

Daily Update – 25 February 2021

Alberta Budget: Pandemic spending drives the deficit but no new taxes

As Premier Jason Kenney promised, there are no new taxes.

Budget 2021 spends a record amount on health care, and sets aside dollars for COVID-19 response and recovery, Kenney's United Conservative government continues to reel in spending elsewhere, particularly the public sector.

DEFICIT INCREASE \$3B OVER LATEST PROJECTION

Alberta is scrapping any hopes of balancing its budget. The province's deficit is \$18.2 billion, an increase of about \$3 billion over the last projection, mainly due to the cost of the COVID-19 response. Toews said a path to balance the budget would be unveiled after the pandemic is over. Alberta's total debt has soared to \$115.8 billion, with taxpayers footing a record \$2.8 billion in annual debt-servicing costs. The debt is expected to climb to \$132.5 billion by 2023-24.

VACCINE DEPENDENCY

Budget 2021 projects that, while some public health measures will still be in place, expanded vaccine rollout in the late summer and early fall will bring down unemployment, restore confidence in consumer spending, decrease unemployment in trade and construction industries, and propel the housing market to a strong year. After contracting more than seven per cent last year, real GDP is expected to grow 4.8 per cent in 2021.

\$1.25B COVID-19 CONTINGENCY FUND

The province is increasing its health budget by about \$900 million to a total \$21.4 billion for 2021-22 – excluding a chunk dedicated to COVID-19 contingency spending. Continuing care and similar community homes will see an additional \$200 million this year for a total \$3.5-billion budget. Mental health and addictions will also see a boost of \$140 million over four years. Separate from the health budget, an additional \$1.25 billion is especially dedicated to COVID-19 costs: expanding the health-care system's capacity, personal protective equipment, vaccine administration, and contact tracing and testing.

The government estimates it spent \$1.5 billion on COVID-19 last year, including on critical worker benefits for AHS staff and contact tracing and testing. It spent another \$530 million on PPE.

PUBLIC SECTOR 'RIGHT-SIZING'

Budget 2021 advances the government's mission to reduce the size and cost of Alberta's public sector. Both the document and finance minister used the term "right-sizing" to describe the province's billion-dollar reduction on compensation spending, which will impact health-care workers, teachers, and public servants. Toews did not detail exactly who the changes will impact, but said the government has a goal of reducing the public service by a little less than eight per cent. Public sector compensation accounts for 54 per cent of operating expenses at \$26.7 billion, including \$21 billion in wages, salaries and employee benefits.

OIL PRICE PROJECTIONS AND ENERGY REVENUES

After [significantly overestimating oil prices in Budget 2020](#), in part due to the collapse of global commodity prices early in the pandemic, Budget 2021 has much more conservative predictions. The outlook projects the price of West Texas Intermediate (WTI) to average US\$46 per barrel (/bbl) in 2021-22 and increasing to US\$56/bbl by 2023-24. On Thursday, WTI closed at US\$63.48/bbl.

Bank of Canada warns buyers of 'early signs' of overheating in housing market

Governor will keep rates low for now but sees signs of 'excess exuberance' in market. Tiff Macklem said that so far the Bank has no plans to raise interest rates until the economy and employment are back on track following the slump caused by COVID-19.

Speaking remotely to the combined Calgary and Edmonton chambers of commerce on Tuesday, Canada's top central banker said that the economy would continue to need monetary stimulus, likely until 2023, even though there are already signs it could be distorting the residential real estate market.

"In that low-for-long world, there are risks that housing could get carried away, so that is something we will be looking at very carefully," Some observers have already expressed worries that the Canadian housing market is rising at an unsustainable pace, leaving critics — [including some in the real estate industry](#) — nervous of a boom, followed by a devastating bust once interest rates finally start to rise.

Moderna will deliver 1.3 million doses in March:

Prime Minister Justin Trudeau confirmed today that Moderna will meet its contractual obligation to deliver 2 million COVID-19 vaccine doses by the end of March (460,000 doses during the week of March 8 and 840,000 doses starting on March 22 — 1.3 million doses).

That's in addition to the 518,000 Moderna shots that have been administered already and the 168,000 doses that are set to arrive this week, for a total of roughly 2 million in the first quarter of this year.

In announcing the new Moderna numbers, Trudeau said Canada will receive "even more than promised in the first quarter." But the government has always maintained that 2 million shots will arrive in the January through March period.

Canada's other current supplier of vaccines, Pfizer, has confirmed already it is on target to ship 4 million shots by the end of March. All told, there will be enough shots on hand to fully vaccinate 3 million people with a two-dose regime.

Variants will likely make up 40% of Ontario's COVID-19 cases by mid-March

Ontario's public health measures have decreased COVID-19 transmission and have slowed the spread of variants of concern, according to modelling released by the province's advisory group on Thursday. That good news comes with a caveat. According to the science table, variants of concern like B117 are continuing to spread and cases, hospitalizations and ICU admissions will likely increase soon.

The [province's latest projections](#) come with a less dire tone than in recent weeks, with a smattering of positive news among warnings to remain vigilant. The data suggests that lockdowns and focused vaccination in long-term care homes have rapidly reduced infections and deaths in those facilities. Doctors also predict the pandemic will likely recede again in the summer.

Ontario's overall test positivity rate was at 3.1 per cent on Feb. 20, but Peel Region was much higher at 7.1 per cent, as was Toronto at 5.6 per cent and York Region at 5.3 per cent. Variants of concern continue to spread quickly in Ontario, the data shows, and are projected to likely make up 40 per cent of the province's cases by the second week of March.

[For the full report](#)

Toronto extends cancellation of major in-person events to July 1

Mayor John Tory says Toronto is extending the cancellation of in-person major events to July 1 as the city looks ahead to another summer in the shadow of the COVID-19 pandemic. Among the events that will once again be moved online: the Toronto Marathon, Canada Day celebrations, the Juno Awards and the NXNE music festival. You can see the full list of events that are impacted [here](#).

When will it be my turn to get the COVID-19 vaccine?

<https://www.cbc.ca/news/politics/vaccination-vaccine-covid-provinces-territories-1.5920525>

New Brunswick minimum wage to go up by a nickel on April 1

The minimum wage is set to increase by five cents on April 1, bringing it up to \$11.75 an hour from \$11.70. The five-cent increase was arrived at because the minimum wage in New Brunswick is indexed to the province's consumer price index, which saw a 0.22 per cent increase last year.

The increase is relatively small compared with recent increases. In 2020 the minimum wage rose by 20 cents in 2019, by 25 cents in 2018 and by 35 cents in 2017.

The province estimates that 20,000 workers in New Brunswick make minimum wage.

The province has the second-lowest minimum wage in the country. Saskatchewan has the lowest at \$11.45, and Nunavut has the highest at \$16. The other three Atlantic provinces are also raising their

minimum wages later this year, but they're already higher than New Brunswick's will be after the April increase. In Nova Scotia, the minimum wage is now \$12.55, in P.E.I. it's \$12.85, and in Newfoundland and Labrador it's \$12.15.
