

## ECONOMIC RECOVERY FROM COVID AND IMPACT MUNICIPALITIES

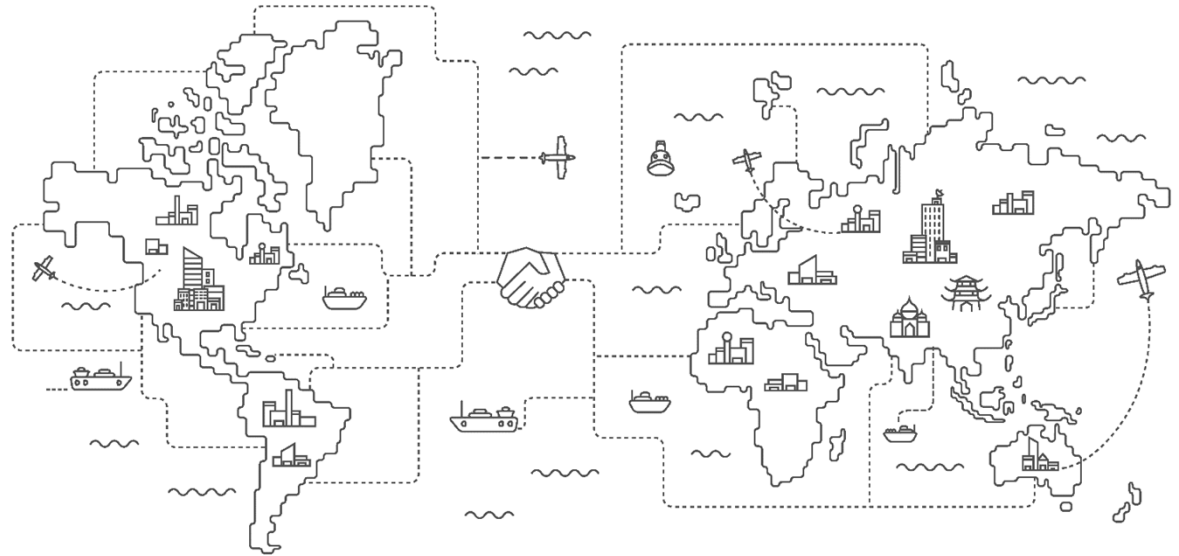
February 25, 2021

**41,000** professionals

116 countries

**750** offices

**6th** largest network of independent audit, tax & consulting firms



## RSM Canada's lead economist

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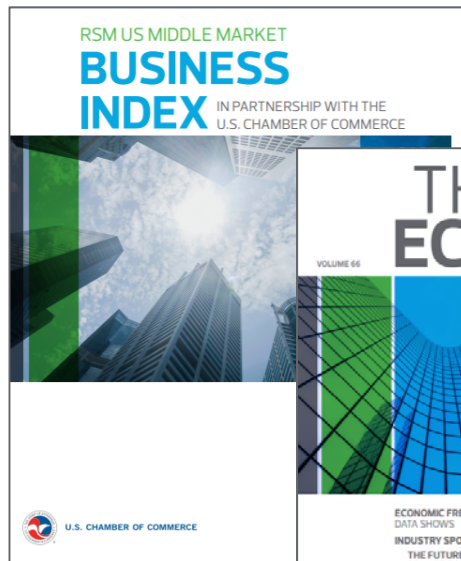


**Alex Kotsopoulos, MA, CFA**

*Partner*

- Leads RSM's economics advisory practice in Canada and the U.S.
- Contributes regularly to The Real Economy, Canada – RSM's quarterly publication on economic trends
- Frequently cited in the media on various economics topics
- Led several high profile economic assessments including economic development and infrastructure assessments for municipalities

# RSM economics publications



# Pandemic economics, recovery and beyond



## North American economy: nascent rebound

- Supply, demand and financial shocks begging to ebb
- Resilient rebound led by housing & manufacturing
- Household consumption solid in U.S., strong in Canada
- Major risk to the economic outlook: vaccine supply disruptions and logistical challenges



## Policy response

- Biden fiscal stimulus of \$1.9 trillion expected to pass the House this week
- Trudeau administration readying for expansionary fiscal boost (recently added the
- No vaccine, no meaningful recovery – Canada's vaccination rate lagging; third wave?



## Shape of recovery

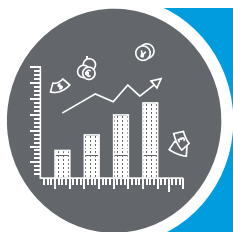
- K shaped recovery
- Elongated and frustrating in some industries
- Certain provincial/state and local governments may be substantially impacted
- What's the long term damage?

# Pandemic economics, recession and beyond



## Canadian Growth Picture

- Q4'20: Consensus forecast +7.5% SAAR
- 2020: Consensus forecast -5.5%
- Q1'21: Consensus forecast -1.0% SAAR – impact of the second wave
- 2021: Consensus forecast 4.7%



## Financial Conditions

- Positive but uncertainty due to pandemic still a challenge
- Equity market comeback, subdued volatility in money and bond market
- Oil and commodity price rally



## Bank of Canada

- Policy accommodation in place for the foreseeable future
- No rate increase expected until there is sustained achievement of inflation target
- Consideration of move to a dual mandate: stable inflation and full employment
- Inflation not a major risk to the outlook for the near to medium term



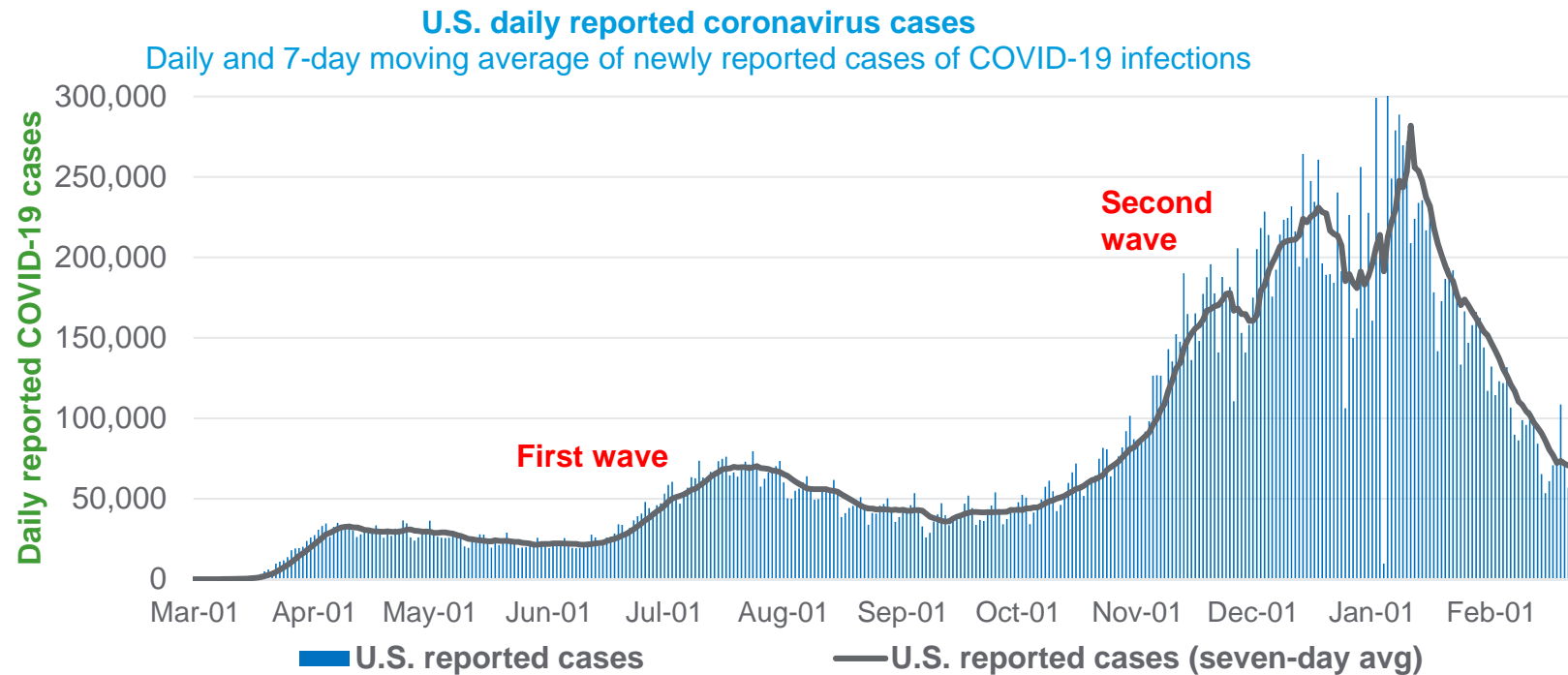
*'V' stands for vaccine,  
not the shape of the recovery.  
No vaccine, no recovery.*

**Joe Brusuelas**

RSM Chief Economist

July 2020

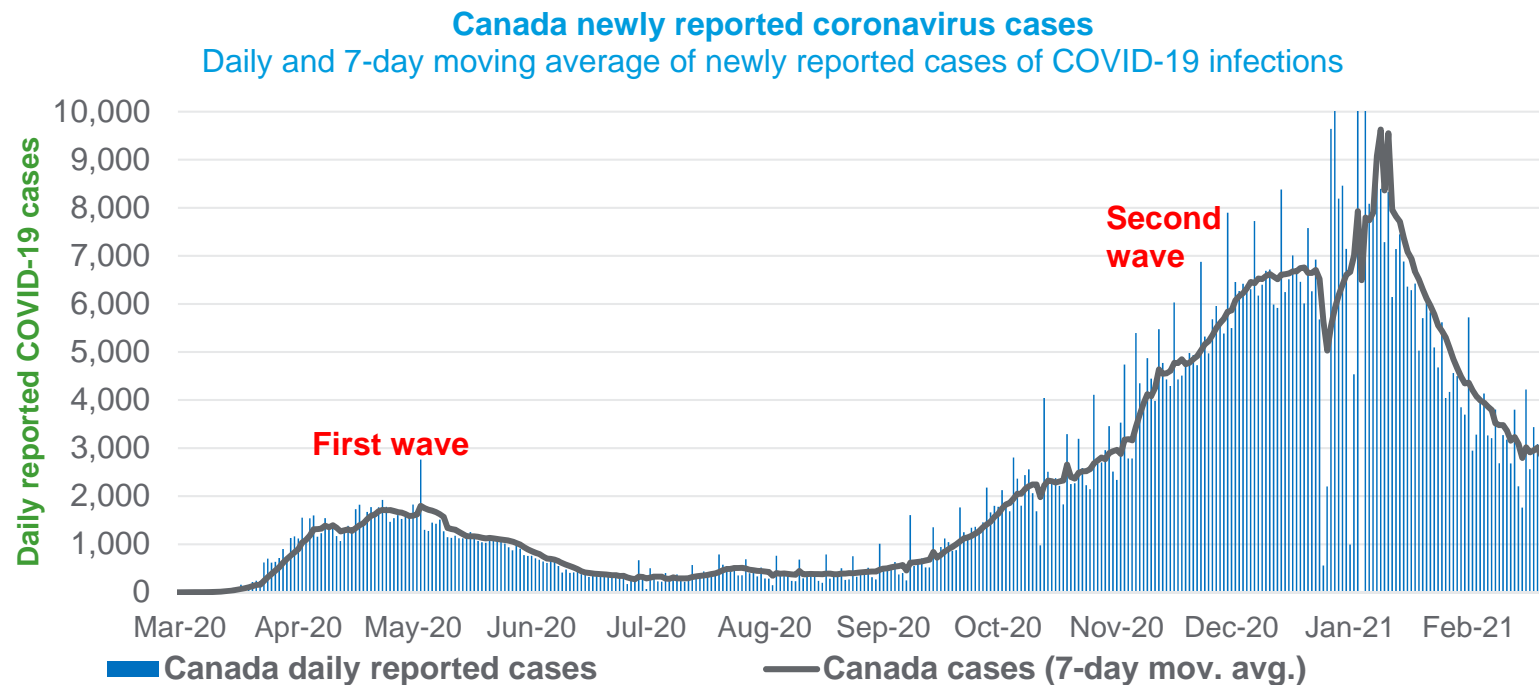
# No Vaccine, No Meaningful Recovery



Sources: Bloomberg, RSM



# No Vaccine, No Meaningful Recovery



Sources: Bloomberg; RSM

# No Vaccine, No Meaningful Recovery

Canada planned vaccination timeline (based on government announcements)



A. Initial vaccines could be approved by end of year  
(source: *Health Canada*)

B. Vaccines start to be distributed in early part of 2021, 3 million Canadians could be vaccinated  
(source: *Health Canada*)

C. Prioritize healthcare workers, seniors and high risk populations (source: *National Advisory Committee on Immunization*)

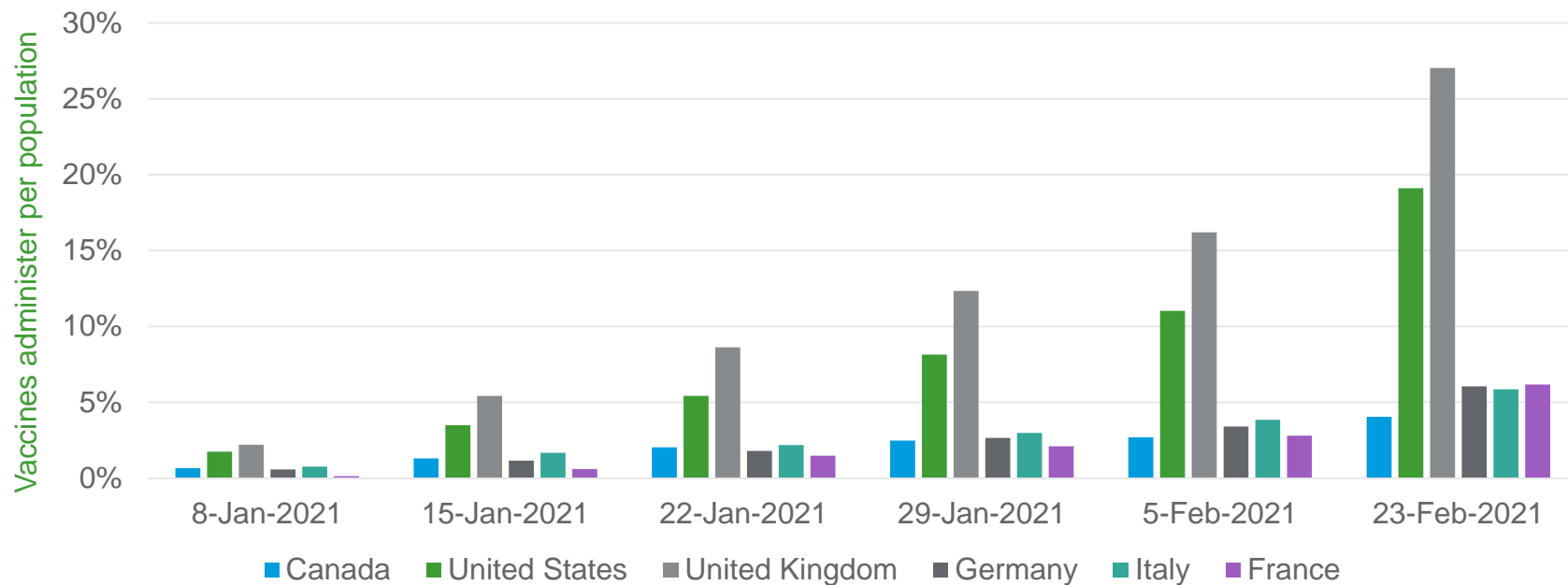
D. Majority of Canadians (70%) vaccinated by September/Fall 2021 (source: *Health Canada, Prime Minister*)

## KEY RISKS:

1. Logistical challenges
2. Access to vaccine/when will Canada get vaccine?
3. Supply chain disruptions

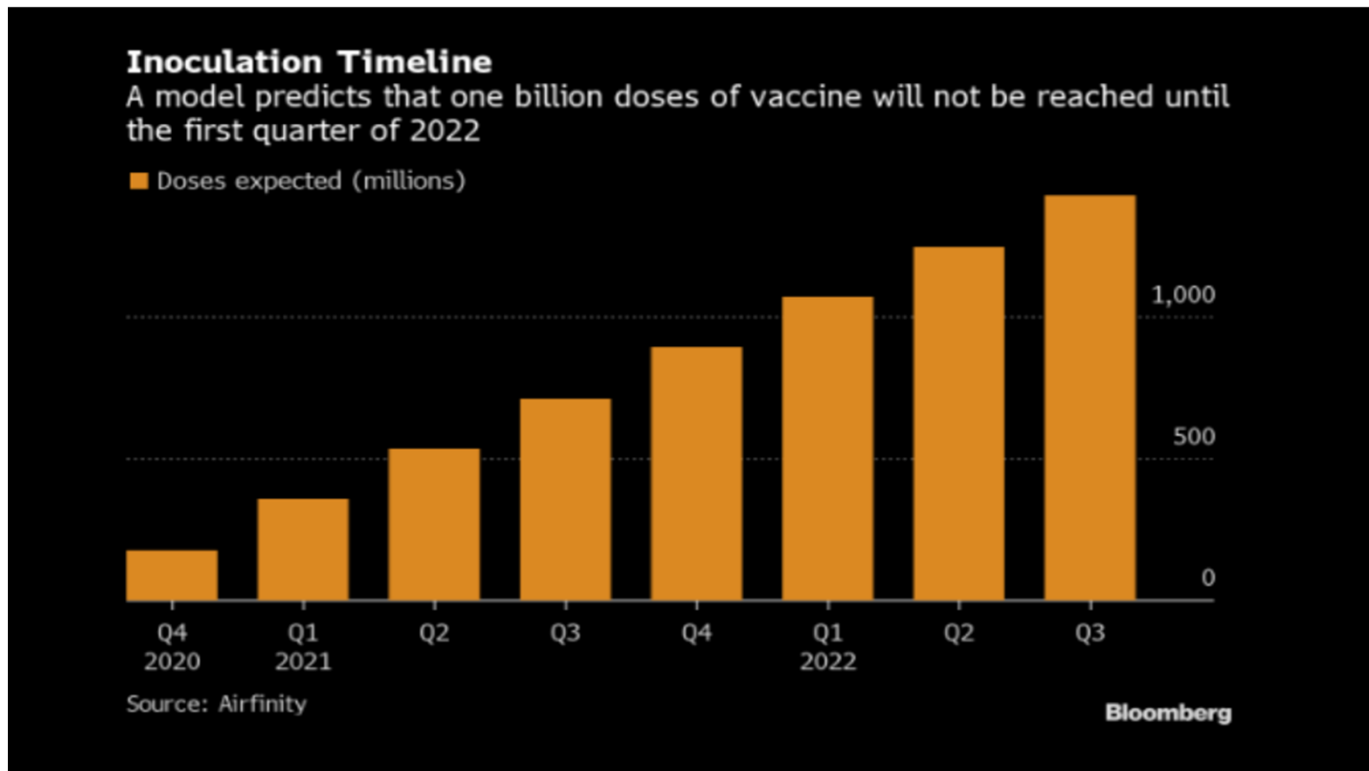
# No Vaccine, No Meaningful Recovery

Vaccination rate by G7 countries ex-Japan  
Vaccines administered per population

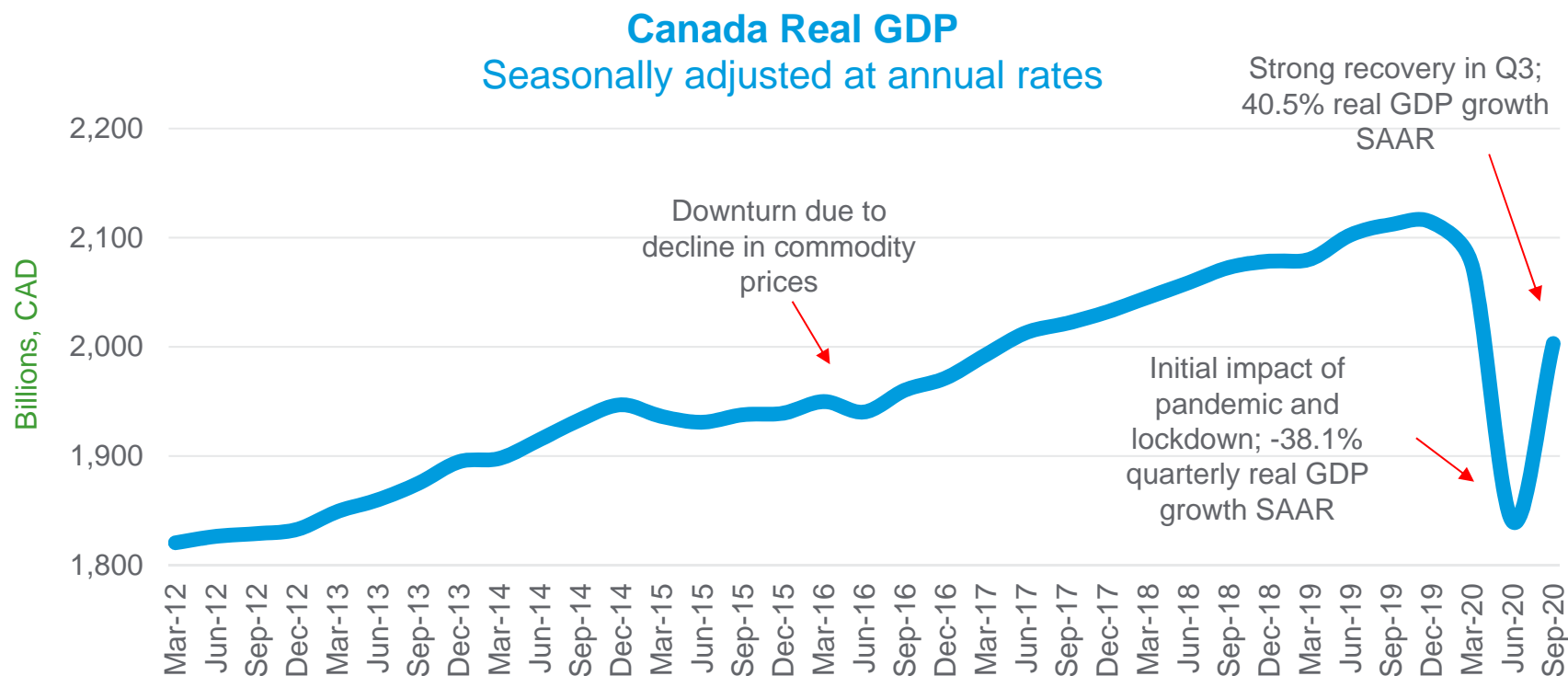


Sources: Bloomberg; RSM, Worldometers

## No Vaccine, No Meaningful Recovery

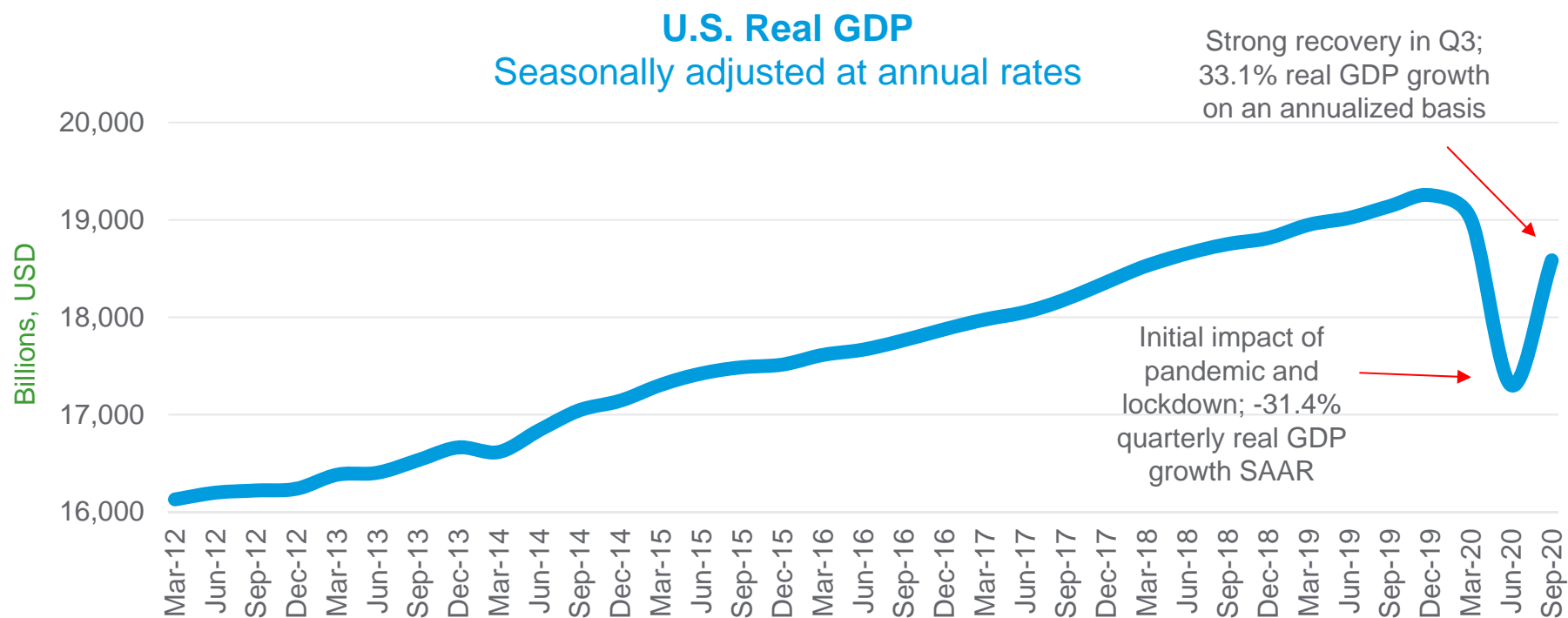


# Tracking the recovery



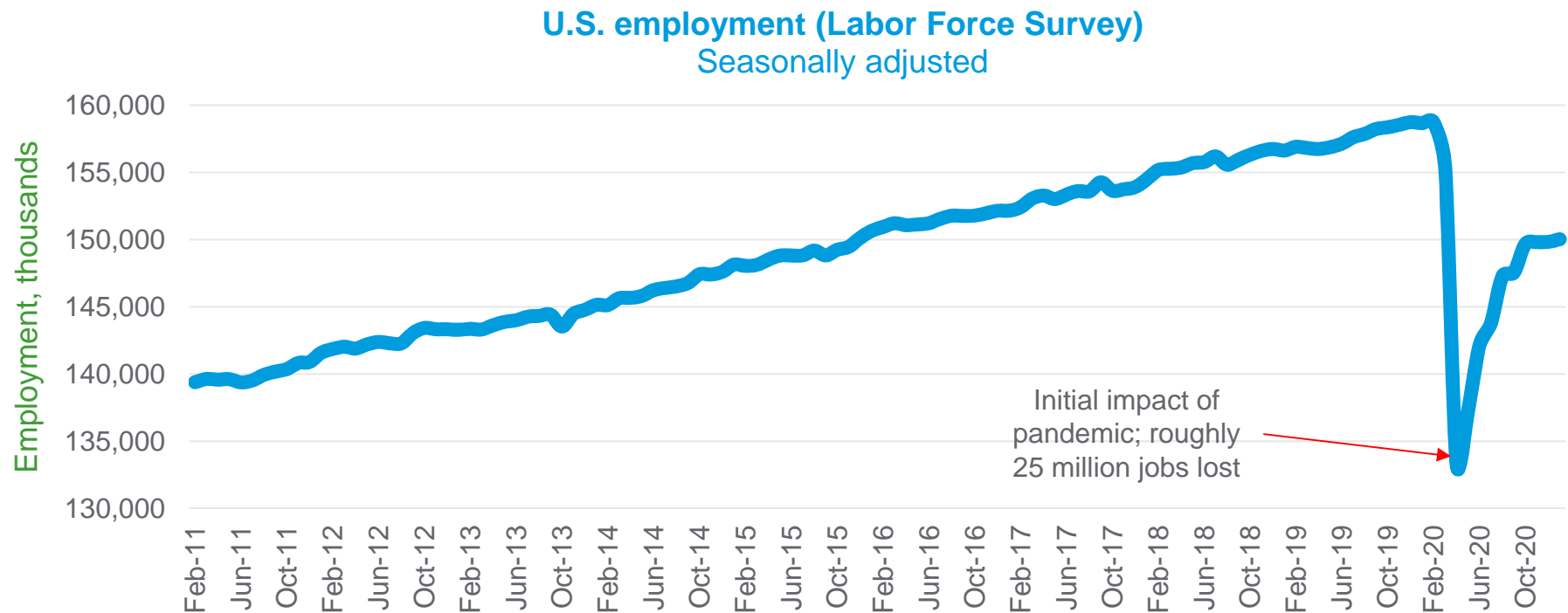
Sources: Bloomberg; RSM

# Tracking the recovery



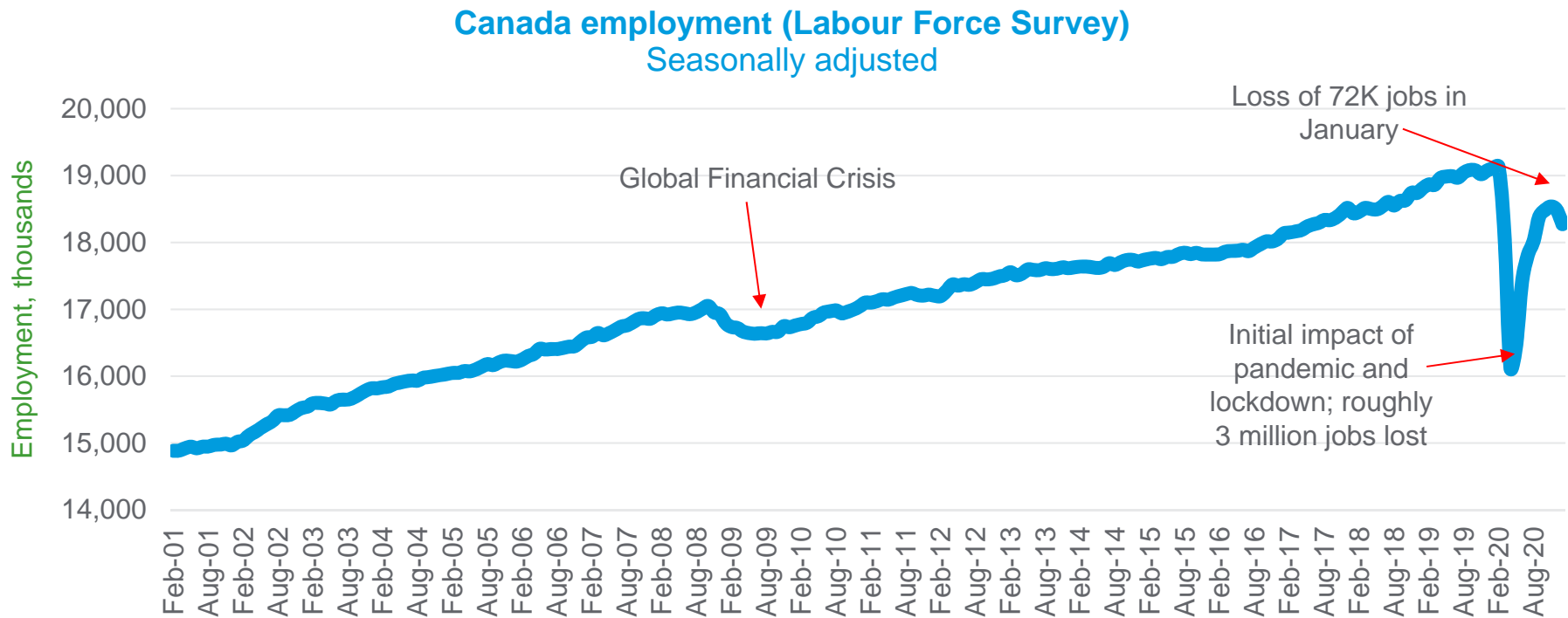
Sources: Bloomberg; RSM

# Tracking the recovery



Sources: Bloomberg; RSM

# Tracking the recovery

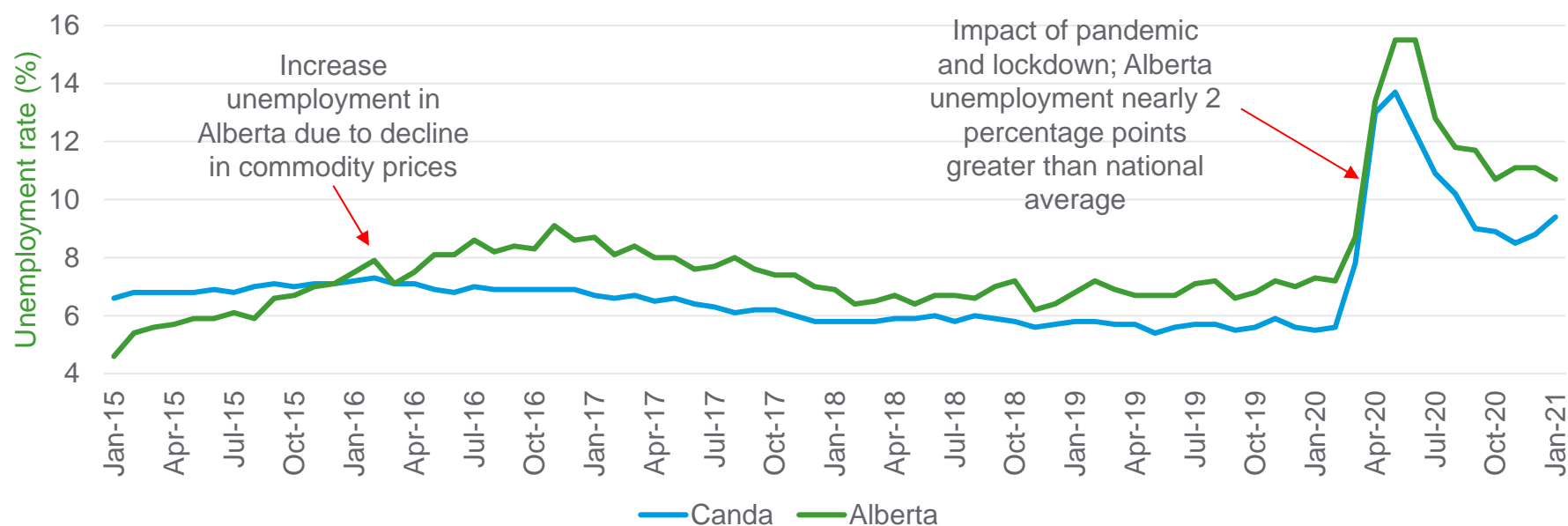


Sources: Bloomberg; RSM



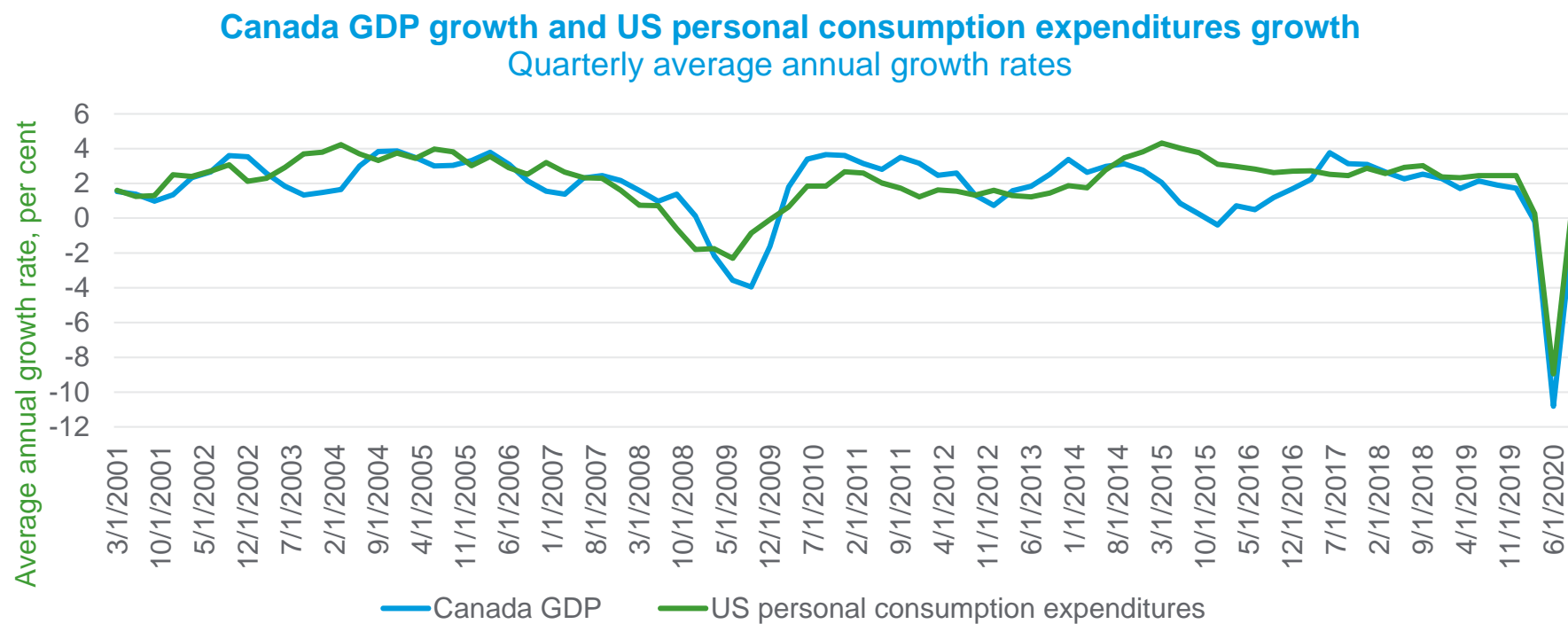
# Tracking the recovery

Unemployment rate (Labour Force Survey)  
Canada and Alberta



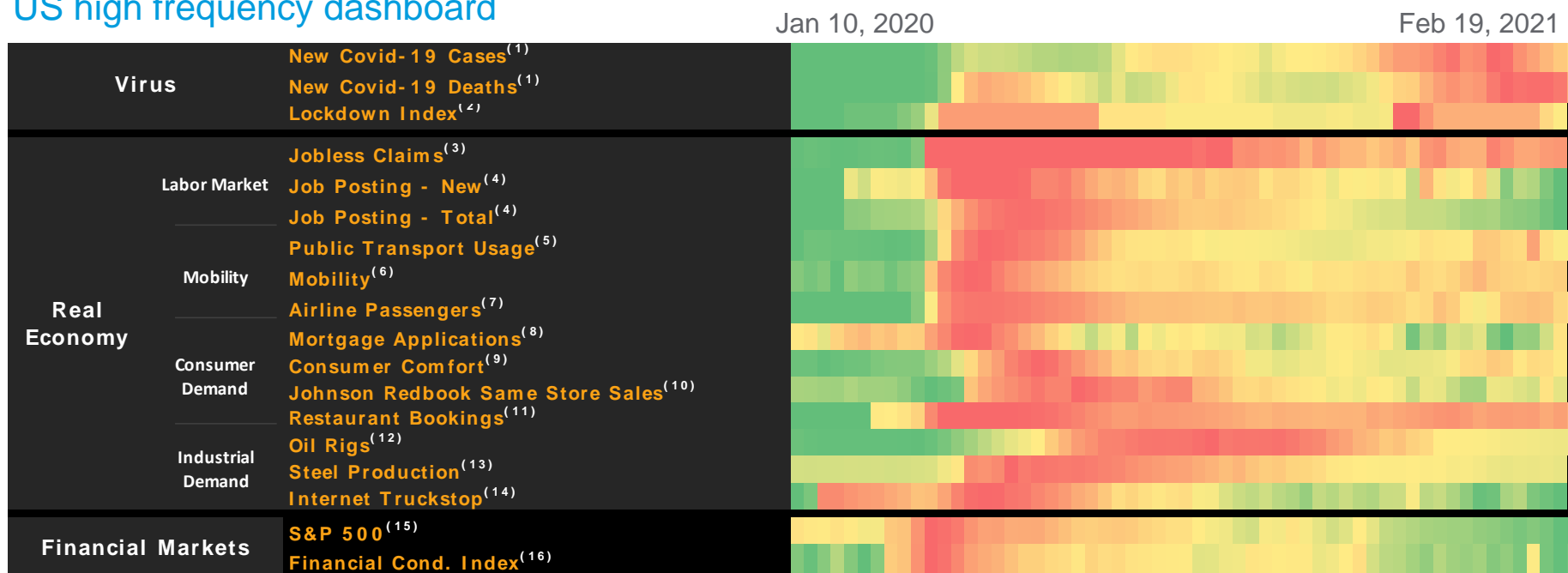
Sources: Bloomberg; RSM

# Tracking the recovery



# Tracking the recovery

## US high frequency dashboard



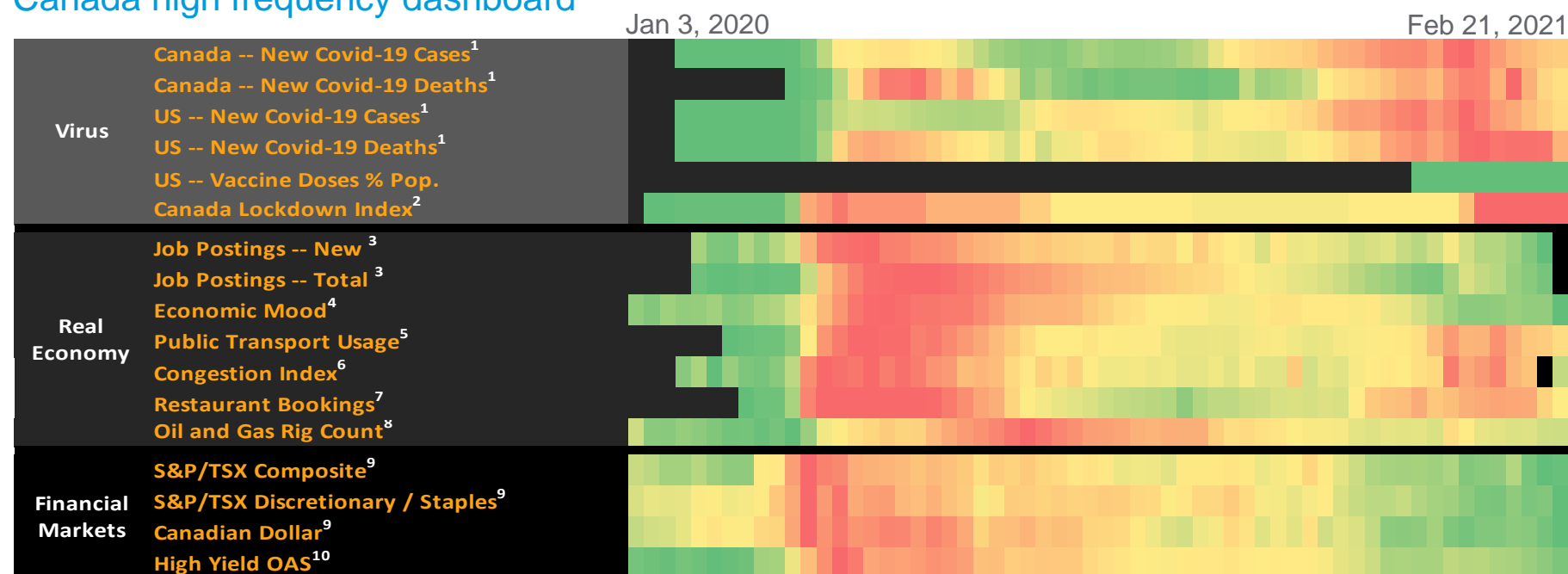
Sources: Bloomberg

Notes: 1. Weekly new Covid-19 cases and deaths based on data from Bloomberg News and Johns Hopkins. 2. Oxford COVID-19 Government Response Tracker based on a zero to 100 scale. 3. Jobless claims are in thousands (NSA). 4. Job Postings from Indeed.com, 2020 vs 2019 % gap in trend indexed to Feb 1, 2020 -- (<https://github.com/hiring-lab/data>) 5. Public Transport Use from Moovit (average of New York area, Chicago and Los Angeles) 6. The Dallas Fed Mobility and Engagement Index. 7. Airline passengers are in thousands. 8. Mortgage applications are percent changes from the average of the first two weeks in January. 9. Bloomberg Consumer Comfort index levels. 10. Redbook sales (%YoY) 11. Restaurant bookings (%YoY) from OpenTable; 12, 13, 15. Oil rigs, steel production and S&P 500 are percent changes from the average of the first two weeks in January. 14. Difference between actual daily load and business-as-usual expectation, weekly rolling average (%) 16. Bloomberg Financial Conditions Index.



# Tracking the recovery

## Canada high frequency dashboard

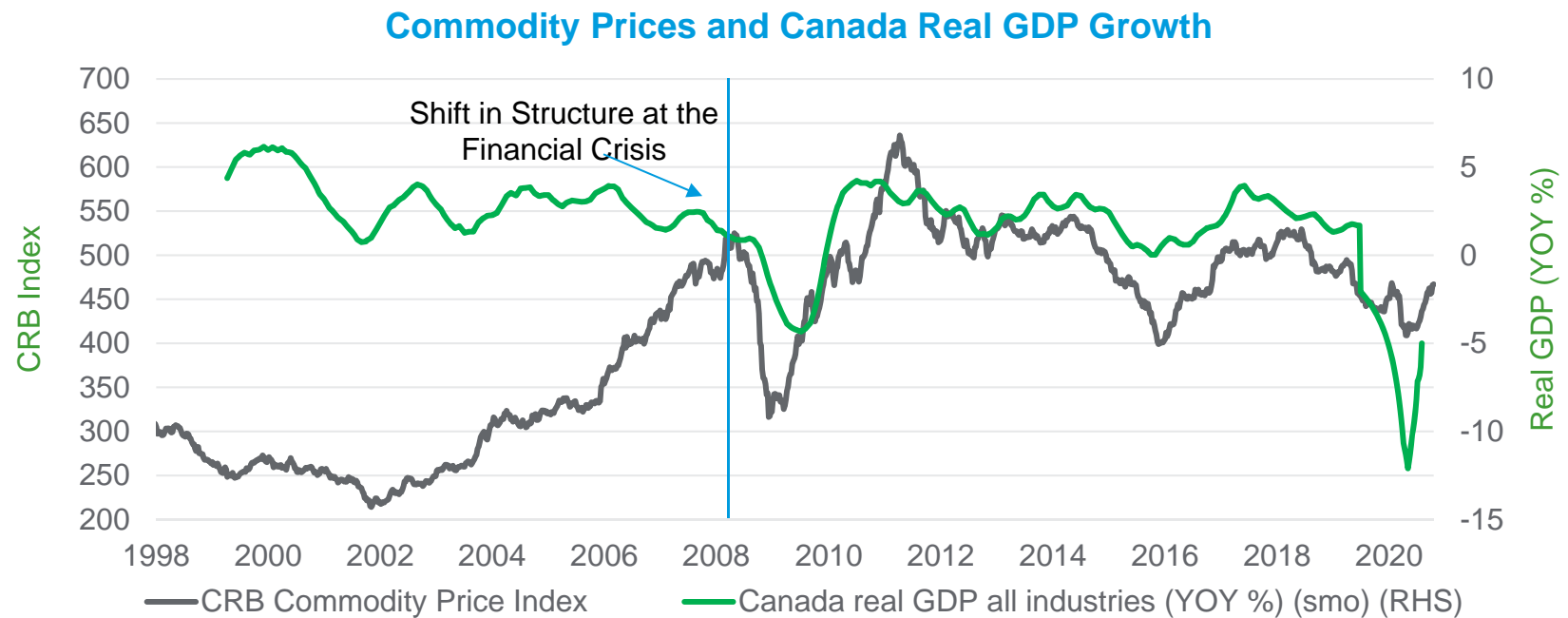


Sources: Bloomberg

Notes: 1. Change in Weekly Covid-19 confirmed cases, deaths from Bloomberg News and Johns Hopkins, through November 29, 2. Oxford COVID-19 Government Response Tracker based on a zero to 100 scale, 3. Job Postings from Indeed.com, 2020 vs 2019 % gap in trend indexed to Feb 1, 2020 -- (<https://github.com/hiring-lab/data>), 4. Nanos National Index, 5. Public Transport Use from Moovit, <https://moovit.com> (average of Toronto and Quebec, prior 7 day usage as percent of week prior to Jan. 15), 6. Congestion Index is percent difference in weekly average from 2019, from TomTom, 7. Restaurant bookings (%YoY) from OpenTable -- week average, 8. Oil rigs are percent deviation from normal seasonal pattern over previous five years, 9. Percent change from February 14 close. For ratio of Discretionary to Staples, value is percent change in ratio, 10. Bloomberg Canada High Yield Corporate Index (BCAH Index) option-adjusted spread.

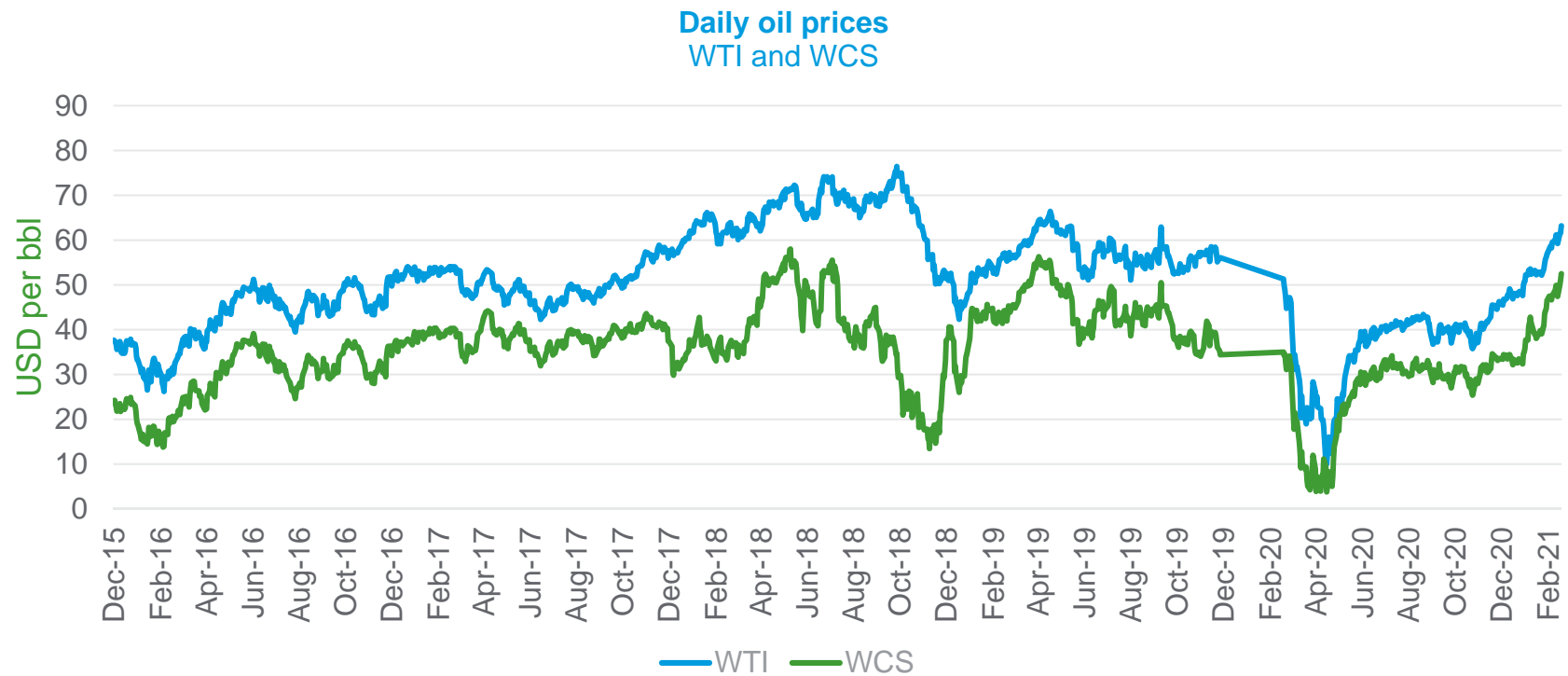


# Getting Back to Full Potential

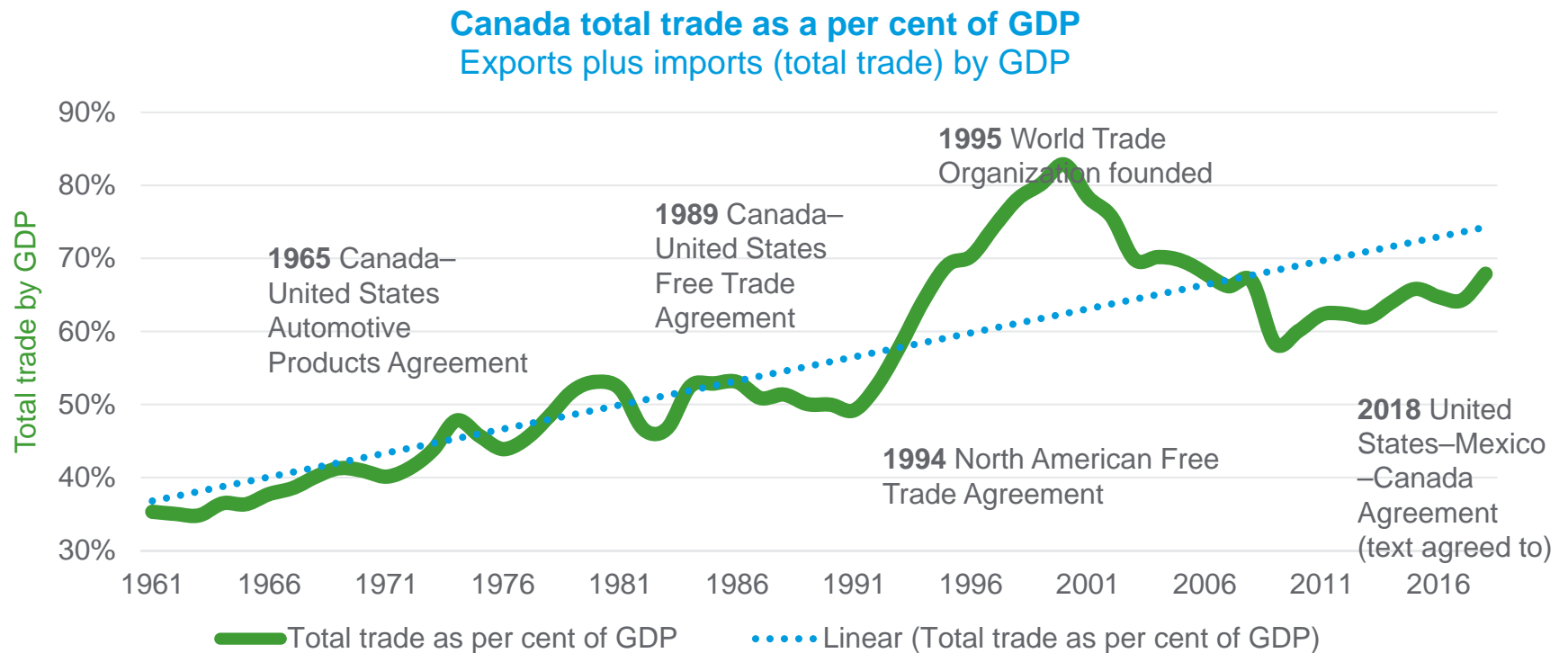


Source: Statistics Canada; Bloomberg; RSM

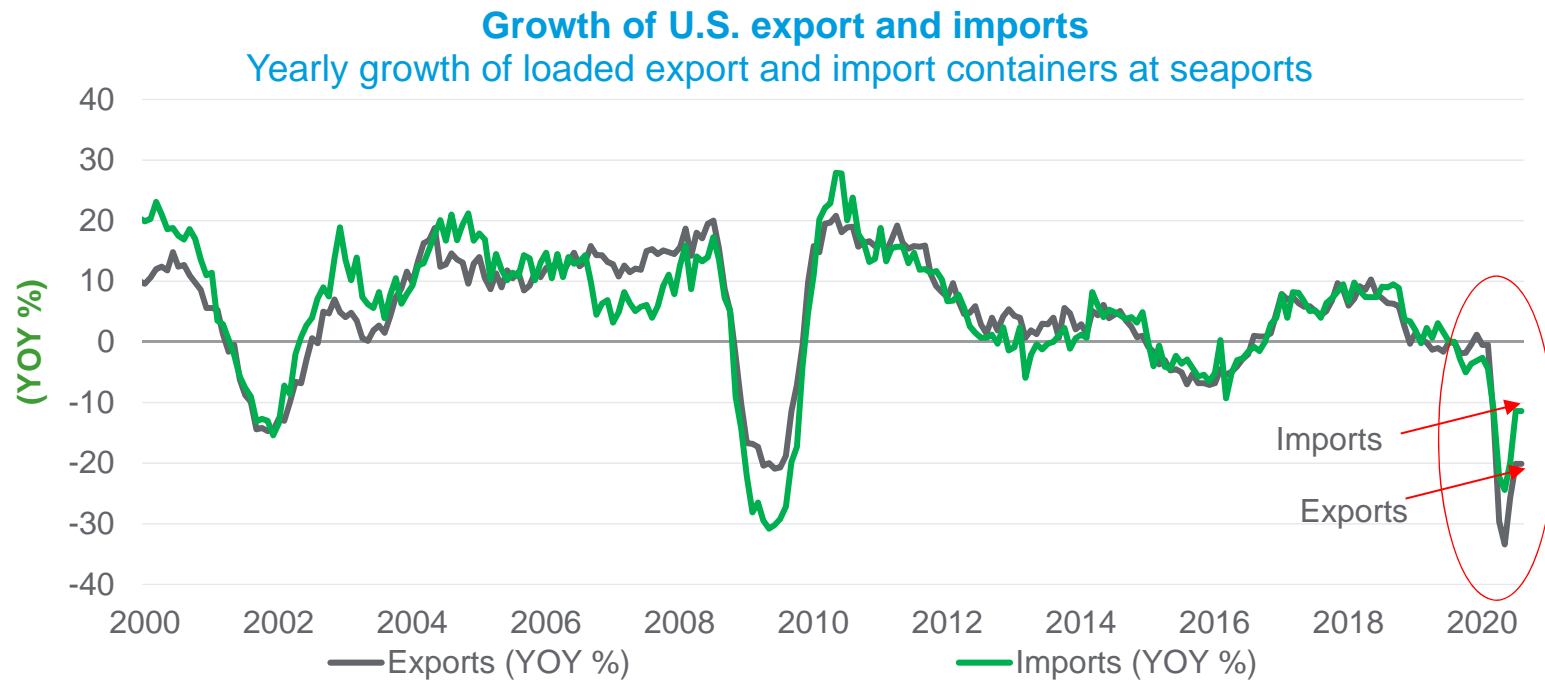
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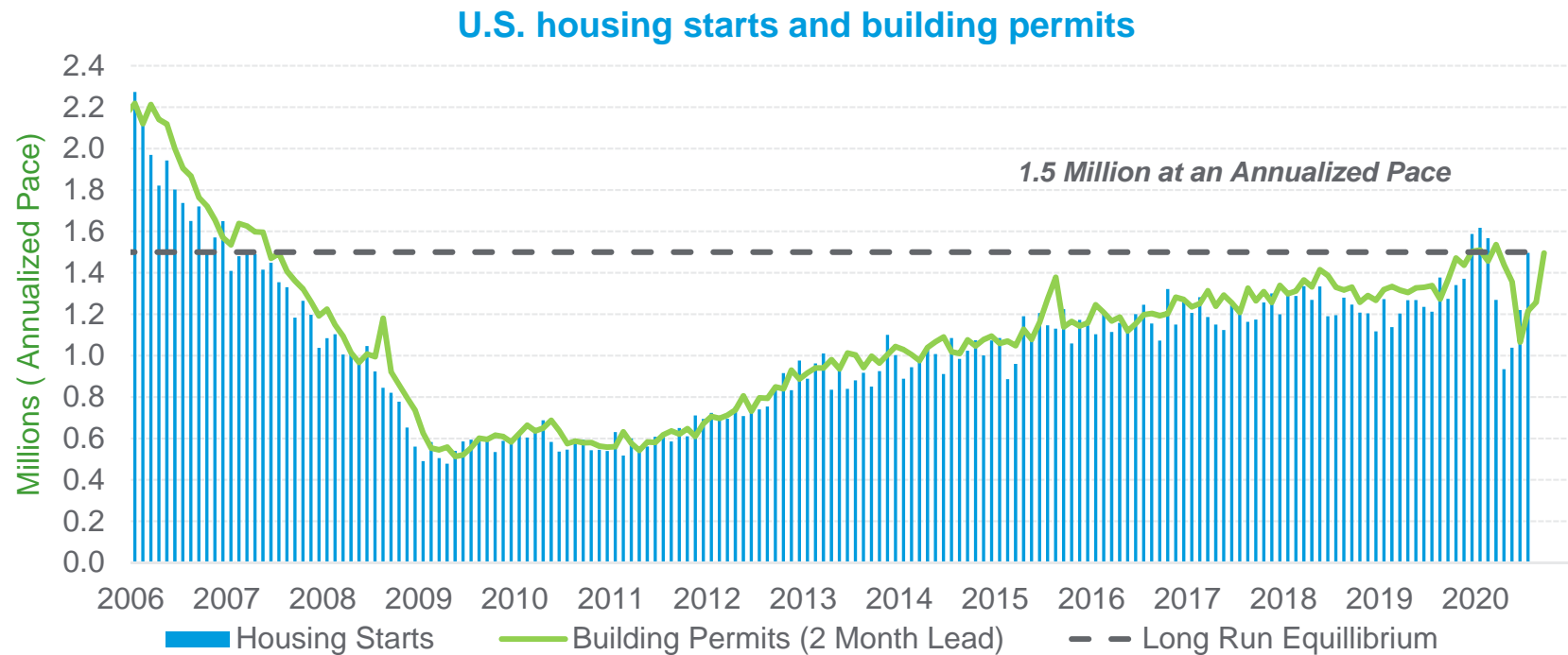
# Getting Back to Full Potential



Source: Census; Bloomberg; RSM US



# Getting Back to Full Potential

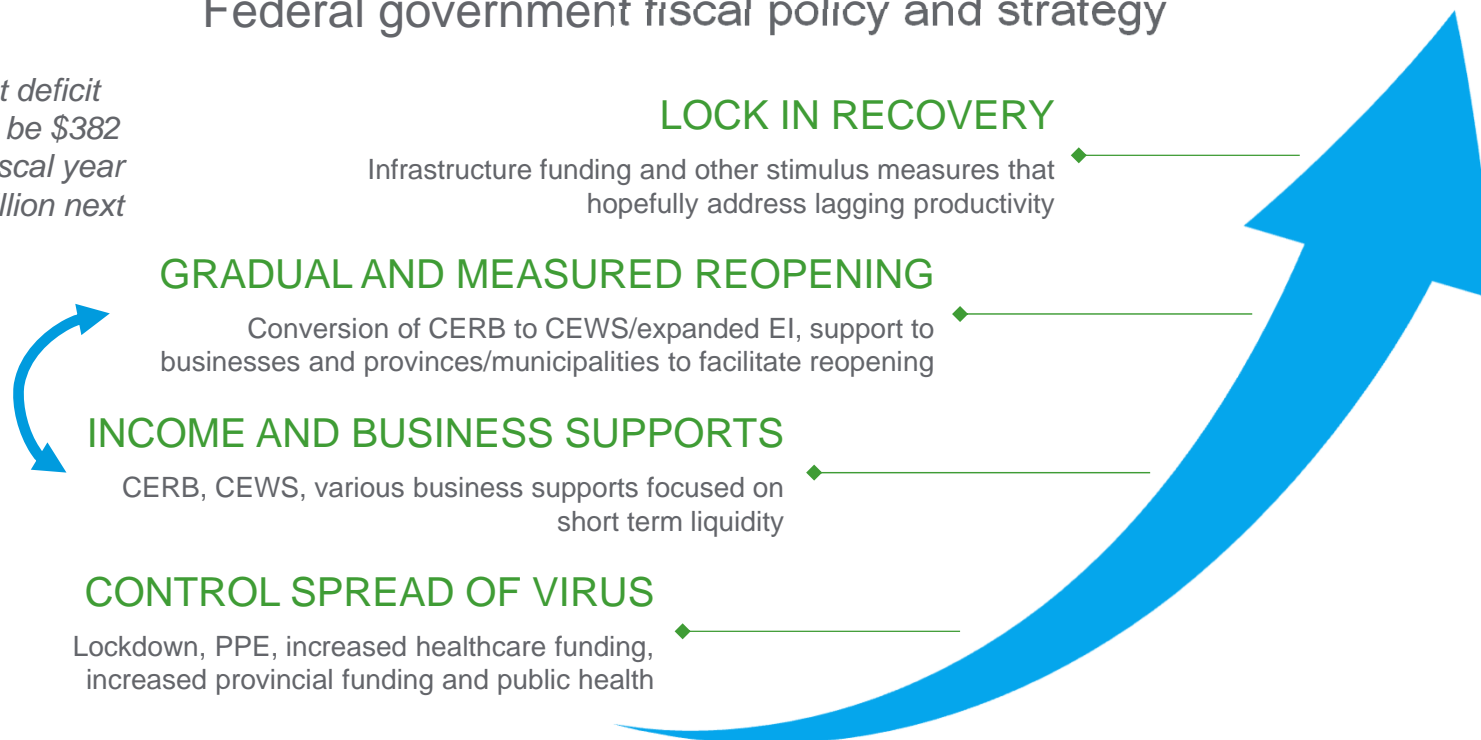


Source: RSM US, Bloomberg

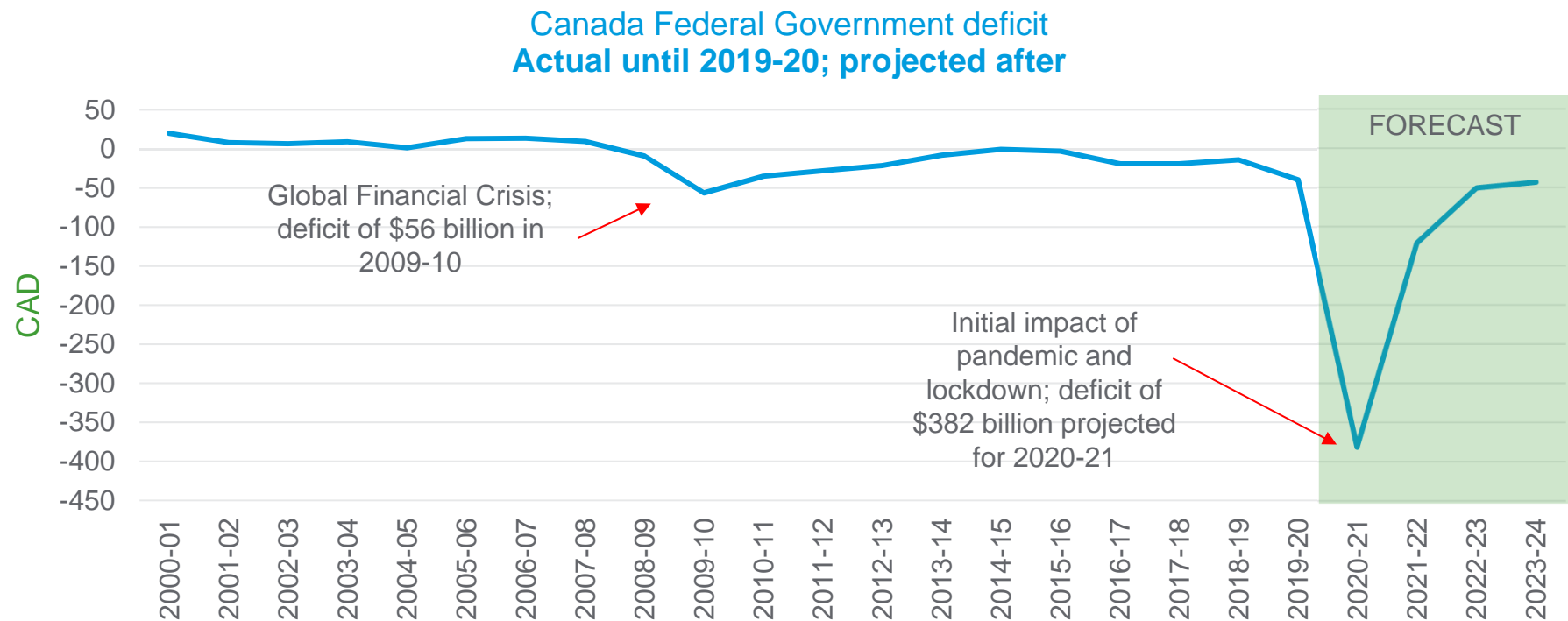
# Fiscal policy response and strategy

## Federal government fiscal policy and strategy

*Government deficit expected to be \$382 billion this fiscal year and \$121 billion next fiscal year*

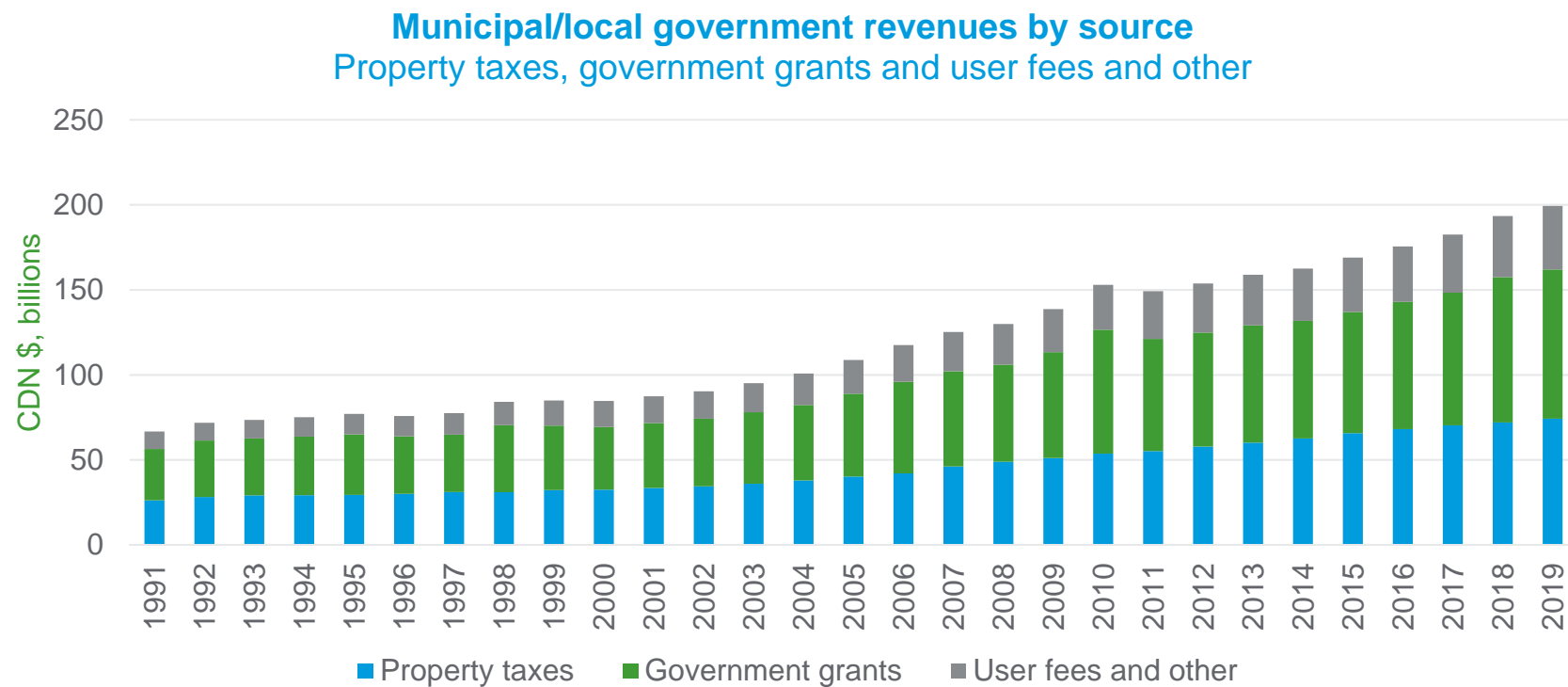


# Fiscal policy response and strategy

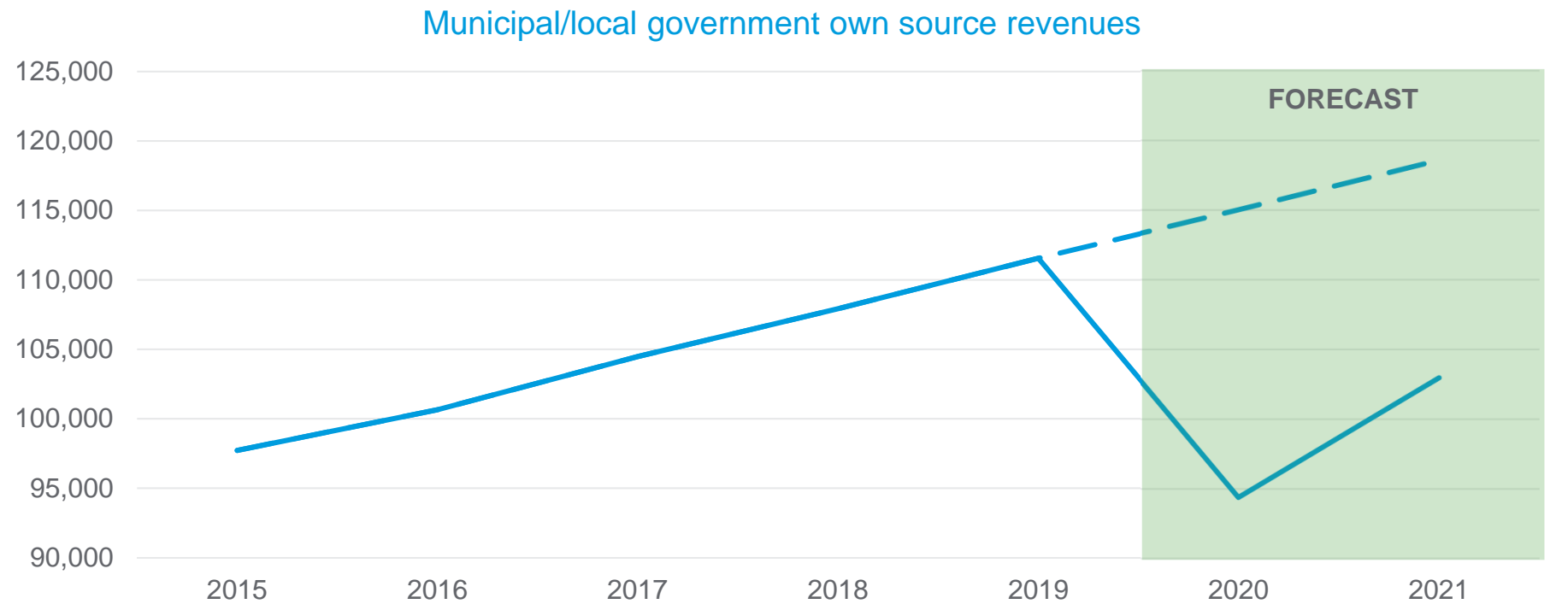


Source: Department of Finance

# Pandemic economics and municipal fiscal impact



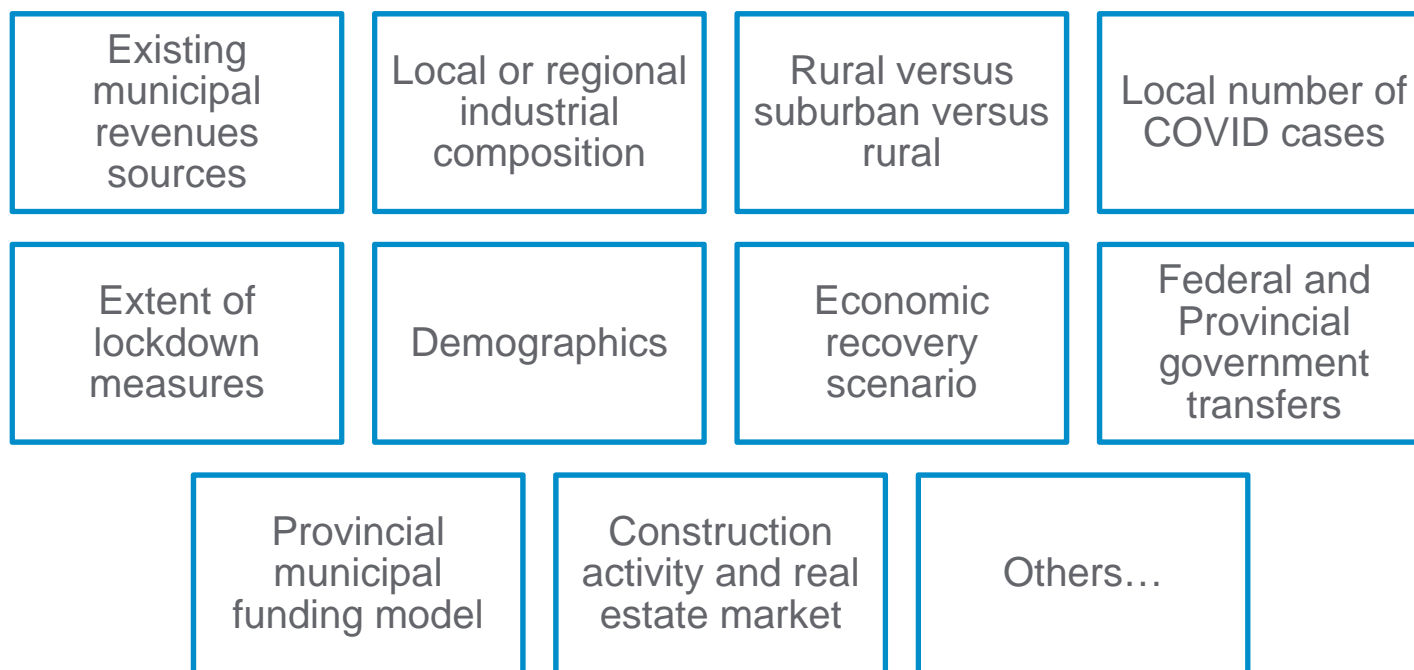
# Pandemic economics and municipal fiscal impact



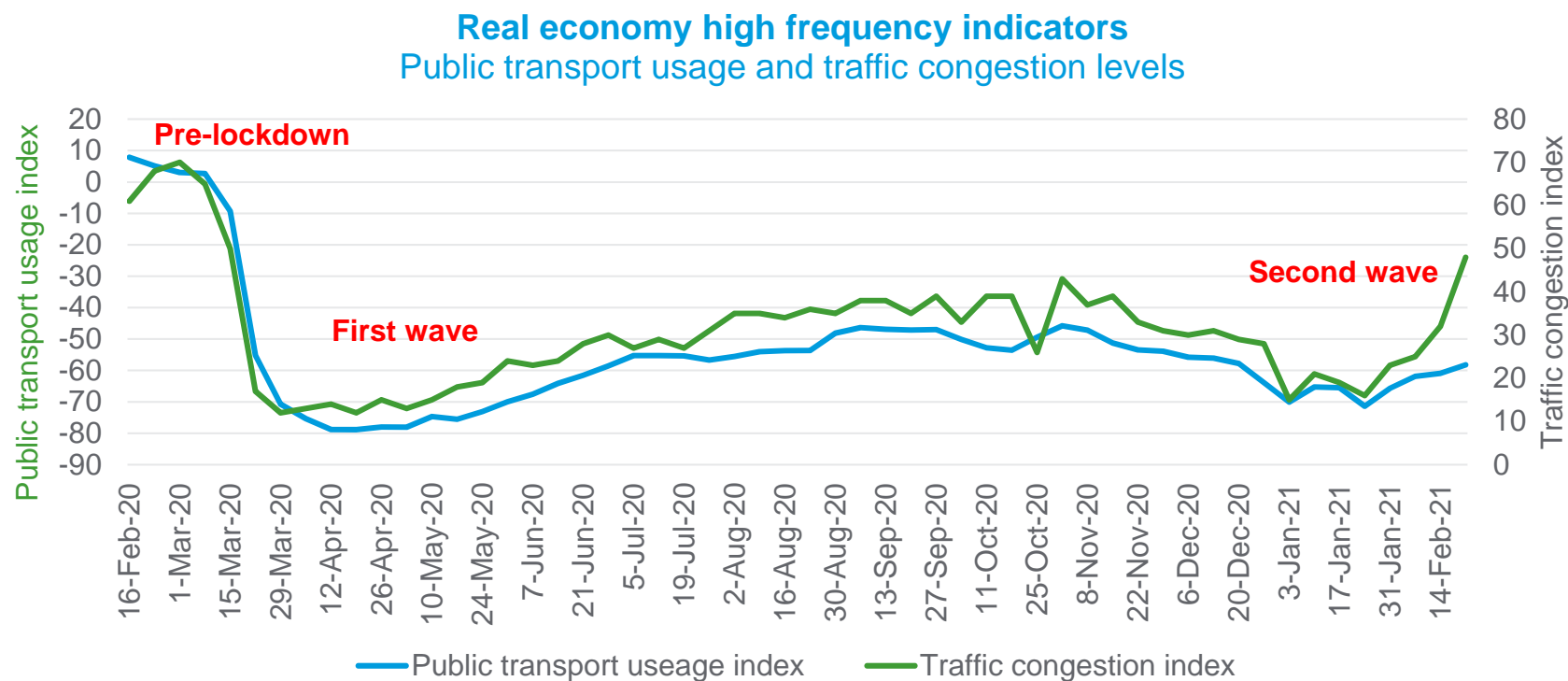
# Pandemic economics and municipal impact

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Every municipality will be impacted differently depending on a variety of factors:

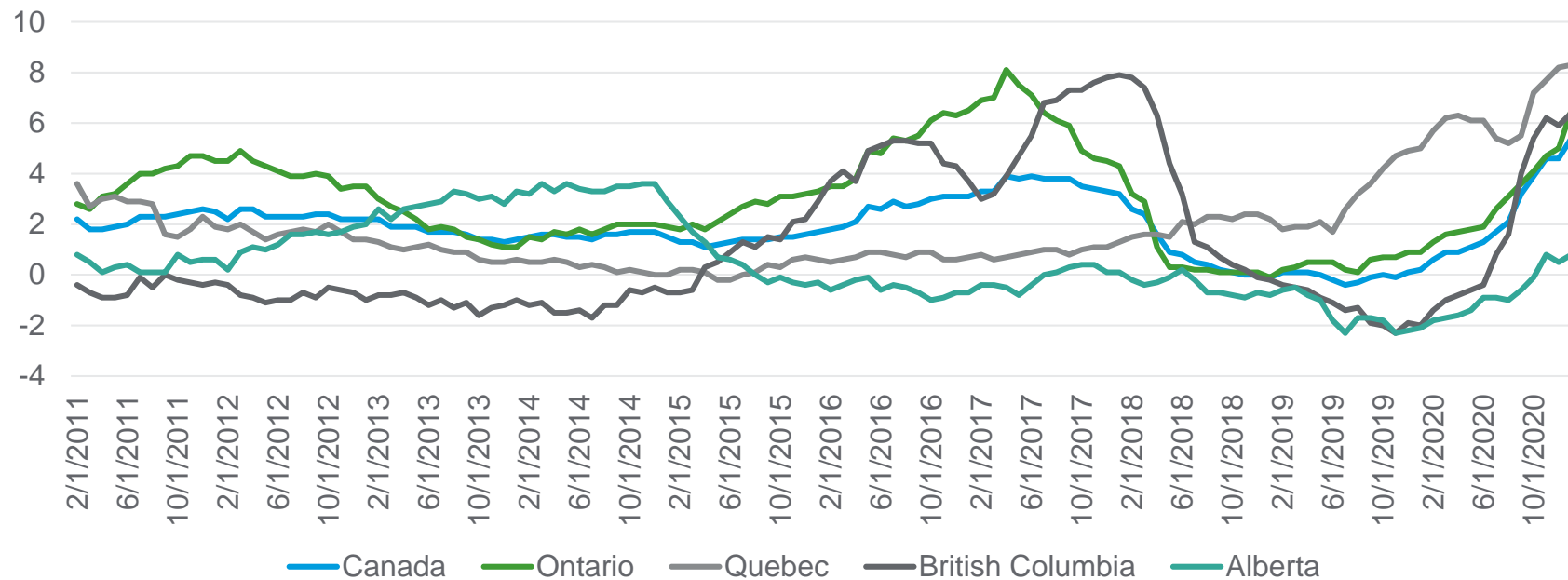


# Pandemic economics and municipal impact



# Pandemic economics and municipal fiscal impact

**Monthly new housing prices index growth rate (YoY)**  
Canada, Ontario, Quebec, British Columbia and Alberta





# Pandemic economics and municipal fiscal impact

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1

SHAPE OF ECONOMIC  
RECOVERY STILL UNCERTAIN



- Some good progress
- No vaccine, no recovery
- Risks around potential third wave

2

UNCERTAIN WHEN MUNICIPAL  
REVENUES WILL FULLY  
RECOVER



- Some revenue sources may take a long time to recover

3

SOME MUNICIPALITIES MAY  
FACE FISCAL CHALLENGES  
OVER THE MEDIUM TERM



- Municipal modernization and digital transformation will become increasingly important



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