

ECONOMY

OECD SEES DEEPEST PEACETIME SLUMP IN A CENTURY

The global economy will suffer the biggest peacetime downturn in a century before it emerges from a coronavirus-inflicted recession, the OECD said Wednesday. Updating its outlook, the Organization for Economic Co-operation and Development (OECD) forecast the global economy would contract six per cent this year before bouncing back with 5.2-per-cent growth in 2021 — providing the



outbreak is kept under control. The Paris-based forum said an equally possible scenario of a second wave of contagion this year could see the global economy contract 7.6 per cent before growing only 2.8 per cent next year. “By the end of 2021, the loss of income exceeds that of any previous recession over the last 100 years outside wartime...” said OECD chief economist Laurence Boone, shown. *Reuters*

ECONOMY

U.S. budget deficit widens to US\$1.88T on virus spending

Gap over eight months between outlays, taxes

JEFF STEIN

WASHINGTON • The U.S. federal response to the coronavirus outbreak is pushing the U.S. government’s budget deficit to unprecedented levels.

On Wednesday, the Department of Treasury said the gap between what the U.S. government spends and what it collects in taxes widened to US\$1.88 trillion for the first eight months of this fiscal year — a record high. America’s federal deficit for all of 2019 was US\$984 billion, which was already considered unusually large.

The soaring deficit reflects the huge spending increases approved by Congress in response to the economic downturn caused by the coronavirus outbreak. Most economists say the spending was necessary to stabilize an economy rocked by double-digit unemployment and a severe contraction in economic growth.

Those efforts are exacerbating America’s fiscal imbalance. The non-partisan Congressional Budget Office has estimated the federal deficit will hit US\$3.7 trillion by the end of this fiscal year. The

Committee for a Responsible Federal Budget pegged the number at US\$3.8 trillion.

“If policy-makers had spent the past five years addressing the debt rather than passing massive tax cuts and spending hikes, we could have offered more economic support and still had lower deficits,” said Marc Goldwein, senior vice-president at the Committee for a Responsible Federal Budget, which supports lower deficit spending.

In April, the monthly budget deficit rose to a record US\$738 billion, due to both a large drop in tax revenue and a surge in federal spending. The monthly deficit for May came in at about US\$400 billion, a substantial decrease from April but still far beyond normal levels. These estimates do not include the impact of the federal government’s approximately US\$600-billion rescue effort for small businesses, Treasury officials said.

The deficit increase includes about US\$300 billion in spending on the US\$1,200 stimulus cheques allocated to more than 100 million Americans. It also reflects hundreds of billions of dollars spent to dramatically increase unemployment benefits, as well as hundreds of billions in aid for hospitals, states and cities, and other federal relief efforts.

*The Washington Post*



ANDREW HARRER / BLOOMBERG

Chairman of the U.S. Federal Reserve Jerome Powell — shown speaking in a virtual news conference Wednesday — said he was in “risk management” mode, presenting a cautious view of the main hurdles the U.S. economy still faces.

Central bank’s forecasts seen as rosier than others

FED  
Continued from FPI

Stocks initially rallied on the Fed news, but the gains evaporated as Powell said he was in “risk management” mode, presenting a cautious view of the main hurdles the economy still faces.

One of the biggest concerns at the Fed and beyond is the pandemic and subsequent recovery probably will deepen inequality in the United States, possibly for years to come. The Fed has limited tools to use in emergency situations, and those tools tend to help buoy Wall Street more than Main Street.

Low interest rates have triggered a massive rebound in the stock market in recent weeks and made it cheaper for Americans to borrow money to buy homes or vehicles and for businesses to take out loans. Mortgage rates fell to an all-time low at the end of May, causing a surge in home-buying, even during the pandemic. But Americans need to have substantial savings to be able to invest in the market or purchase a home.

Powell stressed the limits of the Fed’s ability to help the economy, suggesting that Congress needs to do more to aid workers who can’t get their jobs back this summer and small business owners who don’t make it through this pandemic through no fault of their own.

“Many borrowers will benefit from these (Fed) programs, as will the overall economy,” Powell said, but he noted that there are limits to what the Fed can do and that “direct fiscal support may be needed” to help prevent “long-lasting damage” to the U.S. economy.

The Fed’s forecasts are notably rosier than many others, including from the Congressional Budget Office, which predicts that unemployment will remain above 11 per cent at the end of this year and will fall to 9.3 per cent by the end of 2021.

The central bank is anticipating a strong turnaround next year.

Fed leaders each make their own forecasts for the economy’s path, but the median estimate is for the economy to shrink this year by 6.5 per cent and then grow in 2021 by 5 per cent.

The Fed has vowed to do whatever it takes to help businesses and American households make it through the global health crisis that has quickly turned into an economic crisis with over 30 million Americans filing for unemployment aid.

Since mid-March, the Fed has slashed interest rates to historic lows and pumped more than US\$2.8 trillion into the economy by buying up Treasury bonds, mortgage bonds and even some corporate and municipal bonds for the first time.

The central bank is also about to start the Main Street Lending program to give low-interest loans to small and midsize businesses with fewer than 15,000 employees, another totally new program.

THE JURY IS OUT ON HOW MUCH THE FED IS HELPING THE ECONOMY RECOVER.

Stocks have soared in recent weeks, largely because of the Fed’s sweeping emergency actions.

“While the Fed was successful in helping the stock market recover from the coronavirus-driven sell-off in March, the jury is out on how much the Fed is helping the economy recover,” said Danielle DiMartino Booth, a former Fed adviser and chief executive of Quill Intelligence.

The Dow Jones industrial average initially rose after the Fed’s 2 p.m. announcement but then declined during Powell’s news conference.

Some on Wall Street fear the Fed is fuelling another market bubble by pumping so much money into the markets, even though stocks have rebounded to all-time highs.

*The Washington Post*

‘Too small to fail’ should be motto driving recovery

SMALL  
Continued from FPI

The pandemic has led to an emphasis on digital delivery and more domestic procurement, the RBC report says, as businesses have been forced to adjust to curtailed demand and adopt new ways of operating and delivering products.

Dawn Desjardins, deputy chief economist at RBC, said businesses that were able to pivot to cater to consumers largely confined to their homes “have fared somewhat better” than others during the downturn, but many are now faced with the dilemma of creating an operating plan with no guarantee customers will embrace reopening efforts and no clear idea of how long conditions like social distancing will be in place.

“This could be a nine-month thing or it could be a two-year thing,” she said.

The RBC report contains a number of recommendations for firms, business associations, and governments, including proposing a program that would help small businesses boost their online channels and another to provide them with safety certifications to allay customers’ fears of returning.

RBC says continued assistance from government will be crucial to the survival of small and medium-sized business, with GDP in some of the hardest-hit sectors expected to remain 25 to 50 per cent below February levels even at the end of this year as recovery takes hold.

On Wednesday, politicians in Ottawa and Ontario said they plan to hold a news conference Thursday to unveil “joint provincial and federal efforts to help small businesses in Ontario access opportunities online.”

To underscore the importance of a healthy small business sector to drive local demand and job creation across the country and the economy, the RBC report’s authors suggest the policy motto driving this particular recovery should be “too small to fail” — in contrast to the “too big to fail” emphasis on stabilizing the financial sector following the 2008 crisis.

Small businesses, which represent 42 per cent of

GDP and 48 per cent of new jobs in Canada, are bearing the brunt of economic shutdowns to control the spread of COVID-19, according to the RBC report.

Firms with fewer than 100 employees accounted for nearly 60 per cent of job losses in the first two months of the pandemic — twice the share of job losses they shouldered during the 2008-2009 recession, according to RBC.

In the three years that followed that crisis more than 10 years ago, nearly 20,000 more small businesses closed their doors than had in the prior three years.

While the federal government has stepped up with “unprecedented” amounts of fiscal support for wages, rents, and emergency loans, the RBC report says small and medium-sized business owners are contending with numerous challenges.

“As consumer behaviour shifts, the ability of small businesses to adapt and pivot will be a major determinant of Ontario’s long-term economic recovery,” said Rocco Rossi, chief executive of the Ontario Chamber of Commerce.

There are some success stories of businesses adjusting to selling products online, providing virtual services, or even offering entirely new products and services, he said. However, reopening poses serious challenges for others, “especially those with limited capital or for those located in parts of the province with poor or unreliable broadband internet.”

The RBC report recommends a five-year investment in regional tech accelerators, and boosting a 2019 federal budget commitment to high-speed internet for every Canadian and business by 2030 with tax credits available for small firms to invest in Canadian-designed software and hardware to promote digital transactions and services.

It also suggests creating national programs that would help Canadian businesses boost their online channels — with a goal of one million businesses deriving at least 25 per cent of their revenue from online channels by 2025 — and establishing virtual Main Streets and farmers’ markets.

*Financial Post*

IN THE MATTER OF THE BANKRUPTCY OF  
**2551999 Ontario Inc.**  
of the City of Toronto,  
in the Province of Ontario  
**NOTICE OF FIRST MEETING OF CREDITORS**  
Notice is hereby given that the bankruptcy of the above noted occurred on May 29, 2020, and the first meeting of creditors will be held on June 18, 2020 10:00 AM by the Trustee via Zoom.  
For further instructions on how to obtain meeting ID and login information please contact the Trustee at the information provided below.  
DATED at Mississauga, ON June 11, 2020.  
**Goldhar**  
Goldhar & Associates Ltd  
Licensed Insolvency Trustee  
5045 Orbitor Dr #400, Building 7  
Mississauga, ON L4W 4Y4  
Telephone No. 1-855-541-5114  
Fax No. 905-361-0488  
www.goldhar.ca

IN THE MATTER OF THE BANKRUPTCY OF  
**2668859 Ontario Inc.**  
of the City of Toronto,  
in the Province of Ontario  
**NOTICE OF FIRST MEETING OF CREDITORS**  
Notice is hereby given that the bankruptcy of the above noted occurred on May 29, 2020, and the first meeting of creditors will be held on June 18, 2020 11:00 AM by the Trustee via Zoom.  
For further instructions on how to obtain meeting ID and login information please contact the Trustee at the information provided below.  
DATED at Mississauga, ON June 11, 2020.  
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Mississauga, ON L4W 4Y4  
Telephone No. 1-855-541-5114  
Fax No. 905-361-0488  
www.goldhar.ca

IN THE MATTER OF THE BANKRUPTCY OF  
**MidiCi Canada Operating Limited**  
of the City of Toronto,  
in the Province of Ontario  
**NOTICE OF FIRST MEETING OF CREDITORS**  
Notice is hereby given that the bankruptcy of the above noted occurred on May 29, 2020, and the first meeting of creditors will be held on June 18, 2020 12:00 PM by the Trustee via Zoom.  
For further instructions on how to obtain meeting ID and login information please contact the Trustee at the information provided below.  
DATED at Mississauga, ON June 11, 2020.  
**Goldhar**  
Goldhar & Associates Ltd  
Licensed Insolvency Trustee  
5045 Orbitor Dr #400, Building 7  
Mississauga, ON L4W 4Y4  
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