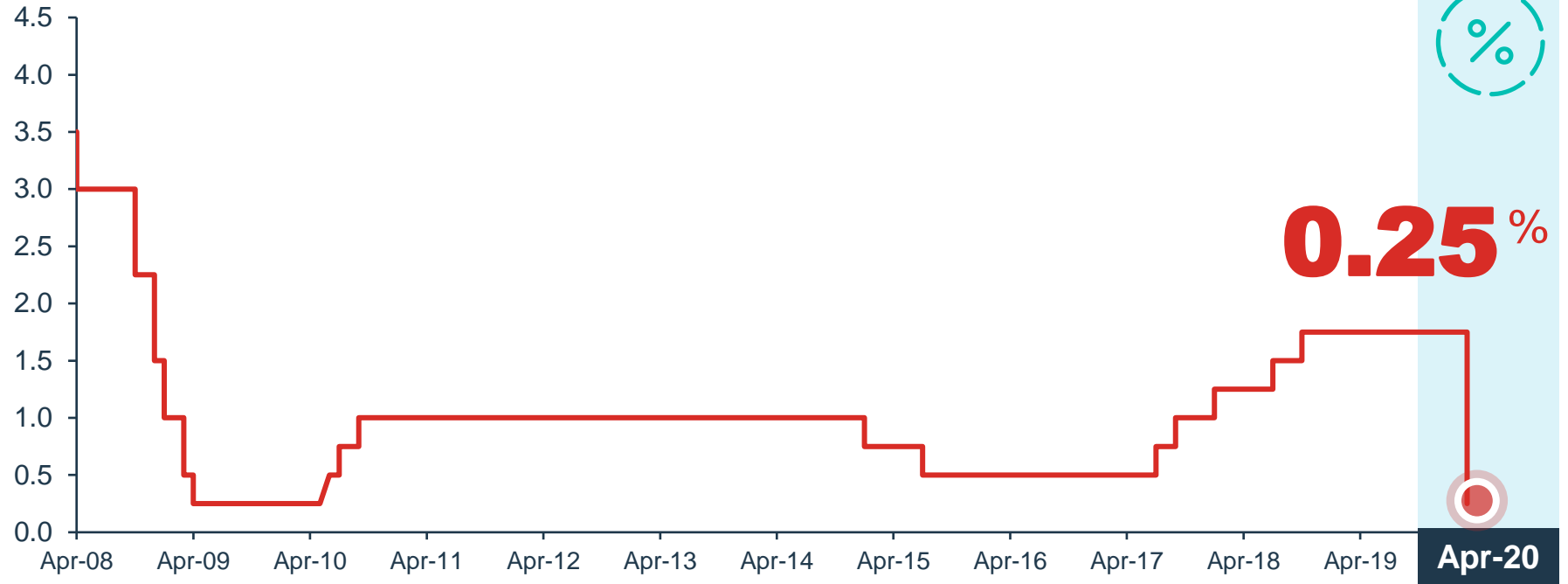
Unemployment rate (% of labour force)





Bank of Canada will continue easing financial conditions

Policy rate (%)



Government measures to support households



Increased transfers to households

Increased GST tax credit, enhanced Canada Child Benefit payments, Emergency Care Benefit

Temporary tax deferrals

Government measures to support businesses



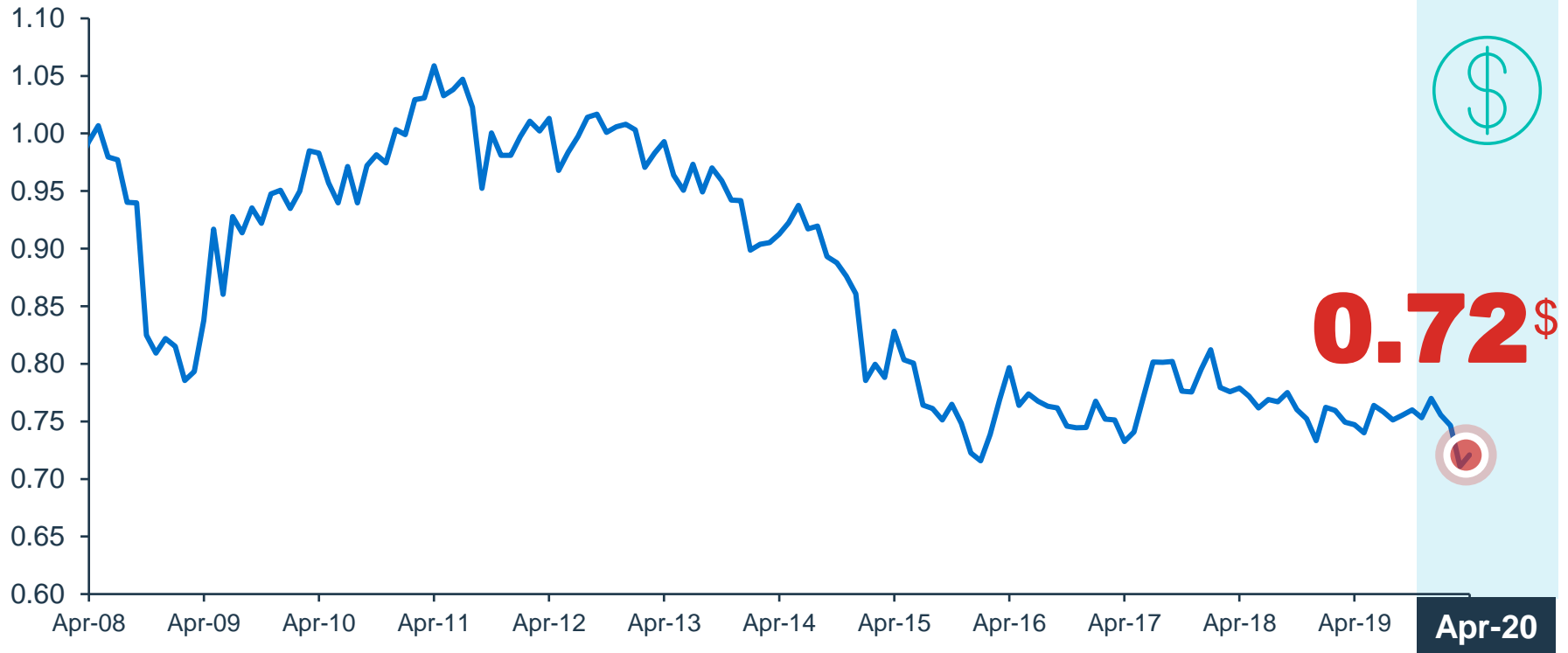
Increased credit available to Canadian businesses

Purchase insured mortgage pools to support banks' stability

75% wage subsidy for small businesses for the next 90 days

Expansion of eligible collateral to support funding conditions for banks

The Canadian dollar reached a multi-year low



Source: Thomson Reuters, as of April 13th 2020 at 2PM.



The road to recovery:

Two potential future scenarios



2 potential future scenarios of recovery

1.

Short-term economic shock. Recovery starting in Q4 2020

Severe, yet temporary shock on the economy.

The economy will start to recover towards the end of the year.

2.

Long-term recession

Periods of slowdown will be felt at different times across the world.

Global economic downturn will be longer and will have a sustained impact on Canada's economy.

Signs of recovery in China

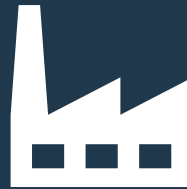
Economic Impact

of COVID-19 in China

How China's economic performance was affected in the first three months of 2020?



Retail Sales plummeted
by **20.5%**



Industrial output went
down by **13.5%**

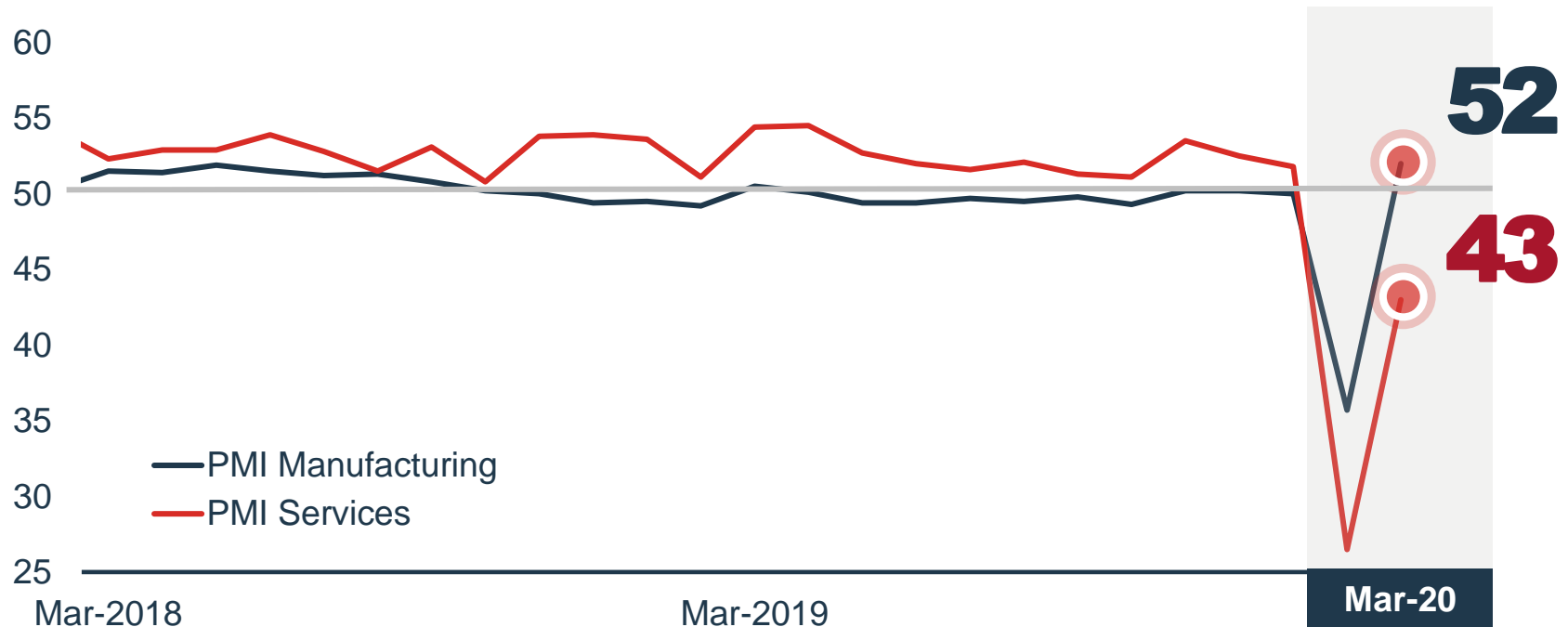


Unemployment rate hit a
record **6.2%**

Manufacturing is rebounding faster



Purchasing Managers' Index, 50=neutral

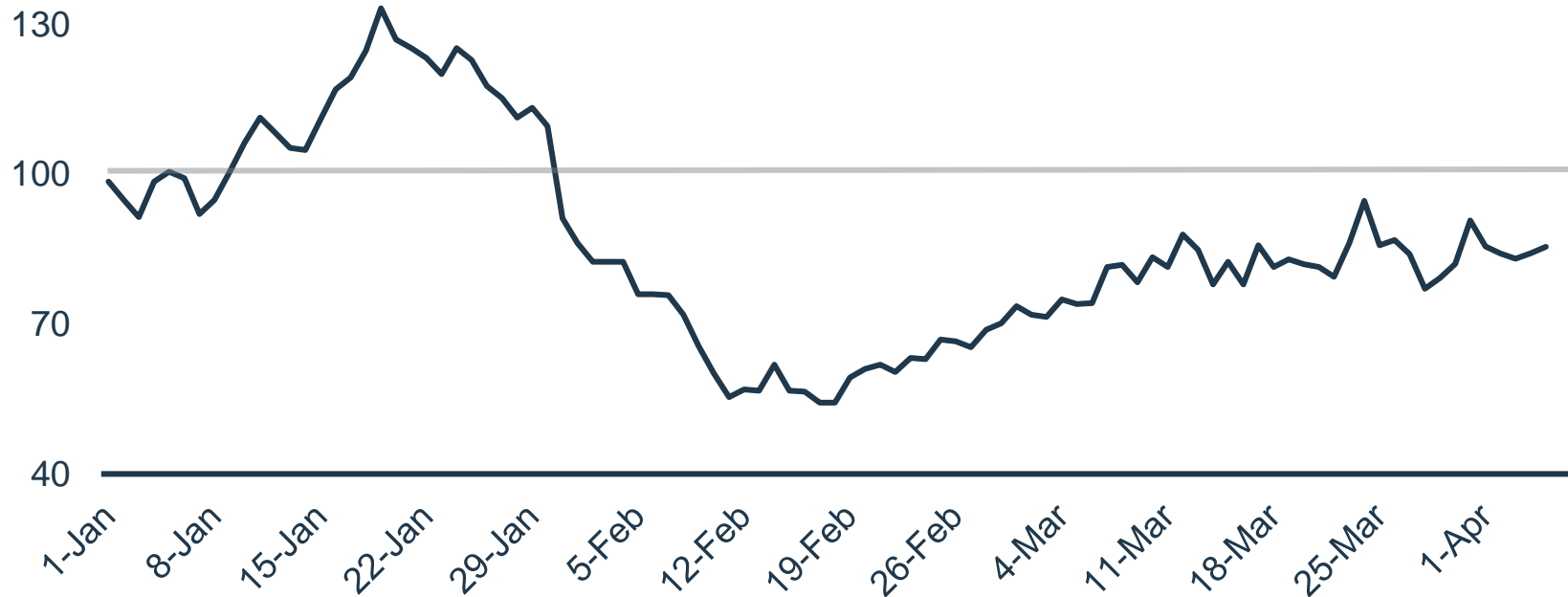


Sources: Refinitiv Eikon Data

Rapid initial increase in activity once lockdown measures eased



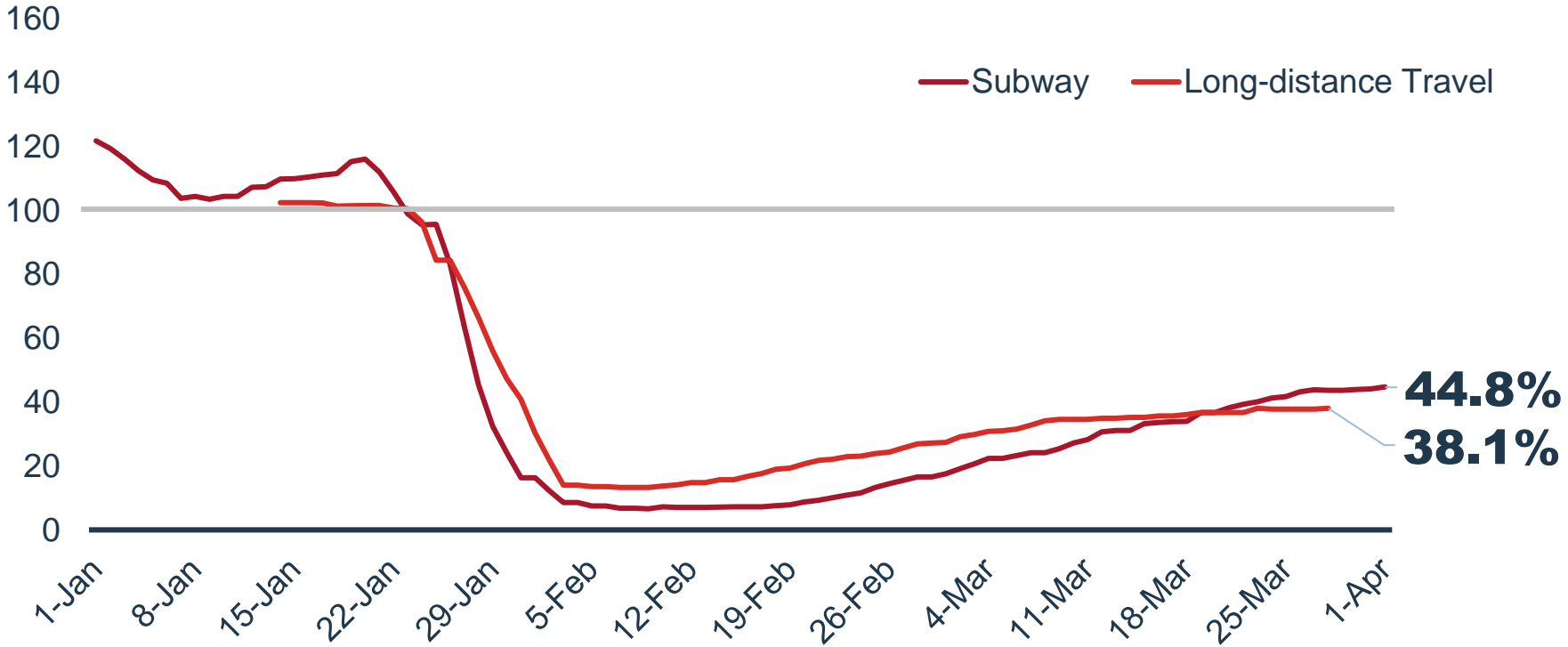
Coal consumption at power stations in China, % of 2019 level



Chinese citizens are still avoiding public transport



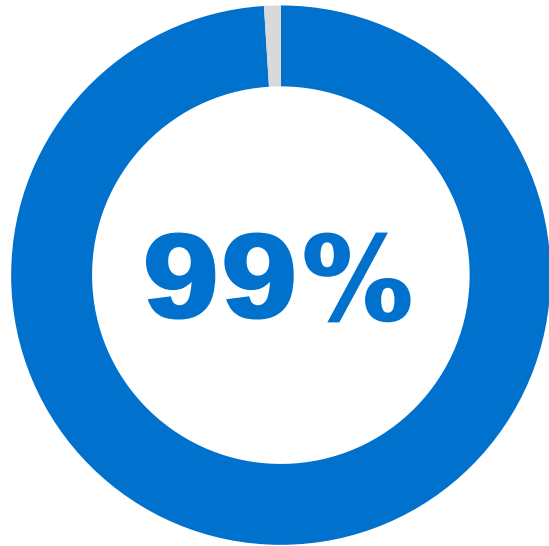
% of 2019



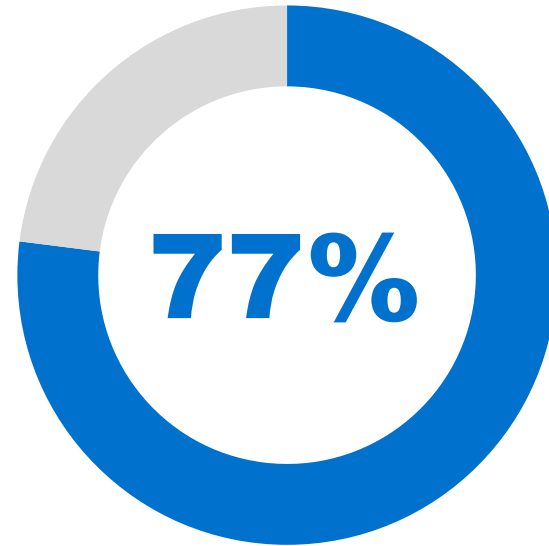
Sources: Wind, Capital Economics



China: early stage recovery



of large businesses are
back up and running

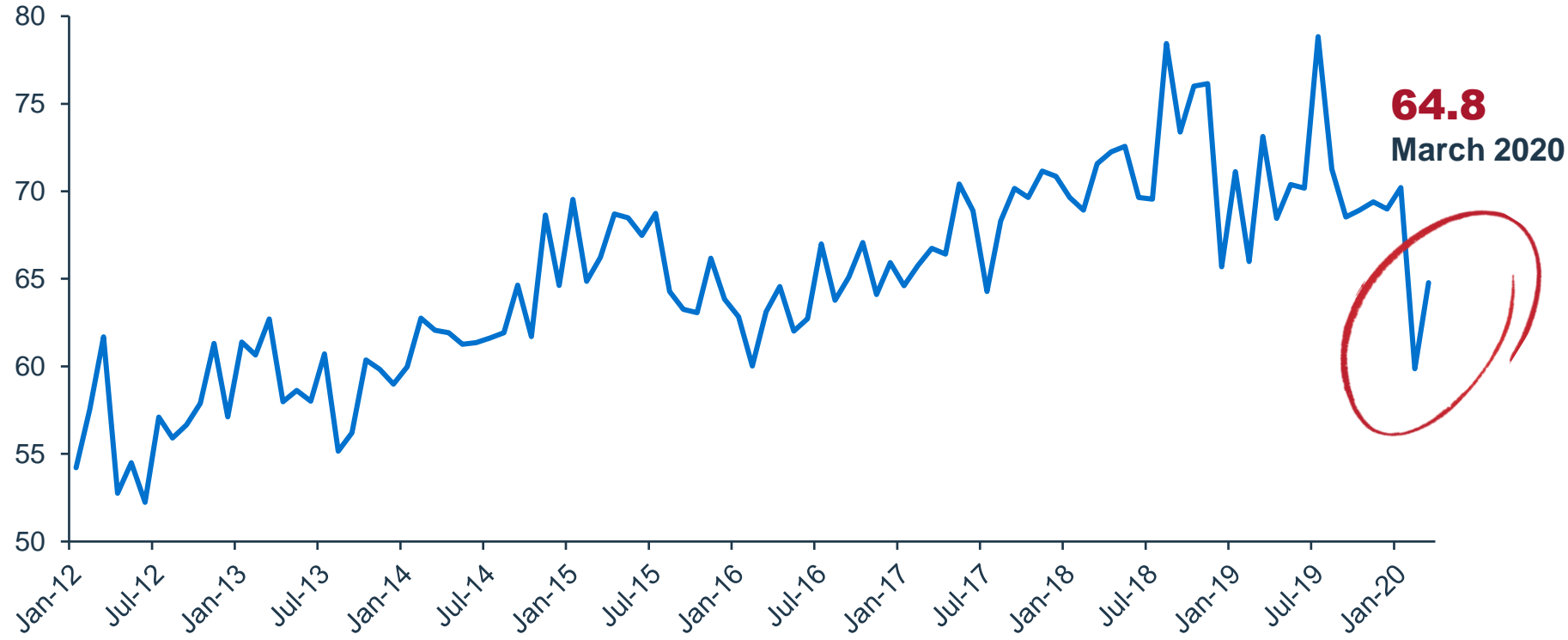


of small and medium-sized
enterprises resumed operations

Chinese consumer sentiment rebounds in March



Consumer Sentiment Index in China



Sources: Thomson Reuters Economics Data

Extraordinary measures to limit the impact on the economy



Fiscal stimulus

Policy rate



> \$2T
(>10% of GDP)

0% Lower Bound



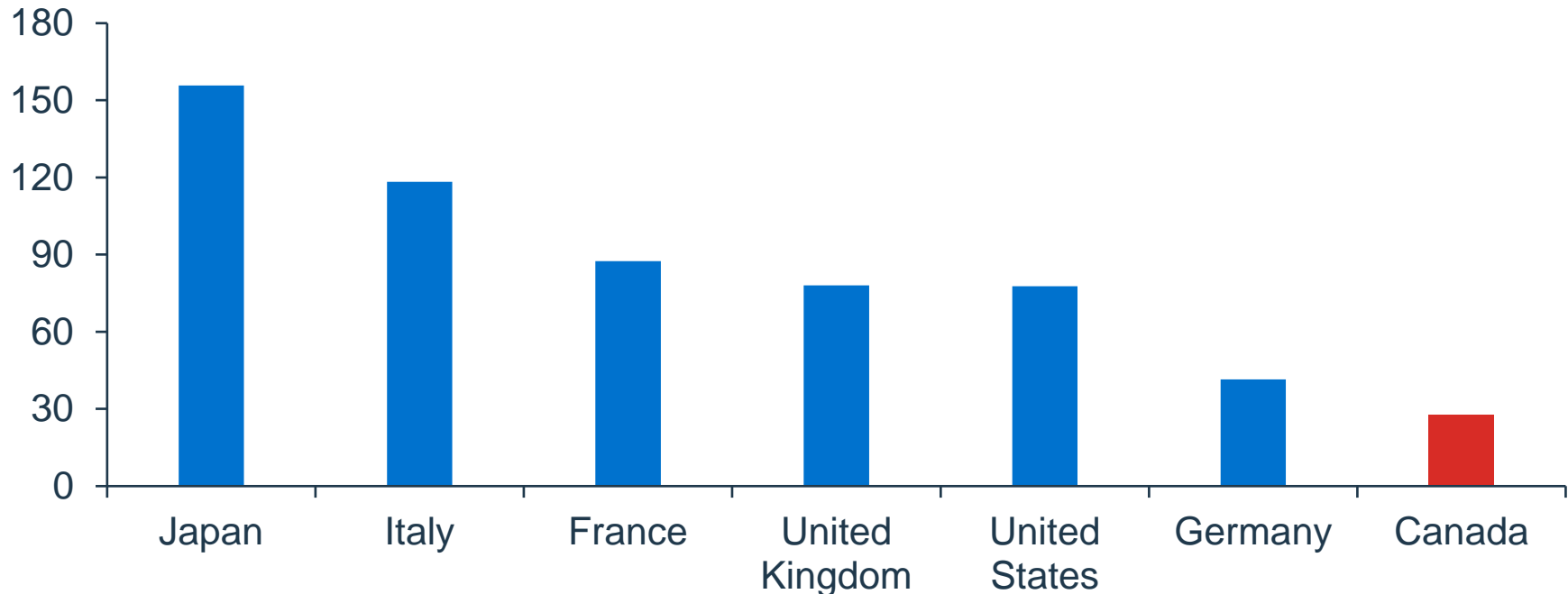
> \$200B
(>10% of GDP)

0.25%



Canada has the means to sustain an economic shock

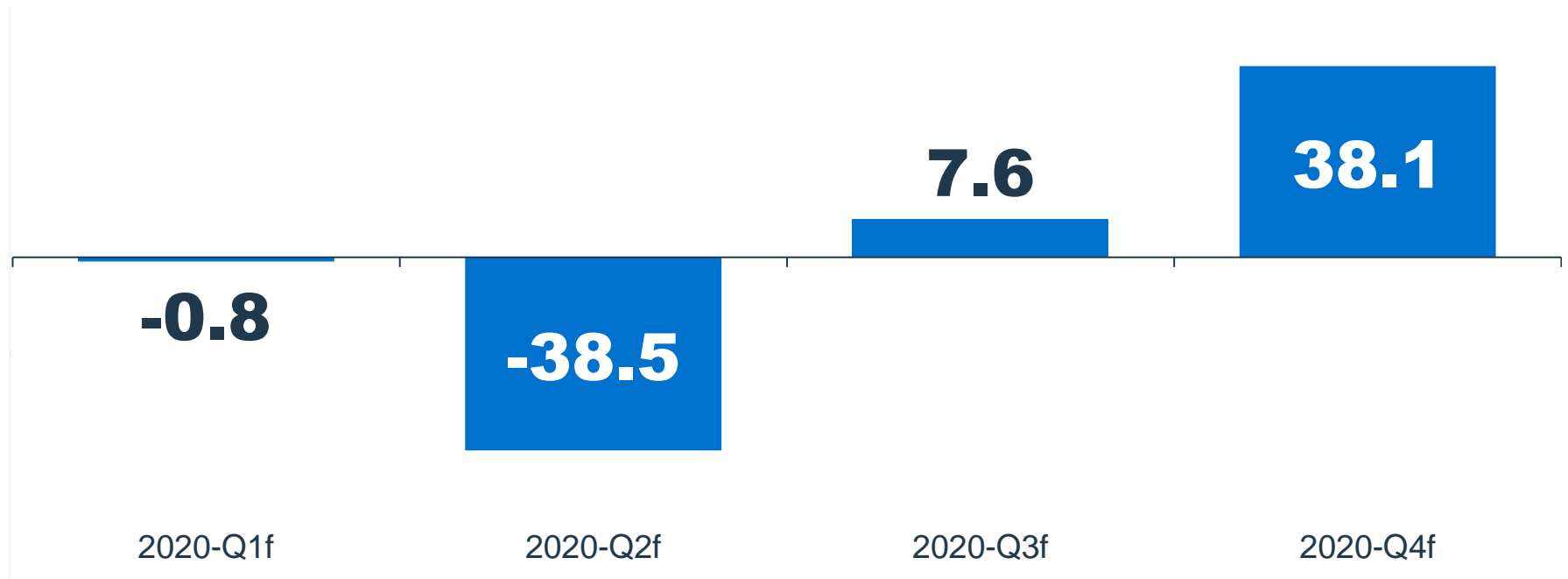
General government net debt (% of GDP, 2018)





...but we will still feel the heat over the short, medium-term

Quarterly growth, annualized (%)



Note: f = forecast

Source: Oxford Economics, forecast by BDC

The economic impact of COVID-19 will be severe, but the Canadian economy should start to recover by the end of the year.