The Monitor
A quarterly analysis of trends in the Canadian Construction and Cement Industries

********* Special Edition #19 *********
June 30, 2020

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Please monitor www.canada.ca/coronavirus for the most up-to-date information about COVID-19

Summary:

- Statistics Canada reported that the Canadian economy shrank by a record 11.6% in April, the first full month of Covid-19-related shutdowns
- Prime Minister Justin Trudeau announced Monday he would begin scaling back his daily press briefings, which have provided updates on the novel coronavirus since March 13th. Instead, he said he will provide news updates a few times a week as the country moves to reopen
- The Prime Minister also said that the federal government's ongoing review about the good, bad and possibly ugly parts of its response to Covid-19 will feed into plans for an improved response to a potential second wave of the novel coronavirus
- **NB**: The federal Finance Department said that deferrals on remitting sales taxes and customs duty payments **won't last past June 30**
- The federal government will give an update or "snapshot" of current finances on July 8th. Trudeau says the national economy is now moving from "emergency" to "recovery". The budget was not presented as planned in March due to Covid-19 and the subsequent lockdown
- Prime Minister Justin Trudeau says the Canada-U.S. border will remain mostly closed for at least another month, until July 21
- British Columbia Finance Minister Carole James said that she plans to release an economic impact report on July 14th.

Notes on Federal Infrastructure Funding:

- On June 18 the *National Post* reported that the Liberal government is increasingly at odds with some provinces over its infrastructure program, with provincial officials saying that a focus on "green" or other specific project types could limit Ottawa's ability to build projects following the Covid-19 pandemic. Provinces are broadly supportive of the funding, but say the program remains overly rigid, amounting to what one provincial official called a "public relations campaign" by the Trudeau government to prioritize the sort of projects that fit with its wider political message. Provinces say they would prefer funding for basic projects like roads or waste water treatment centres, for example, while the federal program forces them to apply through specific project streams like public transit, which they say could hamper their ability to build necessary projects following the crisis. Another official said funding for Covid-19 infrastructure amounts to a repackaging of existing funds, and does not provide new funding that would help stimulate the economies of cash-strapped provinces

  - One provincial official who spoke to the *National Post* said tight timelines proposed by McKenna on the latest round of projects risks repeating past faults in the infrastructure program, which caused spending delays. Phase one of the ICIP program included $14 billion that was expected to be spent within a roughly two-year window, beginning in 2016. Today, that initial $14 billion won't be spent until 2022 at the earliest, according to the 2019 budget
  - In a written response on June 17th, McKenna's office said it has approved "hundreds" of applications in recent weeks under its Covid-19 infrastructure plans, saying the new stream of funding would promote "a broader range of projects that can start quickly and be built in the next year or two."

- June 19: As federal, provincial and territorial governments negotiate "safe economic restart" funding agreements, the Federation of Canadian Municipalities (FCM) outlined four bottom-line requirements to ensure funds urgently protect frontline services for Canadians and support a nationwide economic recovery:
  - Municipal funding must be sufficient. Nationwide, municipalities require at least $10 billion in emergency operating funding. Federal and provincial/territorial governments will need to work together urgently to achieve this overall
  - Funding must be clearly identified. Starting with the broader $14 billion safe-restart commitment to provinces and territories, the allocation of federal funds intended for municipal needs must be clearly specified—so local leaders can make informed choices on the ground
  - Funding must protect services Canadians rely on. That includes frontline municipal services like fire, ambulance, public transit, clean water and shelters. Funding must address both initial Covid lockdown costs and the implications of a gradual restart
  - Funding must reach municipalities quickly and directly. Only an allocation-based funding mechanism can ensure this, and they strongly urge leveraging proven tools like the Gas Tax Fund and the public transit stream of the Investing in Canada Infrastructure Program (directed to operating costs)
- June 19: Canadian municipalities financially hurt by the Covid-19 pandemic are again pushing the federal government to provide them emergency funds, with one mayor saying it is "time to deliver" or else efforts to restart local economies could be jeopardized. The Liberal government has yet to offer municipalities a financial relief package, two months after the Federation of Canadian Municipalities (FCM) formally asked for one in order to cover an estimated $10 to $15 billion in non-recoverable operating losses incurred from the pandemic. They also want Ottawa to specify how much of the $14 billion it is pledging for provinces and territories as part of a "safe restart" plan will go towards municipal needs. An agreement with the provinces has yet to be struck on the plan
- June 15: During her virtual remarks to the Canadian Construction Association's "Un-Conference", McKenna also confirmed that the first phase of federal stimulus funding would include only accelerated money previously budgeted for and not new allocations, and promised that under her stewardship infrastructure spending would support clearly defined long-term goals rather than merely amounting to a list of projects. "I know the construction sector is always innovating and looking at how do you do things more efficiently, how do you do things better and I think also looking at Canadian materials," McKenna said during an interview captured on YouTube. "We should be looking at local supply chains. We've seen challenges with the supply chain with Covid, that's a real problem, but also we have Canadian-made products that we can be using as building materials, cross-laminated timber is one example. I know it's just one example but I mean, I'm in San Francisco seeing Canadian, Quebec cross-laminated timber... you look at low-carbon aluminum, low-carbon concrete." McKenna reiterated details she had previously released about the imminent federal project funding package. McKenna is currently consulting with the provinces to get agreements on the package as a last step before it is formally unveiled. A broader stimulus package will be

released at some point in the future. “I know everyone wants to talk stimulus but the prime minister’s being clear, we’re not in a stimulus stage,” McKenna said, referring to new funding.

Notes on Other Federal Funding Programs:

- June 29: The federal rent-relief program for entrepreneurs will be extended by a month, the Prime Minister said June 29th, but commercial landlords say the application process for small-business rent-relief funding is so confusing and onerous that many wouldn’t apply for the pandemic program, which has already faced criticism for leaving tenants powerless to apply themselves. When Ottawa unveiled the Canada Emergency Commercial Rent Assistance (CECRA) program in late April, it required landlords to apply on behalf of small-business tenants. Many entrepreneurs found out their landlords did not want to apply. Some have already been evicted. But even those landlords who are trying to apply say the massive amount of paperwork and time required, and confusing language in the application process, present significant roadblocks to accessing CECRA
    - A survey conducted at the end of May by the Canadian Federation of Independent Businesses showed that half of business owners would not be able to pay rent in June, and 20 per cent feared eviction if they continued to not pay rent. A recent report by Colliers Canada that surveyed 7,100 commercial tenants in May found that 16 per cent did not pay rent in May, while 42 per cent paid in full and 19 per cent provided partial payments. Yet another survey by the Broadview Danforth BIA in Toronto found that three-quarters of small businesses in the Toronto area, Guelph and Ottawa were not able to pay their full rents in June
- June 22: The Parliamentary Budget Officer estimates in a new report that it will cost the federal government $17.9 billion to provide eight extra weeks of payments through the Canada Emergency Response Benefit. The report from budget officer Yves Giroux says that would bring the total cost of the benefit program for people who've lost all or nearly all their work to the Covid-19 pandemic to $71.3 billion. The CERB, now budgeted at $60 billion, has paid out $43.51 billion to 8.41 million people as of June 4 as demand surges past federal expectations. With the first cohort of CERB applicants set to hit the 16-week limit on the payments early in July, the Liberals have promised to increase the limit to 24 weeks to provide help through the summer for those who need it
- June 18: Finance Minister Bill Morneau took to Twitter to announce that the promised expansion of the Canada Emergency Business Account to include small owner-operated businesses will not launch as scheduled. The CEBA, which provides interest-free, partially forgivable loans of up to $40,000, has been expanded twice to include more businesses. Several weeks ago, the government announced the program was to be expanded again to include companies with payrolls of less than $20,000 and with non-deferrable expenses, like rent, utilities and property taxes, of between $40,000 and $1.5 million. The change was intended to cover owner-operated small businesses that had been ineligible for the program due to their small payrolls, sole proprietors who receive business income directly and family-owned operations that pay family members in the form of dividends
- June 11: The Government of Canada announced that provinces have been transferred their share of funds through the federal Gas Tax Fund (GTF) for the 2020–21 fiscal year to fund its most pressing infrastructure needs. The provincial amounts are: Nunavut has received $16.5 million; Saskatchewan has received $62.5 million; Yukon has received $16.5 million; Manitoba has received $72.5 million; Quebec has received $495.7 million; Northwest Territories has received $16.5 million; Alberta has received $244 million; British Columbia has received $280.4 million; Ontario has received more than $816 million; New Brunswick has received more than $45 million; Prince Edward Island has received $16.5 million; Nova Scotia has received more than $55 million and Newfoundland and Labrador has received more than $31.5 million. The Government of Canada will be announcing new measures in the coming weeks and months to help Canadian communities get back on their feet and make them even more resilient in the future.

Federal Construction Notes:

- June 17: The C.D. Howe Institute's Crisis Working Group proposed a number of measures for enhancing Canada's prospects for a resilient recovery: Stimulus through accelerated infrastructure spending - specifically: the possible role of infrastructure spending to boost depressed aggregate demand through a protracted period of weakness, and the need to rigorously target any infrastructure stimulus to boost productivity and address specific social and environmental objectives. The group suggested Canada should seize this near-term opportunity to address its maintenance backlog for aging public infrastructure assets – for example, repairing bridges, roads and linear water infrastructure. To guide future national infrastructure priorities, Canada needs a national strategic assessment initiative to identify those infrastructure investments that would boost long-run economic growth, enhance social wellbeing and enhance resilience - particularly in response to risks from climate change
- June 17: In a report by C.D. Howe Institute, a group of 11 academics and corporate lobbyists said they were "skeptical of the push for broad 'green' stimulus" under the Liberal infrastructure program. The report said those efforts risked "subsidizing assets like renewable generation for which market forces and carbon pricing should provide commercial incentives." The report also warned against forcing projects into overly tight timelines, saying that "many 'shovel ready' projects may not be the most effective use of public funds compared with transformative projects that enhance productivity or connect markets."
- June 16: Half of small businesses are now fully open, but sales remain low, finds a new survey by the Canadian Federation of Independent Business (CFIB). Only 17 per cent indicate they are making their usual sales for this time of year. New Brunswick is Canada's most open province, with two thirds of businesses there fully open, but only one in four reporting that they are making normal sales. As a result of a significant reopening of the small business community in Newfoundland and Labrador, Ontario is now Canada's most closed economy with 43 per cent of small firms fully open. Businesses in Nova Scotia and Ontario are struggling the most from a sales perspective with only 12 and 14 per cent respectively reporting they are making their usual sales revenue for this time of year. "This week marks a major milestone in Canada's economic recovery with half of small businesses now fully open," said CFIB president Dan Kelly. "However, the share of those making normal sales remains very low. Only 30 per cent of firms that are fully open report normal sales levels. This tells us that we have a long, long way to go before small firms are out of the woods."

% fully open and sales by province

	NB	SK	QC	AB	MB	BC	CA	NL	NS	ON
% fully open	67	66	61	57	57	52	**51**	51	50	43
% with normal sales	24	20	22	21	25	21	**17**	19	12	14
*Weekly sample size too small in PEI										

% fully open and sales by sector

	% open	% with normal sales
Agriculture	78	45
Construction	77	21
Professional services (e.g. law firms)	66	25
Manufacturing	65	20
Wholesale	62	17
Transportation	61	8
Finance, Insurance, Real Estate	60	30
Personal services (e.g. hair salons)	58	16
Enterprise management	52	18
Retail	49	24
Social services (e.g. chiropractors)	39	6
Arts and recreation (e.g. gyms)	24	6
Hospitality (e.g. restaurants)	18	7

Provincial Construction Notes:

British Columbia:

- June 25: Following conversations with business and worker representatives, the Province of British Columbia has extended the temporary layoffs provisions to a maximum of 24 weeks expiring on Aug. 30, 2020, during the Covid-19 pandemic. The extension will give employers and workers additional flexibility to support economic recovery in the province with the expectation that businesses honour their obligations to workers and reach agreement with their employees in the event a further extension is required. Section 72 of the B.C. *Employment Standards Act* provides a tool unique in Canada, allowing employers and workers to extend temporary layoffs by making a joint application to the Employment Standards Branch. Government will continue discussions with worker and employer representatives to ensure the Section 72 applications are processed in a timely and effective manner to support economic recovery and protect workers' rights
- June 24: Finance Minister Carole James introduced *Bill 18, Economic Stabilization (COVID-19) Act*, which, if passed, would enact the government's previously announced tax deferrals. The bill includes a suite of tax measures aimed at helping businesses weather the Covid-19 pandemic, as well as the province's $1,000 emergency benefit for workers. In addition to tax tweaks aimed at softening the pandemic's economic blow, *Bill 18, Economic Stabilization Act*, will allow the B.C. government to table deficit budgets through 2023-24. The province's *Balanced Budget and Ministerial Accountability Act* currently prohibits budget deficits. If passed, Bill 18 will also allow the government to introduce supplementary estimates to cover any "government-directed operating debt."
- This month, Metro Vancouver made its first formal budget submission to the Select Standing Committee on Finance and Government Services. The submission urges the province to consider "a range of strategic co-investments in

shovel-worthy and shovel-ready projects" for the 2021 budget, including renewable energy projects, park enhancements and affordable housing developments

- June 22: The B.C. government has introduced Bill 24, the *COVID-19 Related Measures Act*, legislation that will allow for the provisions created for citizens and businesses in response to the pandemic to be formalized and unwound as appropriate after the provincial state of emergency ends. Currently, all ministerial orders made by the solicitor general under the *Emergency Program Act* (EPA) end immediately at the conclusion of the provincial state of emergency. Specific orders already made will be extended in the legislation after the end of the state of emergency by 45 or 90 days. Given the possibility of a second wave of Covid-19, the act will also provide the possibility for extension of Covid-19 related orders by up to one year after the act is brought into force, if required. Separately, the act allows for the creation of regulations that provide protections from civil liability. Finally, the proposed legislation introduces two permanent, targeted amendments to the EPA that clarify the powers available to the minister under section 10 to "do all acts and implement all procedures that the minister considers necessary," and delegates some specific powers to cabinet instead of a single minister. Ministerial orders made under the Emergency Program Act that are being enacted under the proposed legislation and/or extended in effect beyond the end of the state of emergency (as of June 1, 2020) are here
- June 19: BC Hydro's industrial customers will be able to continue deferring payments through the end of August. On Friday, the energy ministry announced the extension of its BC Hydro Covid-19 Relief Program, which allows eligible industrial customers with accounts in BC Hydro's Transmission Service rate category to defer half of their electricity bill payments
- June 17: The Premier announced that the provincial government is launching a survey asking British Columbians how the $1.5 BN allocated for stimulus and recovery should be spent. The survey is open until July 21 (approximately 6 weeks). A PDF document on the survey site includes information about the impact of Covid-19 on the economy and suggests areas of focus for recovery. A table in this report shows which industries account for the biggest share of the 314,000 pandemic-driven job losses in BC since February. Construction is the only industry on the list that was declared "essential" and operating during pandemic. Construction jobs account for 11% of BC's total job loss, or 34,540 jobs and according to this report, 14% of construction jobs were lost as a result of Covid-19. 10% of the job losses in construction were women, which aligns with the proportion of women in the industry overall (women are approximately 10% of the construction workforce when office jobs are included in the data, but are less than 5% of tradespeople). A list of government priorities in the document includes: "BUILDING THE CRITICAL INFRASTRUCTURE and services that all communities need to thrive — from new roads, hospitals and schools to highspeed internet. here are three main ways for people to share their ideas, experiences and priorities:
    - An online survey is the fastest and easiest way to provide answers to some important questions and give advice. Visit: http://gov.bc.ca/recoveryideas
    - Respond to the paper, Building B.C.'s Recovery, Together: Have Your Say, which was released on Wednesday, June 17, 2020. Ideas and responses can be submitted to: recoveryideas@gov.bc.ca
    - Participate in virtual town halls. British Columbians can learn more about the virtual town halls here: http://gov.bc.ca/recoveryideas
- Summer construction of the long-awaited Coastal GasLink pipeline is expected to begin in British Columbia next month. Along with the pipeline, the company also revealed that it will be developing a compressor and metering station along Dawson Creek to Kitimat in July as well. With the workforce set to slowly increase throughout the summer, TC Energy expects to reach a staff of more than 2,500 come September
- June 12: Bird Construction Inc. will be taking part in work at a major LNG liquefaction export terminal in northwest B.C. The Canadian contractor announced last week it has won a contract to build the concrete foundation at the unnamed facility. Bird's scope also covers paving the area of the site that will house the LNG trains - the processing stages used in the gas liquefaction process. Bird did not disclose further details about the LNG facility, or the value

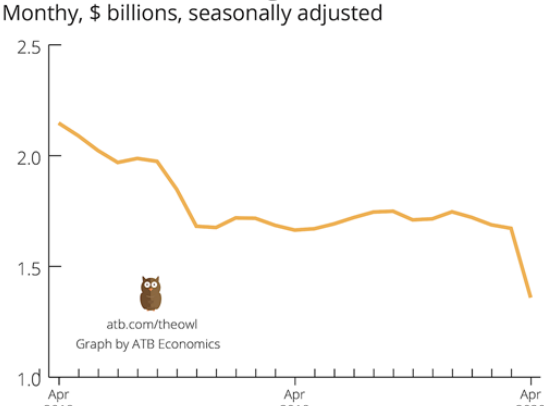
of the contract, but said the concreting package is one of the largest ever awarded to the company. "This project spans three fiscal years and is a great example of the scale that our industrial self-perform capabilities can execute," Teri McKibbon, the company's president and CEO, said in a release. "We will draw upon our expertise and resources from across the country including our Bird Heavy Civil team." The concrete work began earlier this month and will continue until 2022.

Alberta:

- June 29: Premier Jason Kenney announced *Alberta's Recovery Plan* which details the province's economic strategy, including a record $10-billion investment in infrastructure and a plan for 50,000 jobs this year. The Plan includes the many government relief programs that we have put in place to support Albertans and Alberta job creators through the Covid-19 pandemic. It also builds on strategic investments already underway, including the Keystone XL pipeline and $1 billion in accelerated Capital Maintenance and Renewal funding, which are putting thousands of Albertans to work this summer. The plan will continue under three main pillars: creating jobs, building infrastructure that will spur economic growth, and continuing to diversify the economy. This year Alberta will see the largest ever investment in the province's infrastructure, with $10 billion (equal to ~3% of annual GDP) being spent on projects in every corner of the province:
    - The government will launch a series of large-scale infrastructure projects this summer at a total cost of $612 million. These projects are designed to create at least 2,500 jobs and the projects have been chosen to improve long-term economic growth and to encourage investment across the province. These strategic projects will be spread across every region of the province, and will include the twinning of highways, projects that support growth in the agricultural sector, gas line extensions for northern residents, treatment facilities for Albertans recovering from addictions, and other important projects. The projects announced today will be followed by more projects announced in the coming months that will drive economic expansion
    - In addition to the $50 million announced for municipalities through the Strategic Transportation Infrastructure Program (STIP) to fund bridge improvements, upgrades to roads and community airports and other initiatives and a further $150 million for water infrastructure grants through the Alberta Municipal Water/Wastewater Partnership, we have identified up to $500 million in further funding for municipalities, funding we expect will be matched by Ottawa. Even before the federal contribution, this represents an increase to municipal infrastructure funding of almost 30 per cent in the current fiscal year
    - On July 1, the corporate income tax rate will drop to eight per cent – a year and a half sooner than promised. That makes it four percentage points lower than key competitors such as British Columbia
    - Government is also doubling down on its commitment to reduce red tape by ensuring government processes and regulations in the province do not constrain growth
    - The Government is introducing an Innovation Employment Grant targeted to smaller companies and encouraging technology and investment in Alberta. It will provide a refundable tax credit to companies that invest in research and development
    - However, Alberta is now projecting a $20 billion deficit this year, up from the $7 billion shortfall projected in February
- June 26: Bill 24: the *Covid-19 Pandemic Response Statutes Amendment Act, 2020*, received Royal Assent and became law in Alberta. This Bill amends the temporary layoff provisions in Alberta's *Employment Standards Code* again, this time to set the maximum temporary layoff period at 180 consecutive days for employees who are laid off "for reasons related to Covid-19". It applies to employees who are already on a temporary layoff as of June 18, 2020, as well as employees who are laid off on or after that date.

- June 26: Transportation Minister Ric McIver announced Calgary Safelink Partners was awarded the contract for the $277-million West Calgary Ring Road project, which begins construction this summer and is expected to be completed in 2024. The total cost of the ring road project is $1.4 billion
- June 26: Economic Development, Trade and Tourism Minister Tanya Fir announced a $200-million grant program for small and medium businesses and non-profits. The program will give up to $5,000 in grants to businesses that have lost at least half of their revenue due to the Covid-19 pandemic. The money can be used for measures to comply with public health orders such as personal protective equipment, a government news release states
- June 23: Environmental reporting temporarily paused by government during the provincial public health emergency will resume on July 15, four weeks earlier than planned. Alberta Environment and Parks also authorized a three-month extension to industry to submit regulatory reports for emissions reduction achievements and renewable fuel operator compliance. These reports are due June 30. All documentation related to Water Act approvals and licences, reports for public land rentals, and reports related to *Environmental Protection and Enhancement Act* authorizations that were collected since the ministerial order was put in place must now be submitted. Drinking water facilities were not affected by the order and were still required to submit reports during the pandemic. Ministerial orders put in place by the Ministry of Energy are also being rescinded on July 15, earlier than anticipated
- June 23: Premier Jason Kenney issued this statement in response to further progress towards construction of the Keystone XL pipeline: “Today’s announcement that Nisku-based contractor Michels Canada will construct the Alberta portion of the Keystone XL pipeline confirms thousands of new jobs will begin to fuel the provincial economy within weeks. “After several months of bleak economic news, it’s invigorating to see Alberta’s investment in Keystone XL begin to pay off with confirmation of the imminent hiring of 1,000 construction workers each year over the next two years
- June 23: After an already weak year in 2019, Alberta’s construction sector has been hit hard by Covid-19 and the oil price crash. On a seasonally adjusted basis, monthly investment in building construction in Alberta was down $328.4 million (-19.5 per cent) in April compared to February. Residential construction in Alberta was down by $310.3 million (-30.8 per cent) in April compared to February. The decline was less pronounced on the non-residential front with investment down by $18.1 million (-2.7 per cent) over the same period. Taking a longer view, we see that the drop-off in activity during the pandemic exacerbated a pullback that took place in 2019. Between 2018 and 2019, annual investment in building construction in Alberta fell by $2.5 billion (-10.8 per cent). Over the same period, spending in the country as a whole increased by $5.3 billion (+3.0 per cent). In this sense, Alberta’s construction sector had a shorter distance to fall during the pandemic than the national sector. It also suggests that, even if we catch up to where we were before the COVID-19 shock, we will still have a ways to go before the full vigour of Alberta’s construction sector is restored.

Investment in building construction, Alberta
Monthy, $ billions, seasonally adjusted



Source: Statistics Canada Table 34-10-0175-01

- June 22: Albertans are invited to provide input to help develop the Alberta *Infrastructure Act*, as well as government's 20-Year Strategic Capital Plan. People can visit alberta.ca until Aug. 10 to share their feedback. Responses from the online survey will assist government in developing the Alberta Infrastructure Act, which will outline how government will plan for and prioritize capital spending. Input collected will also help inform development of a 20-Year Strategic Capital Plan, which will guide government's approach to long-term planning for infrastructure. The 20-Year Strategic Capital Plan is expected to be released by early 2021
- June 19: The Government of Alberta announced $200 million in grant funding will be made available to assist municipalities in Alberta with the costs of certain transportation infrastructure and water/wastewater projects. The Government of Alberta estimates that the increase in grant funding will support a total of 124 projects in the province. $50 million of the grant funds will be made available to municipalities through the provincial government's existing Strategic Transportation Infrastructure Program, while the remaining $150 million will be made available to municipalities through its Alberta Municipal Water/Wastewater Partnership. The Strategic Transportation Infrastructure Program will provide a total of $50 million in funding to municipalities through four (4) streams:
    - the "Community Airport Program", which provides funding of up to 75% of the costs of projects involving the rehabilitation and improvement of community-owned, public-use airports;
    - the "Local Road Bridge Program", which provides funding of up to 75% of the costs of projects involving the rehabilitation and maintenance of bridges and bridge-sized culverts on municipal roads;
    - the "Resource Road Program", which provides funding of up to 50% of the costs of projects involving the building or improvement of road infrastructure that supports industrial and economic growth; and
    - the "Local Municipal Initiatives", which provides funding (on a case by case basis) for local transportation infrastructure projects.
- Municipalities may apply to Alberta Transportation until November 30 of each year for funding in the following year. The $150 million in funding for water and wastewater improvement projects includes a total of $137 million allocated to the Alberta Municipal Water/Wastewater Partnership ("AMWWP")
- June 17: A month after the Fair Deal panel's report was handed over to the government, Premier Jason Kenney and Solicitor General Doug Schweitzer publicly released it Wednesday. The 68-page report, which the premier paused the release of during the public health emergency, offered up 25 recommendations for how Alberta can achieve fair treatment in Confederation, including the creation of a provincial police force and an exit from the Canadian Pension Plan (CPP). The premier said Wednesday he will hold a referendum in 2021 to gauge Alberta's sentiment on the equalization formula as part of a push to get Ottawa to overhaul it. "Failure to get a fair deal for Alberta is not an option," Kenney said.
- June 17: Upon the 14-1 approval of GreenLine LRT project by Calgary city council, Transportation Minister Ric McIver sent a letter to Calgary Mayor Naheed Nenshi indicating the province's intention to review the project. A UCP omnibus bill passed last year, *Fiscal Measures and Taxation Act*, included a clause that would allow the province to pull out $1.53 billion in provincial funding dedicated for the LRT project within 90 days without cause.
- One in four Alberta CEOs aren't sure whether their business will survive the Covid-19 crisis, according to a new survey commissioned by the Business Council of Alberta. Nearly all of the survey's 61 respondents said they have experienced a moderate to severe decline in their business's revenues. The CEOs want the government to stimulate demand for their products and services and provide more clarity on health and safety rules
- June 10: Lowe's Canada says work will start this month on a new distribution centre located northeast of Calgary designed to improve its in-store and online operations in Western Canada. The company says the project will cost about $120 million, with investment shared with Calgary-based real estate developer Highfield Investment Group. The 114,000-square-metre facility is expected to open in the fall of 2021, joining several other recently built distribution centres - including Amazon, Walmart and Costco - in Rocky View County near the Calgary International Airport

- June 16: Bill 23, the *Commercial Tenancies Protection Act*, would protect eligible commercial tenants from having their leases terminated due to non-payment of rent as a result of the COVID-19 pandemic. If passed, the act would also prevent landlords from raising rent and charging late fees and penalties on missed rent. The new measures will help address shortfalls in the current Canada Emergency Commercial Rent Assistance (CECRA) program, and will give eligible business owners peace of mind as they reopen and help with the provincial economic recovery
- Calgary City Council has given the go-ahead to recommended changes to the Green Line light rapid transit plan. City administration recommendations on the updated Stage 1 alignment from 16 Avenue N. to Shepard along with changes to construction staging were approved on June 16 by council. The new construction strategy takes into account discussions between stakeholders and council during a June 1 committee meeting and focuses on risk management. Stage 1 of the Green Line will be constructed in three segments:
    - Segment 1: Elbow River to Shepard
    - Segment 2A: 2 Avenue SW station to Elbow River
    - Segment 2B: 16 Avenue N to north of 2 Avenue SW station

  Segment 1 of the Green Line is shovel-ready, a City of Calgary statement said, and the procurement process will go forward with request for qualification shortlisted proponents to be announced this month, with a request for proposals to be issued no later than July 24. Segment 1 will be delivered as a design, build, finance project and the proponent teams will bid on the project starting on July 24 but detailed design and construction will begin in 2021.
- June 11: New oil sands projects in Alberta will no longer need government approval under a sweeping set of changes tabled in the province's legislature on Thursday. Bill 22 would also scrap the agency responsible for energy efficiency programs, expand the role of the board that handles conflicts between landowners and oil companies and allow non-Albertans to lease grazing land in provincial parks and forest reserves. The government says the changes will reduce red tape and encourage investment. If the bill passes, the final decision on oil sands approvals will be made by the Alberta Energy Regulator (AER), reversing decades of government policy in the province
- Three K-4 public schools will not open as planned this fall after the challenges of Covid-19 caused construction delays and delivery issues. Construction is nearly two-thirds complete on Northern Lights School, for K-4 students in Coventry Hills and Country Hills Village; Sibylla Kiddle School, for K-4 students in Cranston; and Dr. Freda Miller School, for K-4 students in Evergreen, each with a capacity of 600 students.

<u>Saskatchewan:</u>

- June 29: Saskatchewan has announced $110.5 million in funding for six new major school infrastructure projects. The projects are part of the province's $7.5-billion capital plan to build infrastructure and stimulate economic recovery. Under the two-year plan to build a strong Saskatchewan, over $130 million was designated for education infrastructure including major projects and maintenance funding. The new projects include:
    - a new Francophone elementary school in Regina;
    - a new elementary school to replace Ducharme Elementary School in La Loche;
    - a new K-12 school to replace Blaine Lake Composite School;
    - a new K-12 school to consolidate the elementary school and high school in Lanigan;
    - renovations and an addition to Holy Rosary High School in Lloydminster; and
    - renovations and an addition to Lloydminster Comprehensive High School
- June 15: The Saskatchewan government is predicting the Covid-19 pandemic will result in a deficit of $2.4 billion but says it won't cut programs and services. The government now expects to take in $1.2 billion less than the previous year. It forecasts revenues to be at almost $13.7 billion, while spending is earmarked at $16.1 billion. Finance Minister Harpauer characterized the shortfall as a "pandemic deficit" rather than a larger, structural one. Saskatchewan is the first province to build a budget around the pandemic. While the government is committed to its collective bargaining agreements, there are likely going to be more zeros in future negotiations and hiring freezes

could be on the table, Harpauer added. Included in the budget is an extra $2 billion that Moe promised in May for its existing two-year capital plan. It is to be spent on infrastructure projects and highway upgrades to create jobs and stimulate the economy. The province is introducing a provincial sales tax rebate on new homes. The rebate is good for 42 cent of the tax paid on a new house valued up to $350,000. It applies to homes bought after March 31 and extends to April 2023. Investment in 2020-21 represents the first year of an enhanced two-year $7.5 billion capital plan, which includes a $2.0 billion economic stimulus booster shot added in May to further help the economy recover from the impact of the Covid-19 pandemic. The province's initial capital plan, announced in March, supports more than 17,500 jobs with an economic impact of $1.8 billion on nominal GDP. The two-year $2.0 billion stimulus is expected to support 10,000 jobs, with a $1.2 billion impact on the province's nominal GDP.

Manitoba:

- June 24: The Canadian province of Manitoba is preparing to restart its "Quarry Rehab Program." The region's Agriculture and Resources Development Department has committed to consulting with the Provincial Aggregate Advisory Committee on how to revitalise and restart the program. This move follows a report from the office of the auditor general last month, the Manitoba Heavy Construction Association (MHCA) has reported. The auditor general's investigation found the program administered by the Mines branch lacked appropriate management oversight and internal controls. The investigation said that inspectors had "far too much responsibility and the program focused on spending, not prioritizing the most pressing projects. "The work of the Provincial Aggregate Advisory Committee (PAAC) is appreciated and the recommendations will be considered as we develop the path forward for quarry rehabilitation," the department's recent response said. "The department is working as quickly as possible as we are aware of industry's interest in the resumption of a program for the 2020 construction year."
- June 24: The Manitoba government is introducing the Manitoba Job Restart program, which will provide direct payments to a maximum of $2,000 to help qualified Manitobans return to work. The program will provide one initial payment of $500 plus three additional bi-weekly payments for $500 each, for a total of $2,000 over a period of six weeks. Program participants must voluntarily stop collecting CERB or CESB support. The program does not require any contributions from employers in order for workers to qualify
- The City of Winnipeg has launched a new project to publicly map community building energy consumption and greenhouse gas (GHG) emissions. The city is appealing to eligible commercial and institutional building owners to participate in the Building Energy Disclosure Project by registering for free and agreeing to track their building's energy and GHG performance on ENERGY STAR Portfolio Manager as well as disclose key building profile and performance metrics for inclusion on a public disclosure map. The program is made possible through a financial contribution from the Government of Canada's Department of Natural Resources. Participants in the program will also receive a personalized scorecard highlighting their building's key energy and GHG performance metrics, access to free educational workshops offered by the city and the Canada Green Building Council and assistance with identifying key building metrics including the creation of an ENERGY STAR Portfolio Manager account.

Ontario:

- June 30: The Ontario Construction Secretariat *released The Coronavirus Contractor Survey 3: Reemergence and Adaption* as the third survey in a series of independent studies conducted by the OCS. Between June 16 and June 19, 2020, the OCS led a Contractor's Survey of 200 ICI contractors from across Ontario. Key findings include:
    - A potential second wave of Covid-19 is the top concern of contractors
    - Ensuring the health and safety of their workers remains a top concern of contractors
    - Between Survey 2 (May 11-15) and Survey 3 (June 16-19) there have been significant increases in concerns with the ability to get skilled labour, and with supply chain disruptions
    - Delays to forthcoming work are taking longer to lift, with 41% of work scheduled to start this year still delayed

  - 73% of contractors forecasted that their calendar year revenue would be down compared to 2019, this is unchanged compared to the previous survey
- June 26: Industrial energy consumers no longer have to conserve during peak hours. Energy Minister Greg Rickford is putting a two-year pause on the main pillar of the Industrial Conservation Initiative - the requirement that companies in the program reduce their energy use during peak hours. The program promises firms a savings of up to 30% on their energy bills in exchange for toning down their electricity usage during Ontario's five peak hours. Rickford said industrial employers need to focus on getting their "operations up and running and employees back to work, instead of adjusting operations in response to peak electricity demand hours."
- June 23: Ontario's non-profit sector has joined the push for liability protection from Covid-19 lawsuits. The Ontario Nonprofit Network says many of its 58,000 member organizations are struggling to access insurance coverage amid the pandemic and is calling on Attorney General Doug Downey to consider a "good samaritan" liability exclusion clause, to exempt non-profits from requiring insurance or to backstop their premiums so organizations such as mental-health providers or social services agencies aren't forced to close their doors
- June 22: A Building Industry and Land Development Association (BILD) survey has found 498 residential construction projects by its members in the Greater Toronto Area have been delayed by the Covid-19 pandemic. In Toronto itself, 65 per cent of these projects are delayed three to six months, and 32 per cent face delays of greater than six months. Projects covered by the survey represent 156,000 units across the GTA at various stages of construction. BILD says the holdups will result in the loss of about 9,000 housing starts over the course of the next 18 months in a market already facing a severe shortage of housing. The survey covers only residential construction projects, which were granted essential workplace status under Ontario's emergency orders during the early stages of the Covid-19 pandemic. However, the industry was only able to complete homes that were near completion and to work on important infrastructure projects such as hospitals. Other findings show 83 per cent of not-yet-above-grade projects reported delays of three to six months and 11 per cent are greater than six months. Eighty-five per cent of projects under construction permitted for above grade, reported a delay of three to six months and five per cent are greater than six months. The situation is reflected to a greater or lesser extent in most GTA municipalities, according to the survey data. Altus Group examined the survey data and concluded these holdups will result in the loss of about 9,000 housing starts over the course of the next 18 months. The delays will set back occupancy of over 8,000 units by the end of 2021, potentially worsening the shortage of housing in the City of Toronto. It could also lead to a reduction of construction activity, impacting up to 10,000 jobs the survey claims. Lost revenues could include up to $340 million in development charges, $13.5 million in education development charges, $26 million in property taxes, $364 million in HST and $106.3 million in municipal and provincial land transfer tax
- June 18: Infrastructure Ontario President and CEO Ehren Cory and the Minister of Infrastructure, Hon. Laurie Scott provided a P3 Spring Market Update, which will include a total of 37 P3 projects, valued at over $60 billion. Thirteen of these projects are currently in procurement and another 24 projects are in the pre-transaction phase. The P3 project pipeline is part of the province's plan to build new infrastructure faster, including its commitment to the four new subway lines and extensions announced earlier this year (Ontario line, Eglinton extension, Scarborough extension and Yonge North extension). The start of procurement for several big-ticket transit projects in the GTA, including the Ontario Line, were the most significant components of the update, though the work had already been made public this March. Two major new highway projects were also included - work on Hwy. 3 in southwestern Ontario and construction on Hwy. 17 outside Ottawa. Questions remain as to whether the PCs will meet their 2027 deadline for the $11-billion Ontario Line project, financing is not scheduled to be signed off on until fall 2022
- June 18: The Ontario government is resisting calls to pad its infrastructure spending plan to help jolt the economy as the recovery from Covid-19 starts gaining momentum. In a virtual event June 18, Minister of Infrastructure, Laurie Scott, and president and CEO of Infrastructure Ontario (IO), Ehren Cory, spelled out the details of the province's Spring 2020 P3 Market Update, but noted it does not add funds to the province's 10-year, $144 billion capital spending plan released last year. "We can be assured with this big pipeline that we have announced and are reconfirming that we have a very big stimulus package happening right here in the province of Ontario that we are determined to continue with," Scott said during the event, which was hosted by the Canadian Council for Public-Private Partnerships (CCPPP). While Ontario's confirmation of its previous infrastructure plans is positive news for

the construction industry, it falls short of commitments in other provinces to boost spending following the pandemic

- June 17: the Ontario government passed the *Protecting Small Business Act*, temporarily halting or reversing evictions of commercial tenants and protecting them from being locked out or having their assets seized during Covid-19. The legislation applies to businesses that are eligible for federal/provincial rent assistance for evictions from May 1, 2020 until August 31, 2020. Landlords and tenants are encouraged to participate in the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses. The pause on evictions does not apply to those participating in CECRA for small businesses, as the program requires landlords to enter into a rent reduction agreement with their impacted small business tenants and commits them to a moratorium on evictions for three months
- June 16: The Ontario Ministry of Labour, Training and Skills Development announced the release of a new general workplace guide that will assist employers in developing their own safety plan and Ontario enters stage 2 of the reopening of the province
- June 16: The Ontario government wants municipalities in the Greater Toronto Area and beyond to start designating enough land to accommodate all new development expected until 2051, a move welcomed by the building industry but that critics charge locks in decades of renewed suburban sprawl. Municipalities subject to the province's Growth Plan for the Greater Golden Horseshoe, which covers the Greater Toronto Area and the region that surrounds it from Niagara to Peterborough, are already required to designate enough land for the housing and workplaces they expect to need by 2041, based on population forecasts from the government. Now, they could be required to set aside even more land in advance to accommodate projected new growth for an additional decade, under proposed changes that Municipal Affairs and Housing Minister Steve Clark is releasing on Tuesday for a 45-day public-consultation period. Victor Doyle, a retired senior provincial planner who was one of the key architects of both the Greenbelt and the Growth Plan, said the province's approach ignores the fact it has been urbanizing land at only half the rate anticipated when the Growth Plan was first launched in 2006. He warns that the new proposal, coupled with the Progressive Conservative government's new, looser rules on population density brought in last year, will mean even more land is earmarked for spread-out suburbs in the "whitebelt," or the farmland that remains between built-up areas and the province's protected Greenbelt. Mr. Gray also warns that a provision in the latest proposal to allow for more quarries in "natural heritage areas" will stir up conflict. Joe Vaccaro, the chief executive officer of the Ontario Home Builders' Association, said the industry has been asking for the extension of the Growth Plan horizon for a simple reason: He says it can take up to 20 years to get a big development through the planning process and into construction
- June 15: The province has reinstated reporting requirements under the *Environmental Bill of Rights* after suspending them at the beginning of April. The change, which the PCs said would create nimbleness during the pandemic, allowed firms to bypass the public consultation process for projects with environmental impacts. On Monday, Green Leader Mike Schreiner called on the PCs to make public a list of any projects or regulations that were given the go-ahead while the reporting suspension was in effect
- June 11: The Ontario government, in partnership with the federal government, is helping small businesses reach more customers through the Digital Main Street platform. It is a $57-million program which will help up to 22,900 Ontario businesses create and enhance their online presence and generate jobs for more than 1,400 students. Through the $57-million contribution to the Digital Main Street platform, businesses will be able to take advantage of three new programs to support their digital transformation.
- Work on the Gordie Howe International Bridge connecting Windsor and Detroit is continuing and the bridge builders believe they will be able to complete the project on schedule in 2024 despite the Covid-19 pandemic. "The reason why we are still showing the end of 2024 is because that is still four years away and there is still a lot of opportunity over the next four years to mitigate what's happened" because of the pandemic, Bryce Phillips, CEO of the Windsor-Detroit Bridge Authority (WBDA) said at a June 10 briefing.

Quebec:

- June 26: Negotiations for the renewal of collective agreements in the construction industry are decidedly off to a bad start: the five unions have been unable to agree on the appointment of an arbitrator; the Minister of Labor will have to appoint him. Under the rules, the five union organizations that are recognized in the construction industry must first conclude a negotiation protocol between them, before starting negotiations with employers' associations. Already, at this stage, the five had been unable to get along. These are, in order of importance, the FTQ-Construction, the Quebec Provincial Council of Building Trades (International), the Syndicat québécois de la construction, the CSD-Construction and the CSN-Construction. The 2017-2021 collective agreements expire next April. In fact, four collective agreements must be negotiated: in civil engineering and roads; in the industrial sector; in the residential; in institutional and commercial. These negotiations concern all 192,000 workers in the industry
- June 23: Quebec's association of construction professionals (APCHQ) revealed that it initially anticipated a three per cent decline in residential construction for 2020. But it now has plans for 41,000 projects this year in Quebec, which represents a 15 per cent decrease compared to the 47,967 housing units from last year. Paul Cardinal, the director of the APCHQ's economic service, said that after a four-week shutdown caused by the pandemic, activities have resumed at a good pace and in the short-term, the vast majority of marketed projects will be built. The end of autumn onwards is when the flow of units could be a little slower, Cardinal said, because of the economic slowdown and job losses, which might delay the start of certain projects. The APCHQ is anticipating an active year for 2021. Around 40,000 units are planned, which represents a decline of just two per cent. The single-family home segment is expected to grow as multi-family housing moderates to a certain extent, though it will continue to dominate. Cardinal said in recent years, the demand for rental housing has been fueled by an increase in non-permanent residents in 2019. However, Cardinal says the immigrant and non-permanent resident factors are difficult to predict currently.
- June 15: Quebec's opposition parties have succeeded in stalling Bill 61 they say revealed the government's "authoritarian" streak. Premier Francois Legault has said the bill is critical to relaunching the province's economy following weeks of pandemic-induced shutdowns. His government even created a website to counter criticism of the legislation and promote his government's side. Legault wrote on Facebook that he "still had hope" his opponents would vote for the bill in principle and move it forward. Bill 61 would allow the government to fast-track environmental reviews and the tendering process for major construction projects. It removes the right for property owners to contest the expropriation of their land by the government. And the bill initially allowed Legault to prolong the public health state of emergency indefinitely, a power the Quebec bar association said doesn't exist anywhere else in Canada. Legault eventually modified that clause, permitting him to extend the state of emergency until October. Legault also conceded to other amendments, but in the end it wasn't enough, and passage of the bill will have to wait until the fall session. Quebec's construction sector and the federation of the province's chambers of commerce also wanted the bill to move forward. Also on June 15, the parties ended the legislation session by taking stock of the government's handling of the Covid-19 crisis. Quebec solidaire said the government had little to be proud of after the province suffered more deaths attributed to the virus than the rest of the country combined.

Nova Scotia:

- June 16: Some Halifax developers are hitting pause on major projects in the city thanks to Covid-19, and a Halifax economist says that has some interesting implications for the city's housing market. According to the Canadian Mortgage and Housing Corporation, the number of new multi-unit developments started in the city this year has dropped significantly compared to the same period in 2019. By the start of June this year, developers had started construction on 577 multi-unit dwellings. That's a 36 percent drop from the 872 they has started by June 2019. He says the decline in multi-unit housing starts over the first half of the year in Halifax likely means developers are holding off on big projects until they have a better handle on what the long-term impacts of Covid-19 will be on the city's economy. "With also have to take that dip in multi-unit construction with a caveat that the last two years we have seen some of the highest levels of construction," Ndoro says. "So far we've seen a little bit of a dip in construction, but it's not necessarily a negative story, it's just a dip from a very high point." Ndoro also points out that the construction of single-detached units (your standard family house) in 2020 has wildly outpaced last year in Halifax, even during the pandemic. The CMHC says 342 single-family homes were started from January to May 2020, which is a full 40 percent higher than last year. Ndoro says if that migration slows significantly because of Covid-19 the major population growth engine in the city stops. And fewer people means less demand for houses and a weakening housing market.

Competing Building Materials Notes:

- June 16: Premier John Horgan has tasked Ravi Kahlon, parliamentary secretary for Forests, Lands, Natural Resource Operations and Rural Development, with promoting the construction of primarily wood buildings in B.C. as a way to support the province's struggling forest sector. The effort will include the creation of a joint industry-government steering committee, which Kahlon will chair, that will meet semi-annually and provide guidance and advice to involved ministries. Kahlon will also liaise with the Ministry of Municipal Affairs and Housing - which will be adding a new assistant deputy minister position, focused on "mass timber implementation" - and the Ministry of Jobs, Economic Development and Competitiveness on their efforts to promote mass timber use. Council of Forest Industries president and CEO Susan Yurkovich said the move could help B.C. become "the Harvard of green building" - a global leader in the use of sustainable wood products. "Expanding the use of sustainably harvested, low-carbon wood products in B.C. buildings will help combat climate change and support getting people back to work in forestry-related jobs across the province," she said
- ArcelorMittal, the world's biggest steelmaker, is evaluating the potential sale of its infrastructure assets in Canada, where it has the largest and most profitable iron ore operation, as it seeks to cut debt by divesting non-core businesses. The facilities the company may put on the chopping block include a 420km-long railway servicing the 24 million tonnes-per-year Mont-Wright iron ore mine in Quebec, FT.com reports. Selling either the entire ArcelorMittal Infrastructure Canada (AMIC) unit, or a stake in it, would help the Luxembourg-based firm achieve its target of reducing net debt to $7 billion from $9.5 billion currently
- June 23: Canadian cabinet ministers are staying mum on a new report that U.S. President Donald Trump is looking to impose yet another round of aluminum tariffs against Canada in apparent response to shrinking domestic demand amid the coronavirus economic slump. Bloomberg reported Tuesday morning that the U.S. plans to re-impose a tariff of 10 per cent on Canadian aluminum coming into the U.S. by the end of the week unless the Canadian government agrees to limit aluminum exports. The report says those tariffs on Canadian aluminum would go into effect on Canada Day
    - The Trump administration decided against moving forward with reimposing tariffs on imports of Canadian aluminum - for now - after pressing Canada to impose quotas on its exports. Sources close to the aluminum talks say the two sides are working on an agreement before the USMCA goes into effect on July 1st.

Economic Analysis & Commentary:

Canada:

- June 30: Statistics Canada: The construction sector fell 22.9% in April, as all types of construction activity were down. Non-residential construction fell 36.0%, as commercial, public and industrial construction all posted double-digit contractions. Declines were largely concentrated in Ontario and Quebec. The 22.3% decrease in residential construction was driven by lower home alterations and improvements, and declines in multi-family dwellings and single family homes construction. Engineering construction (-17.2%) and repair construction (-25.4%) were also down. Economy-wide real gross domestic product (GDP) dropped 11.6% in April, following a 7.5% decline in March. April marked the first full month of measures put in place to slow the spread of Covid-19. All 20 industrial sectors of the Canadian economy were down, producing the largest monthly decline since the series started in 1961. The economy was 18.2% below its February level, the month before the Covid-19 measures began

- June 24: Fitch Ratings has downgraded Canada's triple-A credit rating to AA+ in light of "much expanded" 2020 deficits due to billions in emergency spending during the novel coronavirus pandemic. The decision reflects growing public debt at both the federal and provincial levels. The downgrade of Canada's long-term foreign currency issuer default rating is the first change since Fitch assigned Canada a AAA rating in that category in August, 2004. "The rating downgrade reflects the deterioration of Canada's public finances in 2020 resulting from the coronavirus pandemic," the agency stated. Wednesday's announcement says Canada's rating outlook is stable. Fitch expects the coronavirus response to raise Canada's consolidated gross general government debt to 115.1 per cent of GDP, up from 88.3 per cent of GDP in 2019. The federal government has announced well-over $150-billion in direct spending measures and the Parliamentary Budget Officer has said the deficit for the current fiscal year could exceed $256-billion
- June 24: Given the rapidly evolving economic situation, Statistics Canada is providing an advance estimate of sales in the manufacturing sector for the month of May. The advance results for May indicate that manufacturing sales rose 6.2%, as many manufacturers resumed production after full or partial showdowns in April. Owing to its preliminary nature, this figure is expected to be revised
- June 23: The Conference Board of Canada says the economy may have already begun to recover from the deepest recession on record if the country can avoid another national Covid-related shutdown. The private sector group's quarterly forecast estimates Canada's economy will shrink by 8.2% this year, after about three million jobs were lost in March and April due to Covid shutdowns. It also projects Canada's national unemployment rate will peak at 13.7% in the second quarter ending June 30, the highest since the measure was first recorded in 1976. But the report says the addition of nearly 300,000 jobs in May and continued easing of restrictions in June probably indicate the pandemic's worst impact on the labour market has passed. It's projecting the addition of another 1.3 million jobs in the July to September quarter, dropping the national unemployment rate to 10.5%. The Conference Board says that if the country can avoid a second national shutdown, Canada's economy could grow by 6.7% in 2021 and by 4.8% in 2022
- June 22: Bank of Canada: In remarks to a virtual meeting, new Governor of the Bank of Canada said In our July Monetary Policy Report, we expect to be able to provide a central planning scenario for output and inflation, with a discussion of the main risks around that scenario. Going forward, we will assess incoming information relative to that scenario. Currently, we expect growth to resume in the third quarter. The economy will get an immediate boost as containment measures are lifted, people are called back to work, and households resume some of their normal activities. But it will be important not to assume that these growth rates will continue beyond the reopening phase. The pandemic is likely to inflict some lasting damage to demand and supply. The recovery will likely be prolonged and bumpy, with the potential for setbacks along the way
- June 19: Statistics Canada says retail sales fell by more than a quarter in April as motor vehicle and parts dealers took the largest hit due to the Covid-19 pandemic. The agency says retail sales fell 26.4 per cent to $34.7 billion in April leaving them down 33.6 per cent since physical distancing measures were implemented in mid-March. Economists on average had expected a drop in April of 15.1 per cent, according to financial markets data firm Refinitiv. While essential services like grocery stores remained open, most retailers did not offer in-store shopping in April due to public health restrictions meant to slow the spread of the pandemic
- June 18: The Parliamentary Budget Officer says in a new report that this year's federal deficit could hit $256 billion due to the Covid-19 pandemic. The result, posted this morning, is the combination of an estimated total of $169 billion in federal spending on emergency aid and a historic drop in economic output. The budget office estimates

the economy could shrink by 6.8 per cent in 2020, the weakest showing since 1981 and double the record of 3.2 per cent shrinkage in 1982. The overall deficit figure is only $3.8 billion higher than budget officer Yves Giroux's previous predictions, which his report says is due to a better economic outlook in the second half of the year that offsets some new spending. Previously, Giroux estimated the economy could shrink by 12 per cent in 2020. Giroux stresses that the figures are the outcome of one of many possible scenarios and not a certain forecast. Giroux is also releasing updated cost estimates for two of the cornerstone programs the Liberals rolled out and are now revamping — the Canada Emergency Response Benefit, and the federal wage-subsidy program. The budget office now estimates the $2,000-a-month CERB will cost the government $61.1 billion, but pull in $7.7 billion when recipients are taxed on the income next year. The Liberals have promised to extend the benefits so recipients can receive 24 weeks instead of the current 16, and previously revised the budget for the program to $60 billion. When the Finance Department increased the cost of the CERB, it also lowered the cost for the wage-subsidy program from to $45 billion from $73 billion based on the take-up rate among businesses. Giroux's office estimates the wage subsidy to cost the treasury $55.6 billion.

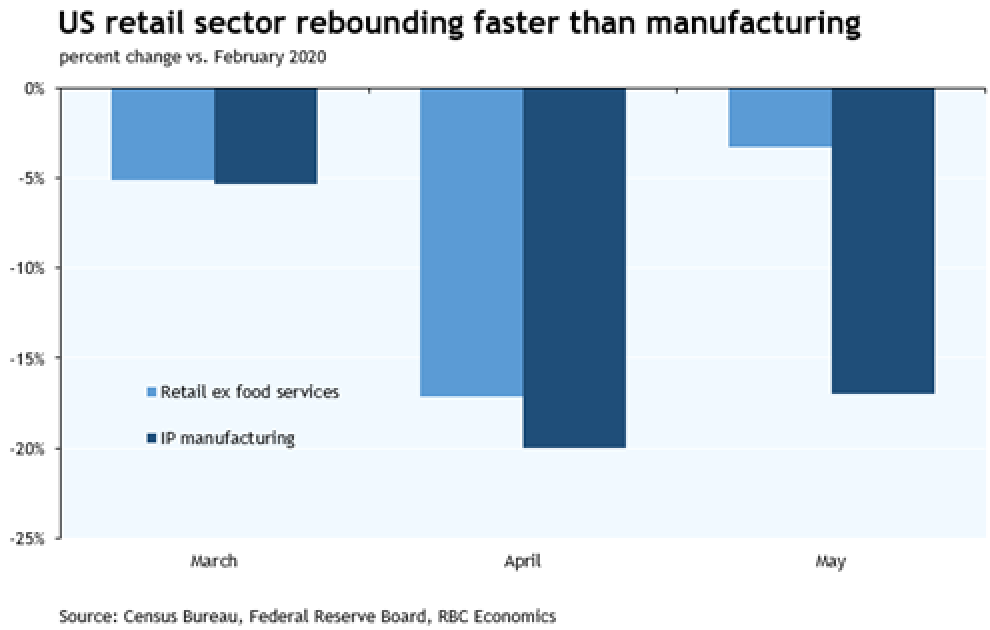
- June 17: <u>ConstructConnect</u>: The dollar volumes of construction 'starts' year to date in Canada so far this year, versus their levels in January-May 2019, have been as follows: 'grand total', -33%; residential, -34%; nonresidential building, -41%; and heavy engineering/civil, -23%. Provincially, the steepest declines have occurred in Quebec (where the coronavirus has struck hardest), -54%, and Alberta (where the energy sector has been under siege, although oil prices have now recovered above $30 USD per barrel), -44%. The comparable year-to-date U.S. starts statistics, which are published in the Industry Snapshot, have been: 'grand total', -20%; residential, -11%; nonresidential building, -33%; and heavy engineering/civil, -7%
- June 16: <u>Canadian Real Estate Association</u>: Canadian home sales rebounded in May and early June after the Covid-19 pandemic halted activity in April, but volume was still at the lowest level since the mid-1990s during what is typically one of the busiest times of the year. Last month, 26,111 homes were sold on a seasonally adjusted basis, up 56.9 per cent from April, according to the Canadian Real Estate Association, with Toronto, Montreal, Vancouver and other major cities leading the way up. "Those numbers have been steadily rising from mid-April right through the first week of June," said Shaun Cathcart, senior economist with CREA. But the association said last month's sales were the weakest May numbers since 1996 (not adjusted for seasonality), and the country's housing market still had a long way to go until it reached "normal" levels. The number of new listings climbed 69 per cent in May from a very low base in April. The home price index, an industry calculation, fell 0.08 per cent to $619,200, with tiny declines in the most expensive markets of Vancouver and Toronto offsetting gains in other parts of Southern Ontario. CREA typically published a forecast every quarter. But this is the second time in a row it has not issued an outlook because of the economic uncertainty.

<u>United States</u>:

- President Trump threatened to veto House Democrats' $1.5 trillion green infrastructure plan on June 29th, arguing it should eliminate or reduce environmental reviews and doesn't route enough money to rural America
- June 22: House Democrats have unveiled a $1.5 trillion infrastructure bill that includes almost $500 billion of green measures proposed as part of the Investing in a New Vision for the Environment and Surface Transportation in America (INVEST in America) Act earlier this month. In addition to the spending included in the INVEST in America Act, the larger Moving Forward Act also would provide: $300 billion for structurally deficient bridges; $100 billion for facility upgrades at high-poverty schools; $100 billion for affordable housing infrastructure; $100 billion in broadband internet; $40 billion for wastewater infrastructure; $70 billion for the electric grid for more renewable energy and upgrades; $30 billion for hospitals and other healthcare infrastructure; and $3 billion for "shovel-ready" Great Lakes, coastal and marine projects. The current FAST (Fixing America's Surface Transportation) Act will expire

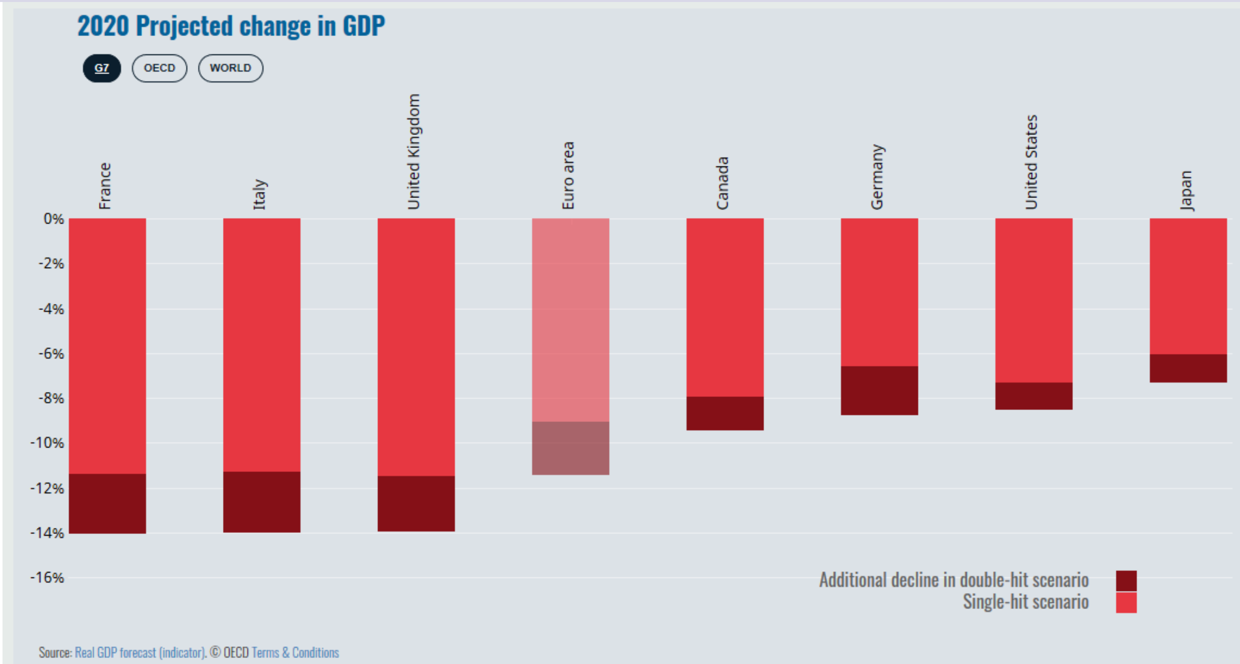
Sept. 30, so Democrats and Republicans must come up with a plan to reauthorize funding. However, some Senate Republicans say that House Democrats have cut their Republican counterparts out of the bill-writing process

- June 19: U.S. home construction rebounded 4.3 per cent in May after steep declines caused by shutdowns due to the coronavirus. The Commerce Department reported recently that new homes were started at a seasonally adjusted annual rate of 974,000 last month after steep declines in April and March. Homebuilders are hoping that as the nation reopens, housing will post a strong recovery, helped by super-low mortgage rates. But some analysts caution that the fledgling rebound could be derailed if cases of the coronavirus spike again, causing potential buyers to put off looking for a new home. Applications for building permits, a good indication of future activity, rose a sizable 14.4 per cent in May to an annual rate of 1.22 million units. The report showed that construction of new single-family homes was up 5.4 per cent while construction of apartments with five units or more increased 16.9 per cent. Construction was up in the Northeast and the West and down in the Midwest and South.
- Construction activity has returned to pre-coronavirus levels in 34 states, based on data on workers' hours analyzed by Procore. And construction has returned to pre-coronavirus levels in Dallas and Miami, according to Procore's data on 8 large metro areas. Meanwhile, the association's survey found that only 8% of construction firms were forced to furlough or lay off workers in June while 21% report adding employees, compared to one-in-four firms letting workers go between March and May. "But it is important to remember that construction activity typically increases quite a bit between March 1 and the end of May as the weather improves and more work gets underway," Simonson commented. "Getting to March 1 levels is a sign of progress, but it doesn't mean things are back to normal." Moving forward, only 12% of firms report they plan to furlough or lay off staff over the next four weeks while 17% anticipate adding to their headcount during that time span. Yet even as more construction firms predict they will expand during the next several weeks, 42% do not expect demand will recover to normal levels for at least four months, and most of those firms expect recovery will take longer than six months
- June 18: President Trump said that the administration is considering a "dramatic" Phase 4 stimulus this summer. The next stimulus bill could be at least $2 trillion, with a big emphasis on bringing back America's manufacturing jobs. White House trade adviser Peter Navarro explained in a Fox Business interview that manufacturing jobs will be key to reviving the U.S. economy as restrictions put in place because of the pandemic begin to loosen. "Buy American, hire American," is expected to be a major focus of the next stimulus. In addition to exploring ways to boost U.S. manufacturing, the phase 4 stimulus could include incentives for domestic travel. During a White House roundtable last month, Trump brought up an "Explore America" tax credit, which could give Americans up to $4,000 in tax credits for a vacation taken in the U.S. by the end of 2021. The credit could cover up to half of a household's vacation expenses, including transportation, hotel reservations and dining out. It remains unknown whether the next stimulus will include stimulus checks, though reports suggest that they could be coming. On the contrary, it's unlikely the extra $600 per week in unemployment benefits will carry on past the end of July, as reported by Newsweek. There has also been talk about the next stimulus including a payroll tax cut. "We're not doing anything unless we get a payroll tax cut," Trump said during a Fox News virtual town hall last month.
- June 16: Despite record job losses, government income support (including a one-time cash payment to many households in April) gave consumers a bit of firepower. But while gradual easing of physical distancing measures is allowing Americans more opportunities to spend, restrictions continue to limit traffic at non-essential retailers and restaurants. Those measures are also keeping manufacturers from operating anywhere near full capacity
    - Retail sales up 17.7% in May, more than twice expected gain
    - Retail ex food services not far from pre-pandemic level
    - IP rose by just 1.4% after record decline in April



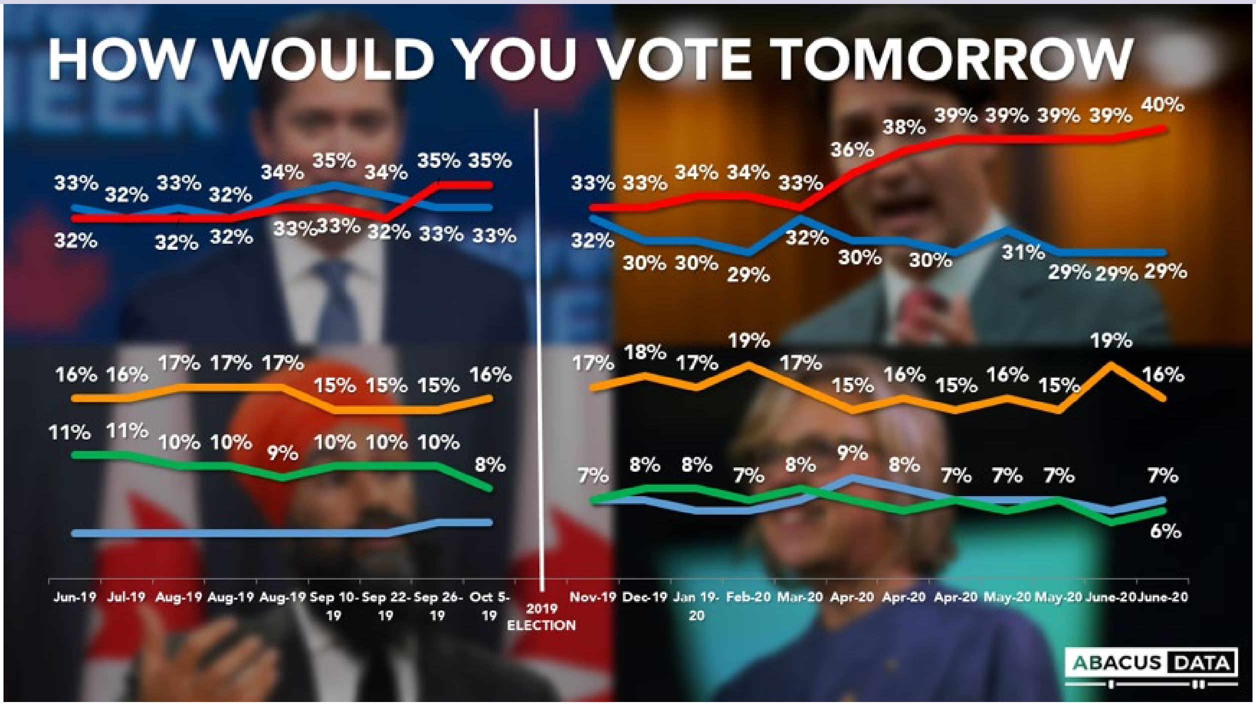
International:

- June 10: OECD: In the best-case scenario, if there is no second wave of infections, the agency forecast a global drop in economic output of six per cent this year, and a rise of 2.8 per cent next year. If the coronavirus re-emerges later in the year, however, the global economy could shrink 7.6 per cent, the OECD said. The forecast for Canada predicted an eight per cent decline for 2020 if there is no second wave and a 9.4 per cent drop in the double-hit scenario. "With or without a second outbreak, the consequences will be severe and long-lasting," the report says. In case of a second wave of contagions, the OECD forecast that the average unemployment rate across the 37 developed countries that it represents would double this year to 10 per cent and see "little recovery" in 2021. In the more optimistic scenario, the figure would be 9.2 per cent. In poorer countries, the numbers are often higher, and informal workers are especially vulnerable

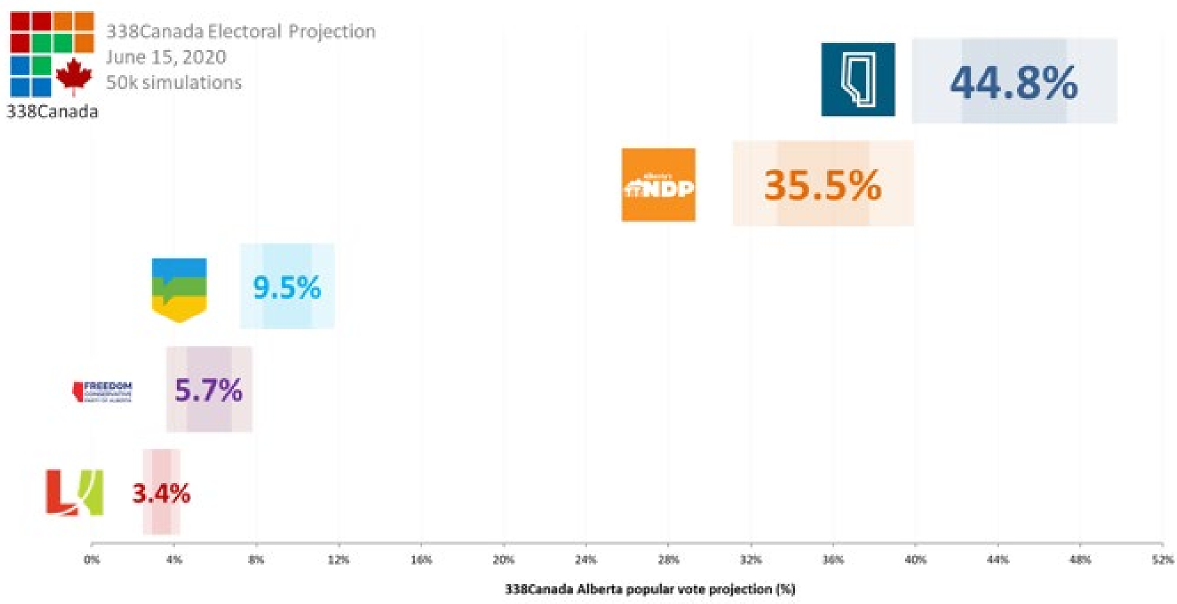


Political Check-In:

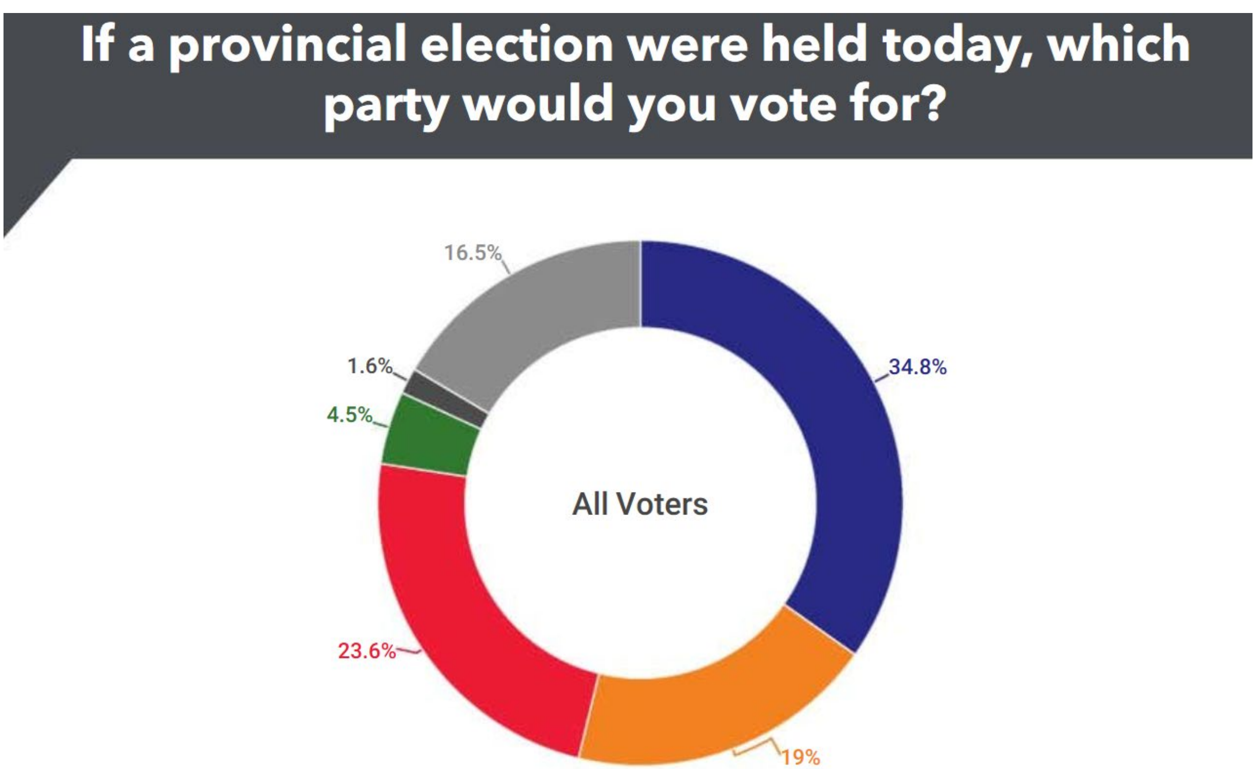
- June 30: The federal Liberals are heading into the summer comfortably ahead of their rivals, a new Mainstreet Research poll suggests, with the governing party leading the second-place Conservatives - who will choose a new leader in August - by a double-digit margin. Justin Trudeau's Liberals were the top choice of 43.2 per cent of leaning and decided respondents in Mainstreet's latest survey, which drew upon the responses of 1,283 adults from June 25-26. The Conservatives sat second with 27.4 per cent, followed by the NDP at 14.1 per cent and the Bloc Québécois, at 5.7 per cent. The Greens, who will elect a new leader in the fall, were the fifth most popular option at 4.8 per cent, while the seatless People's Party sat last with 2.9 per cent
- National: Abacus Data: June 23: If an election were held at the time of the survey, the Liberals would win 40%, the Conservatives 29% and followed by the NDP at 16%, the Greens at 6%, and the BQ at 7%. Just prior to the pandemic, the Liberals and Conservatives were within a point of each other:

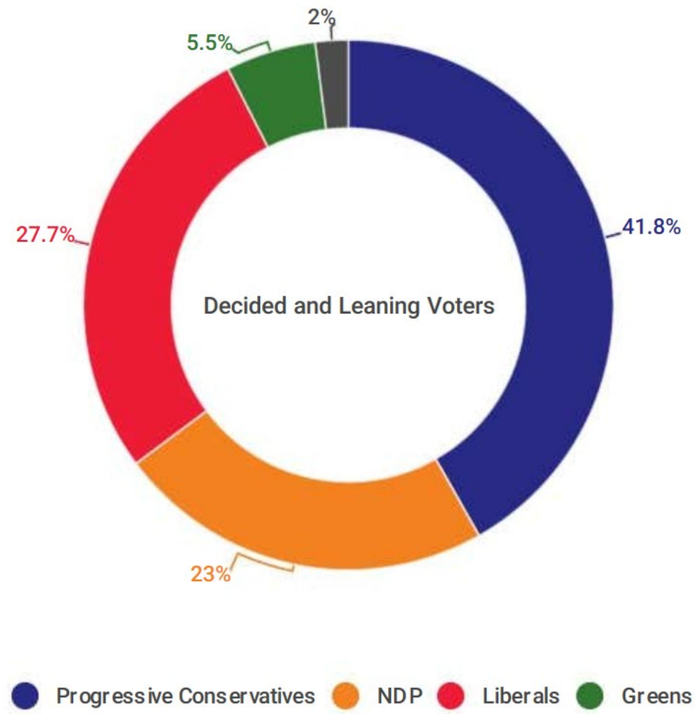


- Alberta: June 19: New Alberta polls were published and appear to converge towards the conclusion that Jason's Kenney UCP remains on solid ground among his base of Albertan voters. Here is a short recap of the latest figures:
    - Janet Brown Opinion Research (JBOR) has the UCP on top of voting intentions with the support of 46 per cent of decided voters, 10 points over the NDP at 36 per cent. According to the JBOR's regional breakdown, the UCP has a comfortable lead over the NDP outside of Edmonton: 54 to 28 per cent in Calgary, and 51 to 28 per cent in the regions of Alberta. In the Alberta capital, the NDP leads 53 to 32 per cent
    - The Angus Reid Institute has the UCP much lower than other firms at 42 per cent, still six points above the NDP province-wide, which could perhaps be explained by the Alberta Independence Party being included in the poll's option
    - In its latest round of provincial polls, Innovative Research had included Alberta provincial numbers from a modest sample of 276 respondents. The UCP still holds the top spot, but with only 42 per cent of voting intentions, and the NDP stood second at 28 per cent. However, the Alberta Liberal Party (ALP) polled at 14 per cent, which was highly unusual—JBOR had the Liberals at 3 per cent and Angus Reid had lumped the ALP with the "other" option at eight per cent (the ALP only received one per cent of the vote in last year's election). Since Innovative also included federal numbers in its poll, it was perhaps a classic case of poll respondents confusing the ALP with the federal Liberals
- Using all of this the 338Canada Alberta model calculates popular vote projections:



- Ontario: June 9: Mainstreet poll: The Ontario Progressive Conservatives led by Doug Ford have opened up a fourteen-point lead over the third-place Liberals and the opposition New Democrats, a new Mainstreet Research poll has found. Among decided and leaning voters, the Progressive Conservatives have 41.8% support, while the Ontario Liberal Party led by Steven Del Duca has 27.7%. The New Democratic Party led by Andrea Horwath has 23%, while the Greens with Mike Schreiner at the helm have 5.5%. The poll surveyed 1068 Ontarians between June 6th and 7th and has a margin of error of +/- 3%, nineteen times out of twenty.




2%
5.5%
41.8%
27.7%
Decided and Leaning Voters
23%
Progressive Conservatives
NDP
Liberals
Greens