

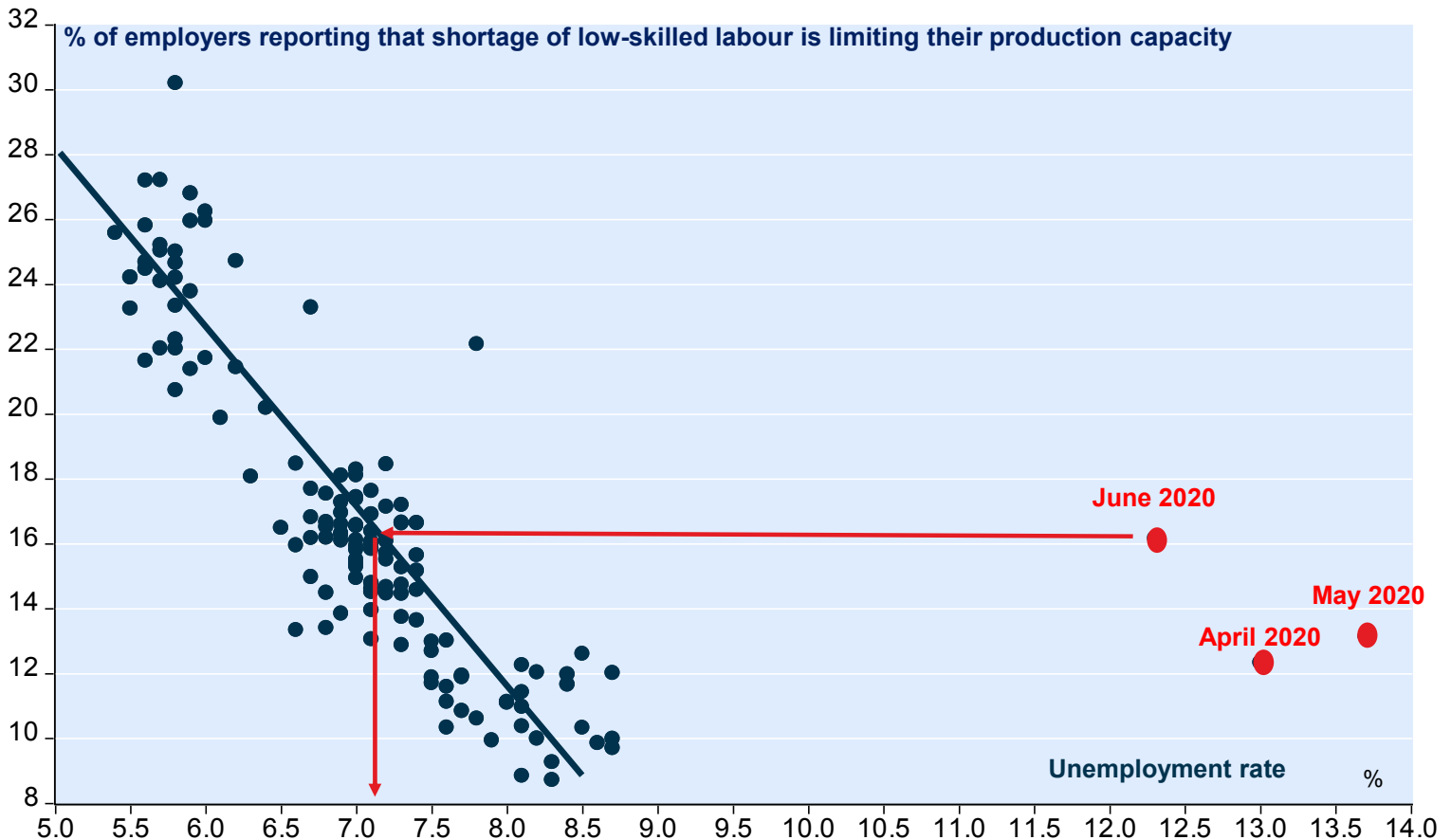
Canada Watch

By Matthieu Arseneau

The federal government has put everything to work to support the economy while aggressively supporting households and businesses. The Canadian Emergency Response Benefit (CERB) was implemented in haste at the beginning of the lockdown to support people losing income. In its economic and fiscal update published last week, the government exhibited that so far, CERB more than compensated for the loss in labour income. While this is reassuring for demand in the short term, many observers had warned the government about the risk of work disincentive arising from this income-support measure. In a June CFIB survey, 16% of businesses reported that shortage of low skilled labour was crimping their operations. As today's Hot Chart shows, that level is consistent with an unemployment rate in the neighbourhood of 7%. But the unemployment rate was over 12% in June, suggesting that a number of unemployed people are not in a hurry to return. With CERB being extended in full measure for eight additional weeks while the economy reopens, it could hobble the revival of some businesses.

Canada: Is CERB hobbling the recovery?

Low-skilled labour shortage indicator vs. unemployment rate



NBF Economics and Strategy (data via Statistics Canada and CFIB)



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