

Ottawa set to green light national economic stimulus package

Bill Curry, Marieke Walsh and Kristy Kirkup
March 12, 2020 – *The Globe and Mail*

The federal government said it is “ready and prepared” to approve a national package of economic stimulus after Alberta Premier Jason Kenney said a fiscal jolt worth about \$20-billion is urgently needed.

Mr. Kenney discussed the possibility of provincial and federal stimulus spending with Deputy Prime Minister Chrystia Freeland Thursday during a private meeting in Ottawa in advance of a planned first ministers meeting. The gathering was later cancelled after Prime Minister Justin Trudeau announced that he was self-isolating, while his wife, Sophie Grégoire Trudeau, is being tested for the new coronavirus.

Late Thursday, The Prime Minister’s Office said Ms. Grégoire Trudeau had tested positive for the virus and the two will self-isolate for two weeks.

The Alberta Premier said provincial measures will be announced in the coming weeks and that Ms. Freeland told him federal measures are also under consideration.

“We need to design policies that will really help liquidity and cash flow for businesses that are uniquely affected right now,” he told reporters after delivering a lunchtime speech in Ottawa. “In Alberta, that would include the energy sector, but also the tourism, hospitality and leisure sectors.”

Mr. Kenney said that other countries affected by the coronavirus – such as Britain – have already announced substantial stimulus policies.

The Premier said stimulus of about 1 per cent of gross domestic product – roughly \$20-billion – is warranted in the current situation. For context, Canada and other countries

pledged to provide stimulus worth 2 per cent of GDP in response to the 2008 financial crisis.

Speaking with reporters Thursday afternoon, Ms. Freeland said she and Mr. Kenney discussed the needs of specific economic sectors and that she reiterated the federal government’s position that it is ready to provide fiscal stimulus if required.

“There has been already an impact on the global economy and on the Canadian economy. But it is fair to anticipate that there will be further economic consequences,” Ms. Freeland said Thursday. “And therefore, let me assure all Canadians, as I assured Premier Kenney, that our government stands ready to respond to support the Canadian economy, and we do have the economic firepower to do so.

“Canada has a triple-A credit rating and the lowest debt-to-GDP ratio in the G7. The Canadian economy is strong. The government is ready and prepared to act to support our economy.”

The government announced \$1.1-billion worth of coronavirus-related measures this week and said a federal budget will be released on March 30.

Finance Minister Bill Morneau addressed the media late Thursday after Canadian stocks plunged more than 12 per cent. Mr. Morneau said he and the Prime Minister are in frequent contact with provincial and international counterparts and strongly hinted that the budget will include measures to stimulate the economy.

Mr. Morneau also said the budget figures will be based on an updated average forecast from private-sector economists so that the projections are as up to date as possible.

“That’s going to help us to make sure that we have a good starting point,” he said. “From there, what we’re going to do is to use our fiscal strength to make sure that our economy stays strong in the face of this uncertainty.”

Any fiscal measures – such as tax cuts or new spending – would be in addition to the recent monetary stimulus provided by the Bank of Canada, which cut rates by 50 basis points last week. Canada’s central bank is widely expected to cut again at its next rate announcement in April.

The federal government said Wednesday that in the event that businesses face tight credit conditions, it will stimulate the economy through federal lending agencies such as the Business Development Bank of Canada and Export Development Canada.

Scotiabank chief economist Jean-François Perrault is also recommending fiscal stimulus in the neighbourhood of 1 per cent of GDP.

In a report released Wednesday, Mr. Perreault said Canadian economic growth will fall below zero in the second quarter and is likely to fall below zero in the third quarter unless fiscal policy intervenes.

“A reasonably mild recession appears likely unless timely and targeted fiscal measures are deployed in the very near future to deal with the economic impacts of the virus,” the report said.

Mr. Perreault, a former senior Finance Department official, said possible stimulus measures could include expanding the GST rebate program, contribution holidays for Employment Insurance or Canada Pension Plan premiums or temporary increases to the Canada Child Benefit or Old Age Security programs.

“Our recommendation is to place a priority on approaches that provide financial support to those most likely to spend it – less-well-off Canadians,” he wrote.

Mr. Kenney isn’t getting unanimous backing for his call from Conservatives though. Ontario MP Pierre Poilievre said in a statement Thursday that “too much government spending is one of the reasons the Canadian economy was weak before COVID-19. More government spending will not solve the problem it helped cause.”

And Tory leadership candidate Peter MacKay sent an e-mail to supporters with a link to a fundraiser taking issue with the \$1-billion Ottawa has already committed. The Prime Minister “seems to think throwing some more of your money at the problem will make it go away. It won’t.” Mr. MacKay wrote in the e-mail.

Meanwhile, Ms. Freeland said she had a “very open” conversation with U.S. Secretary of State Mike Pompeo Thursday, where they discussed Canada’s public-health system and the measures that the Canadian government is taking to combat the virus. However, she did not say if Ottawa would follow in the footsteps of the Trump administration’s decision to ban most travel to the U.S. from 26 European countries,

“When it comes to the Canadian border, we have already heightened measures in place for monitoring travellers from parts of the world where there is a greater outbreak of the coronavirus. Those measures are in place right now at our air, land and sea borders,” Ms. Freeland said. “The situation with the coronavirus in Canada and in the world is developing quickly. It is constantly changing and we are monitoring that situation hour by hour and day by day.”

Anne McLellan, who served as health minister during the SARS outbreak, said in an interview Thursday that Mr. Trump’s travel ban has created more panic and more confusion.

“And there is no evidence that it actually deals with the problem,” she said.

On another front, Canada's banking regulator – the Office of the Superintendent of Financial Institutions – announced Thursday that it has asked about 360 of its Ottawa-based

employees to work from home while an OSFI employee is being tested for COVID-19. The office said services will not be affected.