

Shape of the Post-COVID19 Economy: A Not-so-Speculative View

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Key Aspects of the Presentation

- ▶ What has COVID-19 done to the Economy?
- ▶ What has been done to protect the Economy from total free-fall?
- ▶ What has been the effects of Re-Opening Measures?
- ▶ Will the Economy return in the ways we have known it?
- ▶ Where will the future attention be needed?

Signs of an Economy Going Tailspin. .

- ▶ A **health crisis has turned into a financial crisis** with uncertainty about the size, duration, and shape of the decline in GDP and employment - this undermines business and consumer confidence.
- ▶ **Mandated business closures** and a collapse in both business and consumer confidence
- ▶ The **worst** annual **economic contraction** on record (8+%)
- ▶ 3 million Canadians had **lost** their **jobs**
- ▶ Devastation in labour markets weighing heavily on **spending**

. . Signs of an Economy Going Tailspin

- ▶ **Household consumption dipped** by 11 per cent in the first quarter, and expected drop at the end of the second expected to be a staggering 57.5 per cent
- ▶ With **global demand drying up**, exports are forecast to contract by 14.3 per cent in 2020
- ▶ **Firms are reluctant to invest** in new capacity
- ▶ U.S. economy is in a worse situation but because of economic & trade linkages, **Canadian economy cannot escape from U. S. adversities**
- ▶ Women struggle to get back to work in Canada as '**she-cession**' weighs - "Just as women took the brunt of the downturn, they're likely to see the upturn in labor markets arrive more slowly than men"

Measures Taken to Prevent Economy's Freefall . .

- ▶ Focused on **Maintaining Income, Employment & Spending; Safeguarding Regional Economies, Key Economic Sectors**, leading to \$260 billion deficit
- ▶ For the Consumers - Maintaining Income & Basic Economic Security
 - ▶ Canada Emergency Response Benefit (CERB)
 - ▶ Canada Emergency Student Benefit (CESB)
 - ▶ Canada Student Service Grant (CSSG)
- ▶ For the Businesses -
 - ▶ Avoiding layoffs; Ability to meet payroll - Canada Emergency Wage Subsidy (CEWS)
 - ▶ Maintaining business liquidity and debt-servicing capability - Canada Emergency Business Account Interest-free loans (CEBA); Loan Guarantees and Co-Lending for SMEs; Support for Young and Women Entrepreneurs
 - ▶ Protecting liquidity for large employers - Large Employer Emergency Financing Facility (LEEFF)

. . Measures Taken to Prevent Economy's Freefall

- ▶ **Sector-specific support** - Agri-Food, Fisheries, Energy, Air Transport, Tourism, Culture & Heritage, Academic Research
- ▶ For Special Groups
 - ▶ Seniors - One-time tax free OSA &GIS payment; Reduced Withdrawal from RRIF
 - ▶ Indigenous Communities - local Indigenous economies and Indigenous Tourism Industry; Indigenous Businesses and Aboriginal Financial Institutions
- ▶ COVID-19 Medical Research and Vaccine Development

Attempts at Re-Opening: What have been the Effects?

- ▶ Different Effects on Different Economic Players
 - ▶ Retailing; Air transportation-related; Meat-processing; Arts & Entertainment
- ▶ Different Effects on Different Geographic Regions
 - ▶ Tourism- & Hospitality Services-dependent; Oil & Gas Sector-dependent
- ▶ Pressures to Re-Open - political and economic
- ▶ Re-Opening Too Early & Resurgence of COVID-19
 - ▶ New volatility to the outlook, Re-imposing Restrictions
 - ▶ What happens when Government support measures expire?

The ABCs of the Post-COVID Economic Recovery - The Brookings Institute

Most optimistic: The Z

The economy suffers a downturn during the pandemic, but then bounces back up above the level it would have been in a pre-pandemic baseline, as pent-up demand creates a temporary boom.

Still very optimistic: The V

The economy permanently loses the production that would have occurred absent the pandemic, but very quickly returns to its pre-pandemic baseline once social distancing is lifted.

Somewhat pessimistic, and probably more likely: The U

The effects of the pandemic on economic activity last well beyond the end of the social distancing, and GDP recovers slowly. The level of GDP stays low for a while (perhaps because social distancing norms last a long time), but then recovers back to baseline slowly.

The Nike Swoosh

The economy starts to bounce back sharply, as restrictions are lifted and economic activity increases, but consumers, businesses, and state and local governments are still hesitant to spend

V-Shaped Recovery? . .

- ▶ V-Shaped Recovery? Or more like U-shaped with a stretched bottom?
- ▶ **There will be no ‘V-shaped recovery.’** Joseph Stiglitz, The Globe and Mail, 5 July, 2020
- ▶ Controlling the virus is crucial for the economic recovery
- ▶ “The severity and duration of the pandemic will be affected by how various **mitigation measures** reduce the spread of the virus and by when **vaccines and additional treatments** become available,” US CBO report said. “Further uncertainty surrounds the effects of the pandemic and social distancing on economic activity and on the pace of economic recovery.”
- ▶ After an initial summer bounce with the easing of containment measures, the economy faces a long, slow recovery over the ensuing months, with **COVID-19 worries, continuing restrictions and potential renewed outbreaks** continuing to constrain activity
- ▶ The **path back for the economy continues to look long and winding**, particularly with cases of the virus picking up again in a number of countries across the world, most notably in Canada’s largest trading partner, the U.S.

. . . V-Shaped Recovery?

- ▶ “Trade is the lifeblood of Canada’s goods sector, but even with exports seeing some improvement in May, we’re still a long way from clearing out the clots that emerged in the coronavirus recession,” Avery Shenfeld, chief economist at CIBC Capital Markets
- ▶ “By the end of 2021, the global economy will be barely larger than it was at the end of 2019, and that the U.S. and European economies will still be about 4 per cent smaller.”
- IMF Projections
- ▶ Macro-level Realities: spending will fall, owing to households’ and companies’ weakened balance sheets, a rash of bankruptcies, strong precautionary behavior
- ▶ Micro-level Realities: virus acts like a tax on activities involving close human contact leading to large changes in consumption and production patterns
- ▶ “There’s no easy way to convert airline employees into Zoom technicians” - Joseph Stiglitz
- ▶ Expanding sectors are much **less labour-intensive and more skill-intensive**, leading to decrease in spending that results from declining incomes in the shrinking sectors.

. . V-Shaped Recovery?

- ▶ Rising economic inequality - because low-income people must spend a larger share of their income on basic goods than those at the top, any automation-driven increase in inequality will be contractionary.
- ▶ Expansionary monetary policy has its limits when interest rates are already too low
- ▶ Stimulative fiscal policy will continue facing difficulties at the political arena - some people will never support continuing deficits and accumulating public debts

Where Should be the Future Policy Focus?

- ▶ Continue investing in finding COVID vaccine and other treatments.
- ▶ Prioritize People: Recovery depends on protecting public health. It also depends on bolstering human capital, by helping individuals to retain employment or acquire the skills they need to find new jobs
- ▶ Focus fiscal stimulus on:
 - ▶ Tomorrow's Economy - do not bail out firms that were already in decline;
 - ▶ Firms with inherent capacity to restructure and withstand sudden external shocks
 - ▶ Firms able to compete and grow in the new knowledge economy
 - ▶ Firms with commitment to economic, social, gender and racial justice
 - ▶ Firms enabling transition to a green economy

Ideas for the Local Economy

Where Should We Invest?

- ▶ Preparing for a Transformed Economy and Society
 - ▶ Expand Innovation Ecosystem: better support for tech start-ups; support reskilling & upskilling; leverage university research to support post-pandemic economy; getting more and faster results from our research enterprises
- ▶ Re-thinking Our Learning Economy - Future of Post-Secondary Education
 - ▶ Learner- and technology-mediated programming
 - ▶ Greater collaboration with external partners in learning
 - ▶ Recognize needs of the emerging economy and adapt program focus
 - ▶ Proactive participation in reskilling and upskilling needs of the economy
 - ▶ Connect international student learning with University's global vision

Despite innovations in technology ... we have not yet seen the great shift to accessible, affordable, high-quality education. Perhaps now is that moment. - World Economic Forum

Help increase participation of Indigenous communities in the new economy

- ▶ *Incorporating Indigenous Cultures and Realities in STEM*, Conference Board of Canada, June 2020
 - ▶ less than 2 per cent of people working in STEM occupations are Indigenous
 - ▶ Improving Indigenous participation and leadership in key economic sectors such as science, technology, and finance is part of the reconciliation journey.
 - ▶ STEM Occupations are varied and likely to endure
- ▶ Some Saskatchewan and U of S Examples:
 - ▶ New project by Ken Coates (JSGSPP) in partnership with the Na-Cho Nyäk Dun Development Corporation (Yukon) and Des Nedhe Development Corporation (northern Saskatchewan) on the relevance and viability of technological innovations to the unique circumstances and opportunities of the North
 - ▶ Indigenous Student Achievement Pathways—STEM Pathways; Saskatchewan Indigenous Mentorship Network (SK-IMN); SRC's Aboriginal Mentorship Program; Science Ambassador Program; Saskatchewan Cradleboard Initiative; PLATO Software Tester Training Program; Pearson Science: Saskatchewan Edition

Thank You!
Questions, Comments?