1 Key Policy Insights

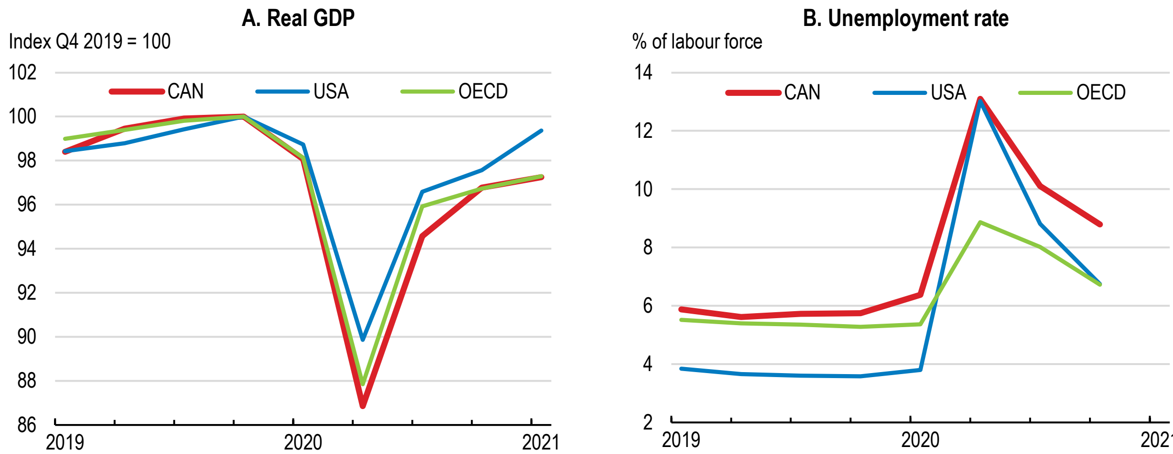
Contagion and fatalities from COVID-19 have been less severe in Canada than in the hardest-hit countries, and vaccine rollout is underway. However, the economy remains heavily affected by the crisis with the latest round of containment measures slowing the recovery in activity and employment (Figure 1.1). The crisis has highlighted economic and social strengths. Canada's federal system of government proved capable of a rapid and co-ordinated policy response. Low public debt prior to the crisis has helped provide headroom for substantial tax and spending measures. The acceleration in teleworking and use of online services during the crisis has opened the door to new ways of working and living for the future. Reduced noise and air pollution during confinement raised environmental awareness. The prospect of a structural downshift in demand and employment in some sectors is creating potential for more green jobs and investment.

COVID-19 has also highlighted weak points and brought new issues. In health care, the pandemic has shone a light on shortfalls in the quality of some of Canada's long-term residential care homes, co-ordination difficulties in public health and the absence of common nationwide pharmaceutical coverage. Concerns have emerged about the effects of prolonged restrictions on social interaction and mental health. The concentration of layoffs in low-wage jobs has underscored that this downturn has widened economic inequalities. Also, gaps in income support among those losing jobs and income have been exposed. The crisis has heightened the prominence of other socio-economic challenges, including vulnerabilities among low-skill, low-income households, Indigenous peoples and racialised groups.

The key messages of this *Economic Survey* are:

- Canada's economy remains vulnerable in the ongoing COVID-19 crisis. There are substantial risks and uncertainties, and potentially deep scars to some sectors. Fiscal policy should continue to prioritise bolstering economic recovery but also prepare the groundwork for containing public debt when the recovery is well under way. With the prospect of prolonged ultra-low interest rates, asset-price inflation and high investor risk-taking add to medium-term concerns.
- Canadian policy makers need to maintain a balanced perspective across income, health, social conditions and the environment if well-being is to improve. Attention to distributional issues, including inequality, inclusiveness and disadvantage are also central to societal well-being. Canadian governments should hardwire the well-being perspective into the policy-making processes.
- Nurturing recovery and transition in the business sector is key to a successful post-pandemic economy and society. Policy needs to continue encouraging transition to a greener economy. Canada's longstanding structural impediments to business efficiency also need addressing.

Figure 1.1. As elsewhere, recovery in output and employment is taking time



Note: Panel A: The last quarter is an estimate. Panel B: The unemployment rate series are not fully comparable; labour-force surveys in Canada and the United States classify temporary layoffs as being unemployed, elsewhere they are counted as employed. Thus, the United States and Canada saw sharper initial spikes in the rate of unemployment in the wake of the COVID-19 crisis.
Source: OECD Economic Outlook database.

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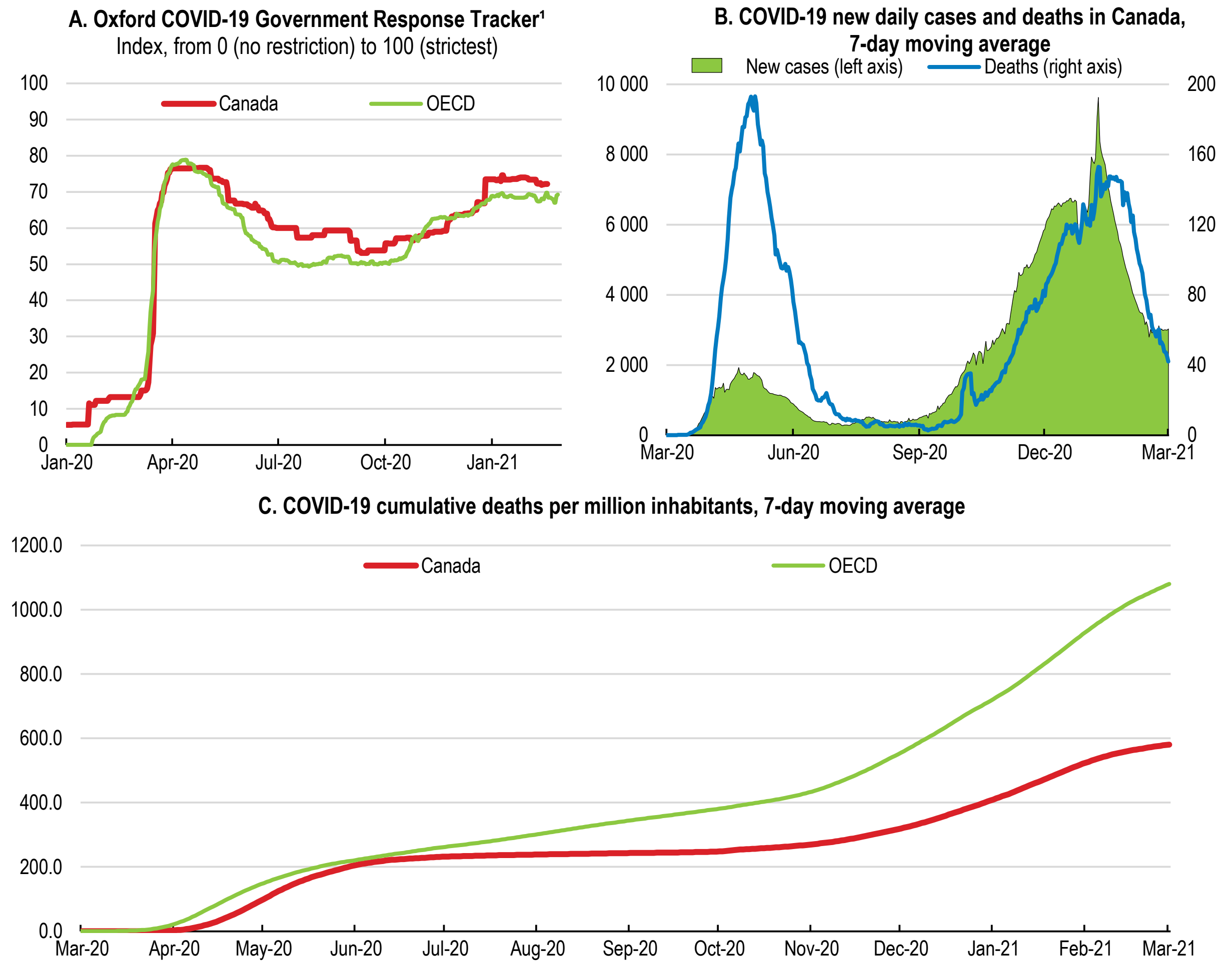
Vaccine rollout is underway

Canada's first cases of COVID-19 appeared in mid-January 2020, with substantial acceleration in cases from early March (Figure 1.2). However, the initial wave of the pandemic in Canada was not as severe as that seen in some other countries. Daily COVID-19 cases in the second wave have exceeded those of the first, while fatalities reached similar levels. The first wave of the pandemic was concentrated in Ontario and, especially, Québec, which had the largest number of fatalities in absolute terms and on a per capital basis. The second wave saw per-capita cases and fatalities surge again in Québec and Ontario, but also in other provinces, notably in Alberta and Manitoba (Government of Canada, 2020).

As elsewhere, older adults, especially those with underlying medical conditions, have been more at risk of contracting COVID-19 and developing severe complications. Around 90% of COVID-19-related deaths have been among those aged over 70 years (Government of Canada, 2020). The spread of the virus in care homes has been a key concern and the crisis has revealed instances of poor quality care and overcrowding. Echoing developments in some other countries, racialised minorities have had higher risk of COVID-19 infection and mortality (racialisation is a term used for when groups come to be socially constructed as races, based on characteristics such as race, ethnicity, language, economics, religion, culture and politics). Explanatory factors include high poverty rates, over-representation in socio-economically disadvantaged neighbourhoods, crowded housing conditions and disproportionate numbers working in occupations at risk of exposure to the virus (Statistics Canada, 2020a). In addition, surveys confirm deteriorating mental health during the lockdowns (Statistics Canada, 2020b), with social isolation, loneliness and increasing substance use playing a role.

The initial phase of containment measures came into force from mid to late March. Provinces and territories played a central role given their responsibilities in health care and public health (Box 1.1). States of emergency and other measures brought school closure, regulation on distancing, operational restrictions on various types of businesses, and public health advice for people to stay at home. These measures started to unwind in May and June under provincial re-opening plans. In the second wave of the pandemic provinces and territories selectively extended and re-imposed limits on activity (often at a localised level), as well as strengthened public-health requirements and testing capacities. As of February 2021 some restrictions were being lifted in the wake of declining caseloads and fatalities.

Figure 1.2. An end in sight for Canada's second wave of COVID-19



1. The Oxford COVID-19 Government Response Tracker index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, and is scaled from 0 (no restrictions) to 100 (highest category of restrictions). The unweighted OECD average covers all OECD countries where data are available for all components. Data for Canada are a weighted average of Canadian provinces data based on population data.
Source: Oxford University; Our World in Data, as of 2 March 2021.

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Roll-out of mass vaccination began in mid-December following approval of a vaccine shortly beforehand. Canada's immunisation plan envisages sufficient supply to vaccinate 3 million people by the end of the first quarter of 2021 (i.e. around 8% of the population) and enough supply for all Canadians who want to be vaccinated by September (Public Health Agency of Canada, 2020).

A clear picture is yet to emerge of what has determined the course of the pandemic in Canada relative to other countries, and the reasons for the substantial differences across provinces and territories. Low population and housing density compared with, for instance, many European countries may be part of the explanation. Differences in containment policies and in the public's response to them are also likely to be a factor explaining how the pandemic has spread. For instance, OECD work points to the efficacy of test-trace-isolate policy, so differences across countries, and within them, on this front are probably affecting outcomes (OECD, 2020a). The strength of sanctions for non-compliance of quarantine measures may also be playing a role. Québec, for instance, introduced very high maximum penalties: CAD 750 000 and up to six months in prison. Also, as exemplified by the long-term care issues mentioned above, capacities and vulnerabilities in the health-care system influence rates of infection and recovery. There is scope for other factors: some research suggests the earlier timing of Québec's March school break compared with Ontario's brought accelerated infection from returning travellers (Godin et al., 2020).

Box 1.1. All levels of government have been heavily involved in responding to COVID-19

Federal elections in October 2019 saw the centre-left *Liberal Party* returned to office, though with a minority government. The *Conservative Party* is the largest opposition party (and the official opposition). Under Canada's fixed terms of office, the next federal election will be in October 2023, unless the government loses the confidence of the House. Meanwhile, three of the four most populous provinces currently have centre-right governments (Ontario, Québec and Alberta) –– British Columbia has a centre-left government. Among the eight other provinces and territories, five are led by centre-right governments and the remainder by centre-left governments.

Emergency response to the COVID-19 crisis has inevitably occupied most policy-making in recent months. The federal government has provided most of the financial support for households and businesses and imposed the restrictions on international travel. Canada's highly decentralised system of government means provincial, territorial and municipal authorities are playing a core role in tackling COVID-19. Health-care services are run by the provinces and territories, which also have jurisdictional powers to impose containment measures, such as restrictions on businesses and social distancing rules.

Nevertheless, policy making has been looking beyond immediate concerns. The federal government's programme, as outlined in the "Speech from the Throne" in September 2020, includes a theme centred on strengthening resiliency, which covers issues such as filling gaps in welfare assistance, enhancing workforce skills and tackling climate-change risks.

Confinement and other public-health measures taken in spring 2020 resulted in a drop in gross domestic product in excess of 15% between February and April. Most sectors experienced substantial output reductions. And, as expected, retail, travel, leisure and entertainment-related activities were especially hard hit from the combination of supply disruptions and weak demand. In addition, construction and many other sectors suffered supply issues from manufacturing stoppages, and some have also struggled to get a significant portion of workforces back to work.

Canada has taken many steps to head off macroeconomic instability, bolster demand and support households and businesses (Table 1.1). The Bank of Canada responded with cuts in its policy rate and measures to bolster liquidity and financial markets. Federal-government actions have accounted for most of the fiscal response. Containment of the public-debt burden through prudent fiscal policy in the years prior to the pandemic has helped provide scope for a large stimulus. Federal outlays on direct support measures are estimated at 12% of GDP, which is among the largest packages announced by OECD governments (Figure 1.3, Table 1.1). Estimates suggest that the fiscal package will have bolstered output by around 5 percentage points of GDP in both 2020 and 2021, implying a considerably smaller increase in unemployment than would have occurred otherwise (Figure 1.4).

Table 1.1. The scale of monetary and fiscal support has been substantial

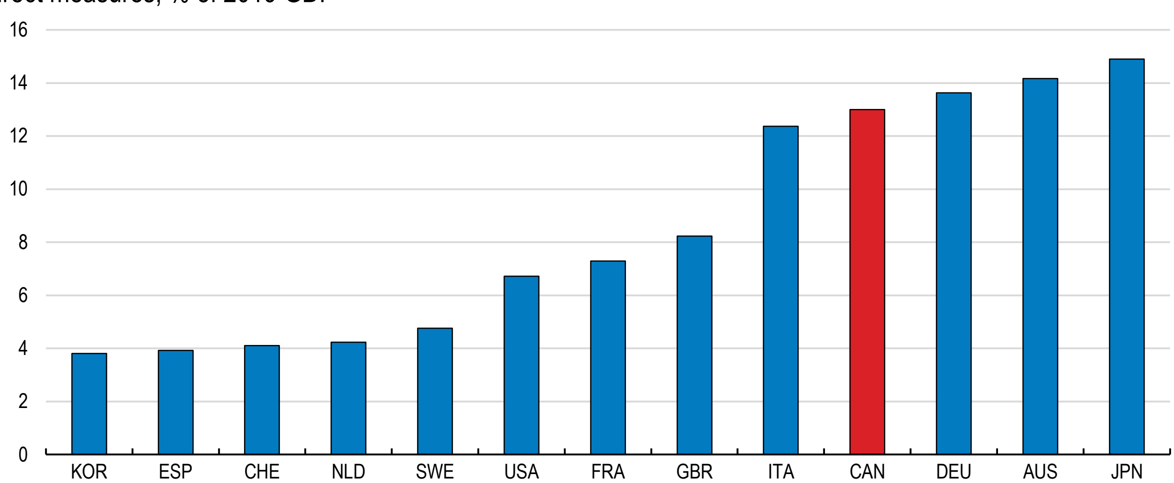
Support estimates as of December 2020, most support is expected in financial year 2020-21.

	Estimated value of measures CAD billion	% of annual GDP (2019 value of GDP)
Direct support:	**294**	13
Federal, notable items	270	12
- Canada Emergency Response Benefit (CERB)	83	
- Canada Recovery Benefits (follow-up to CERB)	23	
- Canada Emergency Wage Subsidy (CEWS)	84	
Direct support, provincial (consolidated, estimate)	24	1
Deferrals on tax, customs duty and fees (generally of short duration)	**88**	4
- Federal	85	
- Provincial and territorial	3	
Government liquidity support (potential value of additional lending)	**87**	4
- Federal, largely the Business Credit Availability Program (BCAP)	84	
- Provincial and territorial	3	
Other liquidity support (largely Bank of Canada, potential value of additional lending, value)	**600**	26
- Liquidity support through Bank of Canada, Canada Mortgage and Housing Corporation, commercial lenders	300	
- Capital relief via reduction in the Domestic Stability Buffer requirement	300	

Note. The estimates are the sum of support from financial year 2019-20 onwards (the Canadian government financial year runs from 1 April to 31 March). Nearly 85% of total support is expected to occur in financial year 2020-21.
Source: Department of Finance*: Canada's COVID-19 Emergency Response: Biweekly Reports*; Department of Finance, *Economic and Fiscal Snapshot* (July 2020) (for Provincial and Territorial estimates); Department of Finance Canada (2020), *Supporting Canadians and Fighting COVID-19: Fall Economic Statement 2020*, November.

Figure 1.3. Canada has committed substantial resources to direct support measures

Direct measures, % of 2019 GDP



Note: The figure shows announced envelopes of emergency packages in selected advanced economies based on available official estimates as of 30 September, which may not be fully comparable among countries. The ultimate costing of these packages is uncertain as it will depend on the duration of the crisis and the take-up of various programmes by the private sector. Not all of these programmes will be reflected in government budget balances and debt according to the national account conventions. Direct measures include tax and social security contribution cuts, income support measures (e.g. short-term wage compensation schemes, and support for self-employed, very small firms and vulnerable households), extra spending on public sector (e.g. transfers to lower-level governments and funding to the health sector), transfers to private firms without equity acquisition, funding of state-owned institutions providing loans or guarantees and early pension withdrawals. Direct measures are not equivalent with an impact on budget balance.
Source: National authorities; and OECD calculations.

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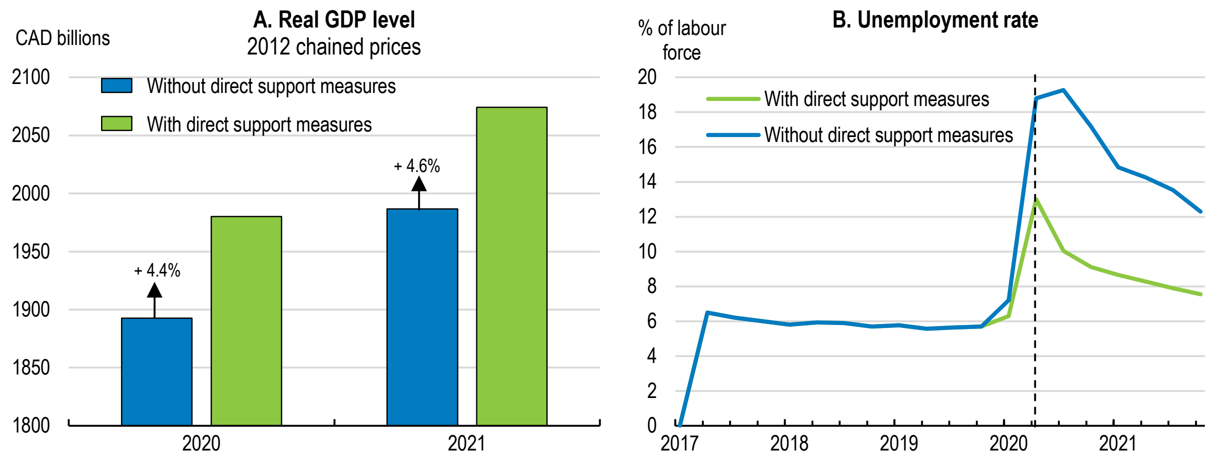
Figure 1.4. The support measures prevented an even deeper downturn



Note: The numbers above the blue columns indicate the percentage difference between the estimated GDP without direct support and that with direct support.
Source: Department of Finance Canada (2020), *Supporting Canadians and Fighting COVID-19: Fall Economic Statement 2020*, November.

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Central to the support measures have been the Canada Emergency Response Benefit (CERB), and its successors (notably the Canada Recovery Benefits, CRB), along with the Canada Emergency Wage Subsidy (CEWS). According to government estimates (Table 1.1), these programmes will cost CAD 190 billion, around 70% of the total spend on direct support measures. CERB provided income support for workers across all sectors losing income and employment due to COVID-19. It expired in September 2020 and was partially replaced by more targeted schemes. The need for CERB's introduction raised questions regarding the adequacy of income support in Canada (discussed further below). A continuing role is anticipated for the CEWS scheme – it has been extended until mid-2021. Other federal measures for businesses include rental subsidies, credit support and loan guarantees (many have also been extended into 2021). Federal government also introduced provisions for banks to offer mortgage deferrals to households.

Provincial and territorial governments have been doing the heavy lifting on the health response, while the federal government has provided most of the economic support. Accordingly, the scale of provincial and territorial government economic-support measures has been comparatively small. Outlays are estimated at around 1% of GDP. Provincial governments have provided supplementary safety nets for households. For instance, Ontario introduced an emergency assistance benefit and Alberta a one-off payment for those isolating. Québec has introduced a temporary aid programme for employees not covered by other schemes. Provinces also introduced eviction moratoria for renters. Assistance for business has included payment deferral of provincially administered taxes (Ontario, Alberta and British Columbia), deferrals of utility bills (British Columbia), and subsidies covering the fixed costs of businesses affected by public-health restrictions (Québec).

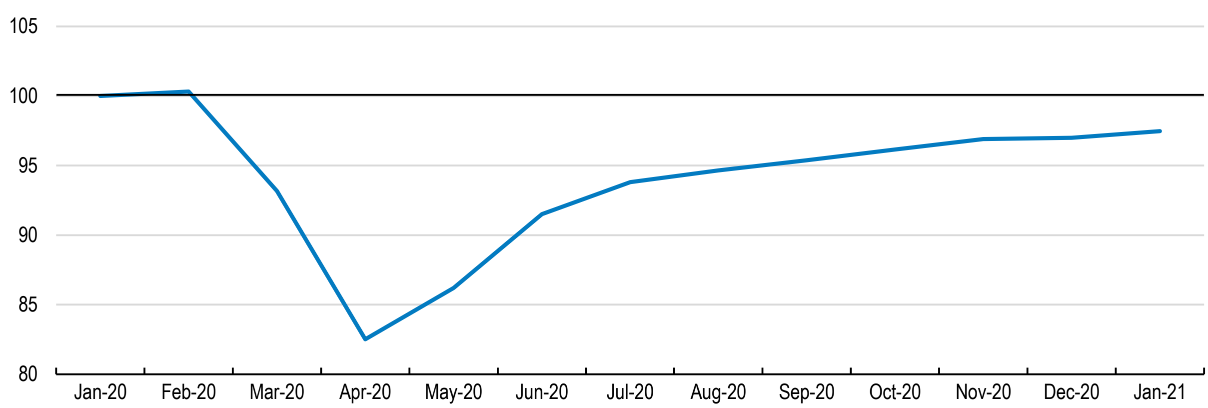
The economy is recovering, but the pace has slowed and risks remain elevated

With the beginning of the lifting of restrictions in May 2020, activity picked up sharply. By August, real GDP was around 5% below the pre-crisis level. The substantial monetary and fiscal support played an important role in bolstering household incomes and enabling businesses to survive lockdown. The household saving ratio soared in the early phase of the crisis, driven by limited consumption opportunities due to lockdowns and increased precautionary saving but also by the policy support to household incomes.

Continued constraints on economic activity and the strengthening of some public-health measures due to the second wave of the pandemic have slowed the pace of economic recovery. The rate of monthly output growth declined substantially by the end of 2020 (Figure 1.5) with a halt to recovery in manufacturing and construction and renewed decline in some service sectors (Figure 1.6). Uncertainty on economic prospects is affecting households and businesses. The end of payment-deferral provisions, notably in taxation and mortgage payments, has not so far prompted critical problems but will nevertheless have impacted household finances.

Figure 1.5. The recovery in output has weakened

Real monthly GDP, index January 2020 = 100



Note. The latest month is a flash estimate.
Source: Statistics Canada.

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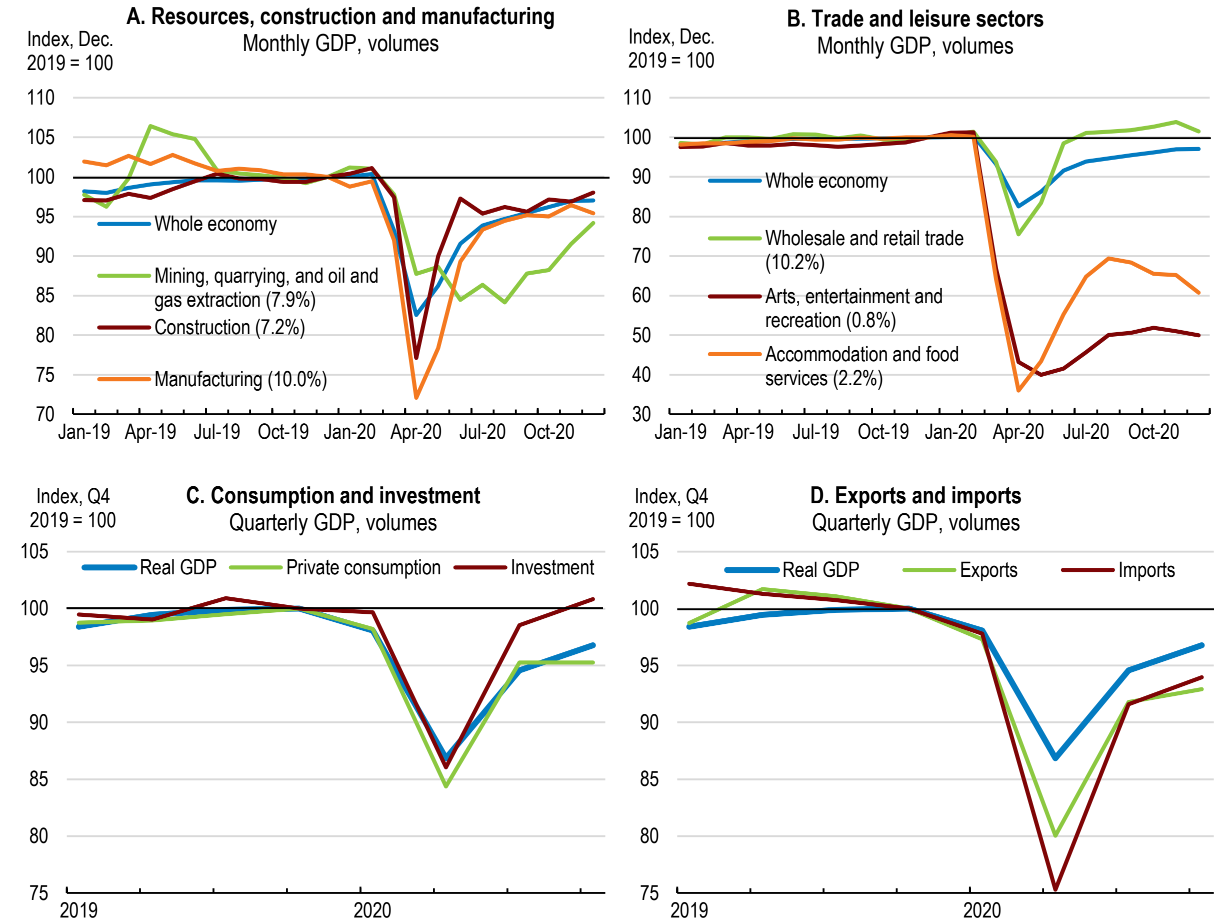
Unemployment is still elevated and has recently been increasing. Canada's rate of unemployment was 8.7% in the fourth quarter of 2020, in the upper half of OECD countries and high compared with the pre-crisis level of just over 5% (Figure 1.7). Echoing the impact of renewed confinement measures, employment has fallen markedly in some service sectors since the end of 2020 impacting employment among young people in particular (Figure 1.8). An OECD survey reveals that young people see employment and disposable-income concerns arising from COVID-19 as the most challenging issues for them, along with mental health (OECD, 2020b).

Figure 1.6. Recovery in output and demand is uneven



Note: In Panels A and B, the percentages in brackets indicate the share of these sectors in 2019.
Source: OECD Economic Outlook database and Statistics Canada.

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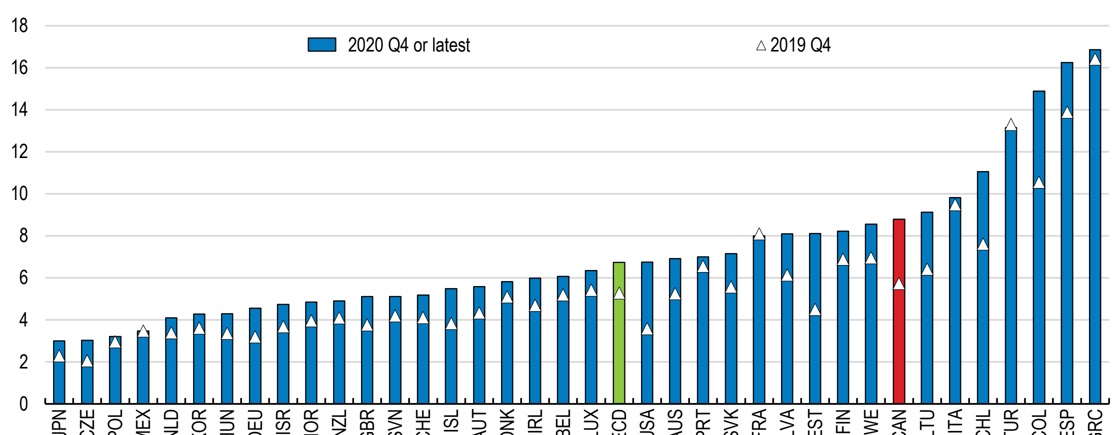
Figure 1.7. The rate of unemployment is above the OECD average

Unemployment rate in Q4 2020 (or latest) compared with Q4 2019, % of labour force



Note: The increases in the unemployment rates over the pandemic are not fully comparable; labour-force surveys in Canada and the United States classify temporary layoffs as being unemployed, elsewhere they are counted as employed. Thus, the United States and Canada saw sharper initial spikes in the rate of unemployment in the wake of the COVID-19 crisis.
Source: OECD Economic Outlook database

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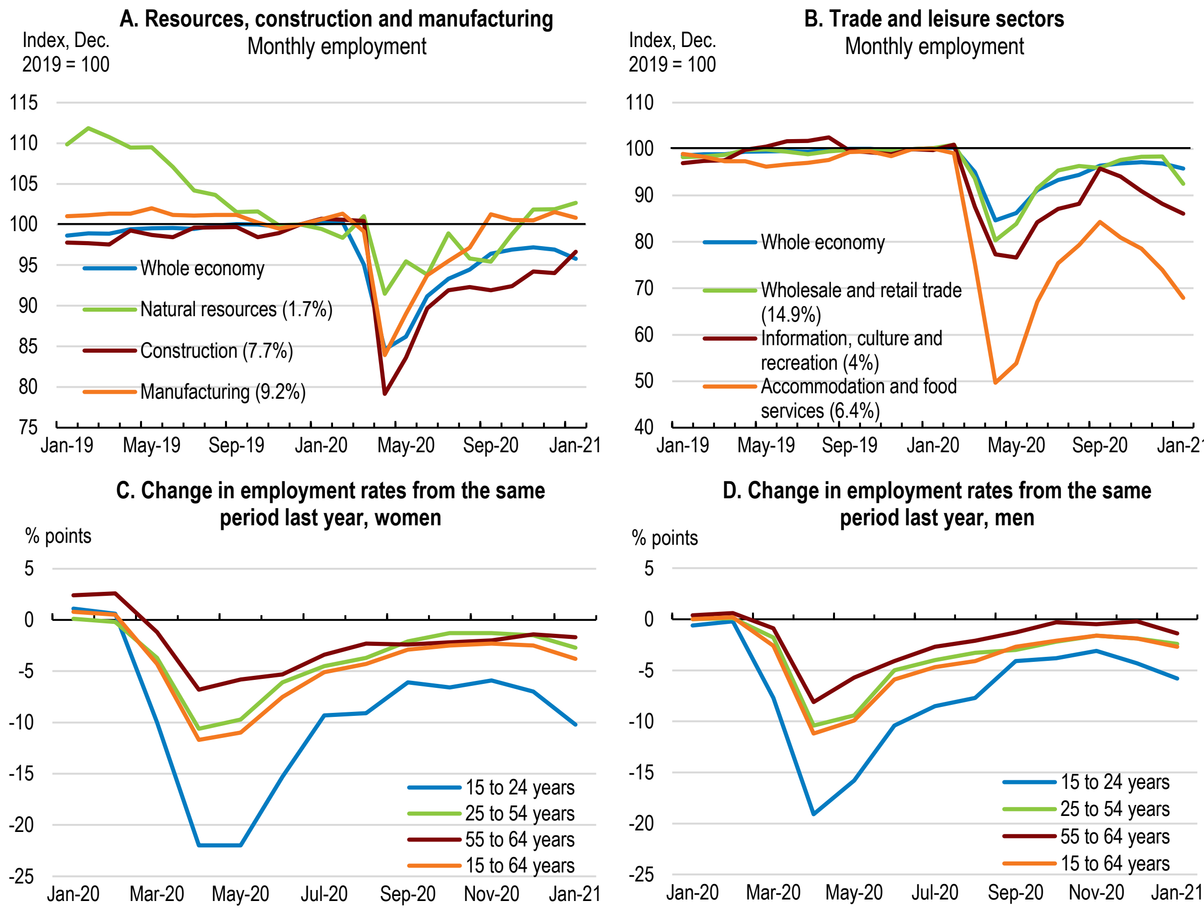
Figure 1.8. Employment rates are still below pre-crisis levels, especially among young people



Note: In Panels A and B, the percentages in brackets indicate the share of these sectors in 2019.
Source: Statistics Canada.

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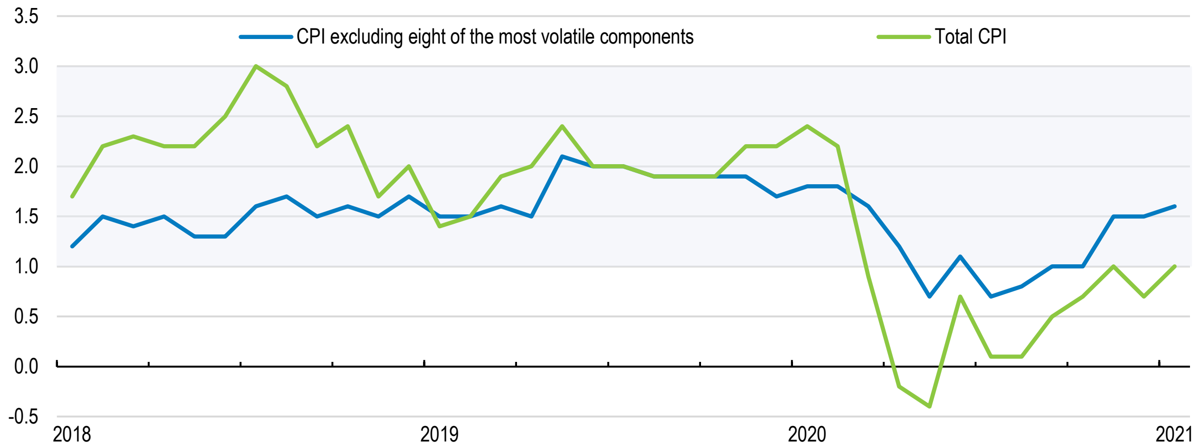
In the initial months of the crisis, consumer-price inflation slowed, but house-price growth picked up after the relaxation of the first round of containment measures. The large fall in oil prices in the early stages of the pandemic had a substantial impact on consumer-price inflation (Figure 1.9), and also the price of accommodation fell substantially (discussed further below). Meanwhile, in the housing market lower interest rates have encouraged demand, and government income support and mortgage-payment deferrals have limited forced sales, contributing to an increase in prices (Figure 1.10). In addition, time spent at home during lockdown and the prospect of a permanent shift to more teleworking may have ramped up demand for first-time purchases and upgrades (Statistics Canada, 2020c). With the end of mortgage-payment deferrals and the emergence of longer-term effects on household finances, it is likely that price growth will soften. A moderate house price correction would be welcome, given the longstanding concern that prices may be over-inflated (Box 1.2) and the affordability challenges that were already evident prior to the pandemic (Chapter 2). Also, moderate correction in the near term would reduce the risk of a large and destabilising price adjustment later on (discussed further below).

Figure 1.9. Consumer-price growth has been picking up

Consumer price inflation, year-on-year % changes



Note: The shaded area indicates the Bank of Canada's inflation-control target range. The Bank aims to keep inflation at the 2 per cent midpoint of the range.
Source: Bank of Canada.

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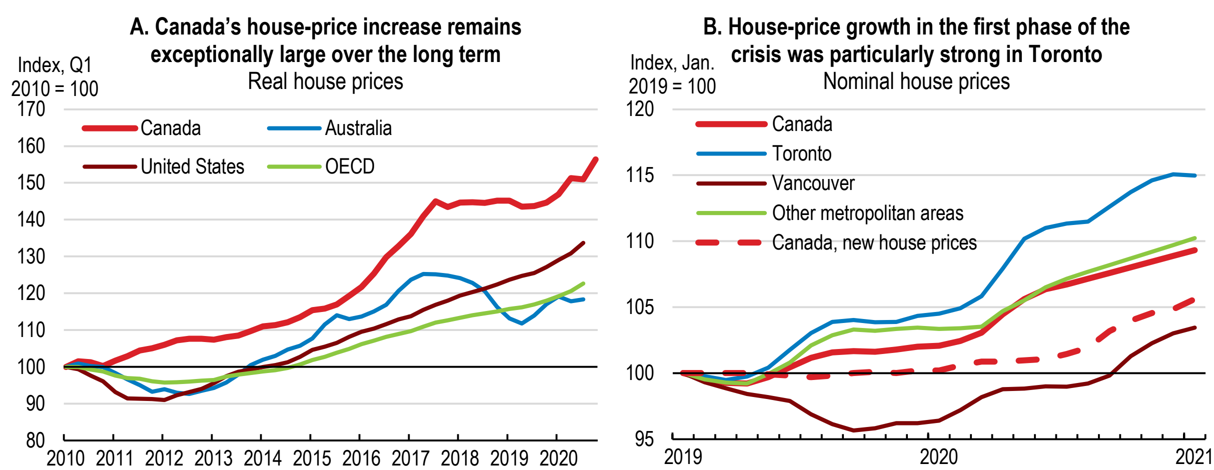
Figure 1.10. House prices have been rising



Source: Panel A: OECD Economic Outlook database; Panel B: Teranet-National Bank of Canada House Price Index (housepriceindex.ca), except "Canada, new house prices" which are Statistics Canada data.

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Annual output growth of 4.7% is projected for the Canadian economy in 2021 and 4% 2022 (Table 1.2). Continued weakness is expected in the near term until the fall in COVID-19 caseloads and progress in vaccination allow most restrictions to be unwound. Reduced constraints on supply and the release of pent-up demand will bring strong growth in the second half of 2021, with a substantial carry over effect to growth in 2022. These developments will be echoed in the labour market. Growth in underlying consumer prices will pick up gradually.

Box 1.2. Evidence on the extent of house-price over-valuation

Overvalued house prices are not a necessary ingredient to risks from the housing market and related borrowing but certainly widen the range of downside scenarios.

- The federal government's Canada Mortgage and Housing Corporation regularly assesses "market vulnerability" for a number of cities using indicators of overheating, price acceleration, over-valuation and over-building. Recent assessments identify price overvaluation specifically as present only in some of the smaller cities. However, the markets are classified overall as moderately vulnerable for some of the bigger cities, including Toronto and Vancouver (Canada Mortgage and Housing Corporation, 2020).
- Calculation of "attainable" house prices by the IMF point to overvaluation in Toronto, Vancouver and Hamilton. For instance, for Toronto households' borrowing capacity suggests an attainable average price of around CAD 550 000 compared with average market price of around CAD 850 000 (IMF, 2019a, 2019b; Andrie and Plašil, 2019).

Table 1.2. Macroeconomic indicators and projections

	2017	2018	2019	2020	2021	2022
	Current prices (CAD billion)	Percentage change, volume (2012 prices)				
Gross domestic product (GDP)	2141	2.4	1.9	-5.4	4.7	4.0
Private consumption	1241	2.5	1.7	-6.1	3.5	3.1
Government consumption	443	2.9	2.0	-1.1	2.8	1.3
Gross fixed capital formation	486	1.8	0.3	-3.6	6.3	4.4
Housing	171	-1.4	-0.3	3.7	12.9	4.7
Final domestic demand	2170	2.5	1.4	-4.5	4.0	3.0
Stockbuilding[1,2]	17	-0.2	0.2	-1.6	0.8	0.0
Total domestic demand	2188	2.3	1.6	-6.1	4.7	3.0
Exports of goods and services	673	3.7	1.3	-9.8	4.7	4.5
Imports of goods and services	720	3.4	0.4	-11.3	6.3	3.2
Net exports[1]		0.0	0.3	0.6	-0.6	0.4
Other indicators (growth rates, unless specified)						
Employment	. .	1.6	2.2	-5.1	3.6	2.7
Unemployment rate (% of labour force)	. .	5.9	5.7	9.5	8.5	7.0
GDP deflator	. .	1.8	1.7	0.8	2.4	0.5
Consumer price index	. .	2.2	2.0	0.7	2.0	1.4
Core consumer prices	. .	1.9	2.1	1.1	1.1	1.3
Terms of trade	. .	0.7	-0.1	-3.4	3.5	0.0
Household saving ratio, net (% of disposable income)	. .	0.8	1.4	14.7	11.2	7.2
Trade balance (% of GDP)	. .	-1.9	-1.6	-2.0	-1.4	-1.1
Current account balance (% of GDP)	. .	-2.3	-2.1	-1.9	-1.1	-0.7
General government fiscal balance (% of GDP)	. .	0.3	0.5	-10.7	-7.0	-1.8
General government gross debt (% of GDP)	. .	92.8	92.7	122.2	127.6	127.8
General government net debt (% of GDP)	. .	21.7	19.4	32.9	37.7	37.9
Three-month money market rate, average	. .	1.8	1.9	0.6	0.2	0.2
Ten-year government bond yield, average	. .	2.3	1.6	0.8	0.7	0.7

1. Contributions to changes in real GDP, actual amount in the first column.
2. Including statistical discrepancy.
Source: OECD Economic Outlook, Interim Report March 2021 and provisional projections.

Risks and uncertainties are elevated

Although vaccine roll-out is underway, there is uncertainty on the speed of deployment, and, related to this, uncertainty on how quickly containment measures can be lifted. This relates to another key uncertainty, the speed with which the household sector will ramp up consumption spending as the pandemic subsides, running down the savings accumulated during the confinements. In addition, fall-out from hard-hit sectors may affect the economy more than expected. The leisure, travel and entertainment sectors comprise only a small share of Canada's GDP. However, in the event of widespread bankruptcies, the rest of the economy may struggle to absorb the layoffs. Furthermore, activities with links to the hard-hit sectors, such as aircraft manufacture, are affected. In addition, there are structural impacts whose scale is uncertain, including the accelerated shift to online retail and the possibility of permanent downshift in commuting and travel. The significant government support still being provided to households and businesses will help offset these risks. Among the upside risks, the expected fiscal stimulus in the United States could bring a substantial a boost to Canadian exports.

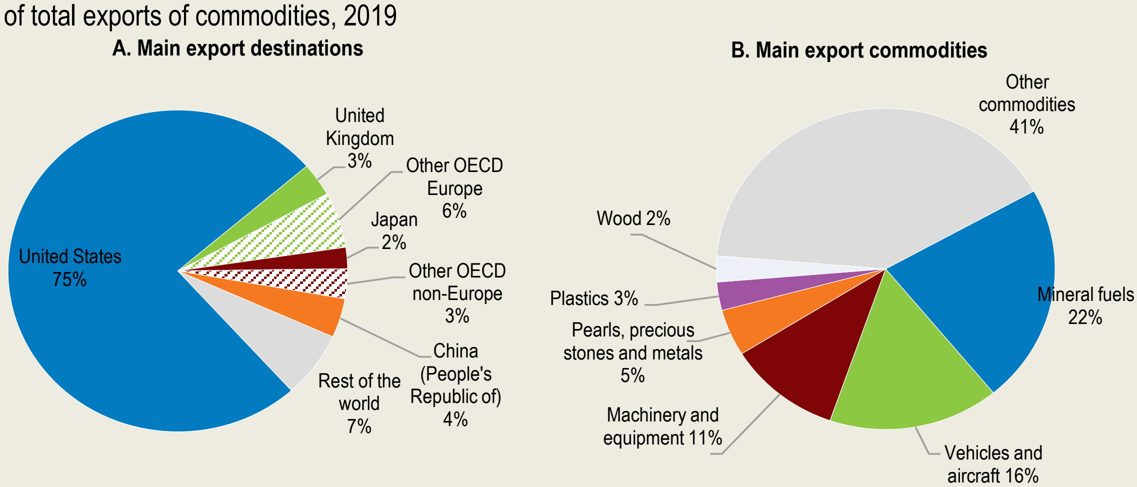
Trade tensions, a risk prior to COVID-19, continue. Canada's economic recovery from the pandemic crisis will depend substantially on developments in the United States, given the close economic ties between the two countries. The conclusion of the United States-Mexico-Canada Agreement (USMCA) has reduced uncertainty for much of Canada's international trade (Box 1.3). However, the Agreement's 16-year sunset implies uncertainty for the long term. Furthermore, global trade tensions and uncertainties are still elevated. Although political changes in the United States and some European trade partners bring the prospect of contributing to improved global trade relations, risks remain (e.g., uncertainty about the trajectory of China's trade policies). For example, Canada's trade relations with China have seen a number of developments since the previous *Survey*, including blocks by China on sales of pork and beef and suspension of the licenses of Canadian canola exporters in 2019.

Box 1.3. Recent developments in international trade agreements

Canada's economic activity involves substantial international trade, particularly with the United States. Imports and exports together are typically equivalent to 60-65% of GDP in nominal terms, with exports alone accounting for a little over 30%. Mineral fuels and vehicles and aircraft are the largest export items. In recent years some exports have faced considerable uncertainty due to trade measures imposed by the United States on Canadian goods, for instance softwood lumber, certain dairy products and aluminium.

Figure 1.11. Exports by main destinations and main commodities

Share of total exports of commodities, 2019



Source: OECD, International Trade by Commodity Statistics database.

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There have been important developments in Canada's international trade agreements in recent years:

- Replacement of the North American Free Trade Agreement (NAFTA) with the United States-Mexico-Canada Agreement (USMCA) entered into force in July 2020. The conclusion of the agreement ended uncertainty from the renegotiation process itself. On many topics, the USMCA is essentially the same as NAFTA and is expected to broadly imply the same economic benefits. Rule changes for the auto industry include higher local-content requirements and wage requirements. However, Canada's auto sector is seen as being able to adjust without huge cost (TD Economics, 2018). Higher *de minimis* import thresholds (i.e., increases in import valuation thresholds below which no duty or tax is charged) potentially benefit households while disadvantaging retailers in Canada. Protected agriculture industries, such as dairy, are likely to see greater import competition (the federal government has indicated that some compensation may be made).
- The Canada-EU trade agreement came into force in 2017, and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership came into force for Canada in 2018. In November 2020, the Canada-United Kingdom Trade Continuity Agreement was struck. As the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) will no longer apply to the United Kingdom beginning January 1, 2021, this new agreement will provide continued access to the benefits of CETA on a bilateral basis.

Pre-crisis macro-financial risks relating to housing debt and corporate-bond financing are in some respects greater. Government support measures have gone a long way in preventing widespread financial problems among highly indebted households. However, the earnings prospects for many households will remain weakened for some time, raising default risk. Because household debt is large, the impact of any future weakening of income growth implies a significant impact on household consumption. Furthermore, the economic downturn may expose the fragilities of the significant share of low-grade corporate debt. The prospect of an even more prolonged low interest-rate environment gives cause for continued concern about investor risk-taking and asset valuations and their distributional implications (discussed further below).

Table 1.3. Possible further shocks to the economy

Shock	Likely impact	Policy response options
Prolonged and deep lockdown for instance due to problems in vaccine supply, concerns about the spread of new variants of COVID-19.	Prolongation of containment measures could potentially see a substantial fall in economic activity, with deeper scarring in shutdown-vulnerable sectors, and increase the risk of a sluggish recovery and prolonged socio-economic damage.	Renewed central-bank emergency measures to support liquidity and financial markets. Ramping up of government support for households and businesses.
Substantial housing market adjustment	Reduced residential investment and diminished household consumption, inter alia due to wealth effects are the most likely channels. A sufficiently large shock could threaten financial stability. IMF calculations suggest a 30% decline in house prices in Canada could reduce GDP by 3% including an 18% reduction in investment (IMF, 2017). Fiscal costs from Canada's government-backed housing insurance would arise only under very large price falls with widespread defaults, as insurers hold substantial capital reserves.	Central-bank emergency measures to support liquidity and financial markets, especially mortgage markets. Measures to reduce risk of future problems including macro-prudential measures.
Financial asset price correction (for instance in corporate bonds) from the distortions already present pre-crisis due to high levels of risk taking.	Deepened economic downturn from negative wealth effects, reduced business confidence and investment, potentially also destabilised financial markets.	Central-bank emergency measures to support liquidity and financial markets. Additional fiscal measures to counter the negative impact on real side of the economy.

Challenges for monetary policy and financial-sector stability

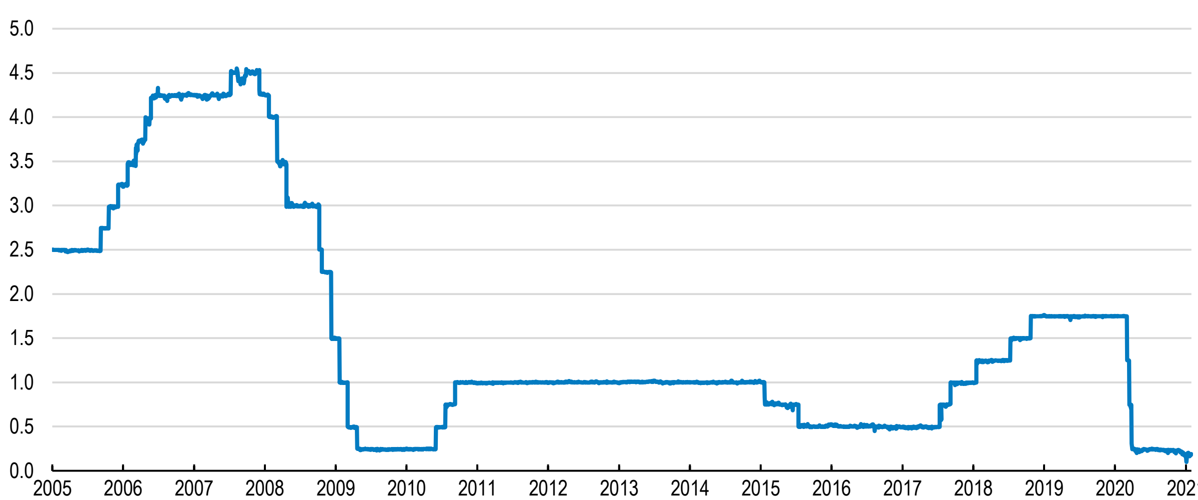
A rapid policy response in the early stages of the crisis, through policy-rate cuts and other measures that bolster liquidity, helped Canada avoid a financial-market meltdown. The Bank of Canada used practically all the scope for rate cuts (while remaining in positive territory), cutting the policy rate to 0.25%, the same as that in the aftermath of the global financial crisis (Figure 1.12). This was accompanied by other measures to provide liquidity and ensure financial markets continued to function (Table 1.4). These were broadly successful. By May 2020, market liquidity for federal-government bonds, provincial debt and corporate paper had returned to pre-crisis levels. In addition, funding pressures on banks have receded (Bank of Canada, 2020a). The Bank's forward guidance on the policy interest rate reinforced by its purchases of government securities has also eased borrowing conditions for households, firms and governments. The purchases of government securities has resulted in a substantial increase in the Bank's balance sheet (Figure 1.13).

Ultra-accommodative monetary policy can, and should, be maintained until the economy is on an even keel

In the initial phase of the crisis, assessing consumer price inflation was complicated by the diverse effects on prices in different segments of the economy. The large fall in crude oil prices early in the crisis pushed down gasoline prices. Also, the price of accommodation fell. Meanwhile, retail food prices rose. Shifts in purchasing patterns were significant, but Bank of Canada research suggests that accounting for these did not generate a substantially different picture of overall price developments (Bank of Canada, 2020b).

Figure 1.12. The policy rate has been cut to 0.25%

Canada overnight money market rate



Source: Refinitiv, Datastream.

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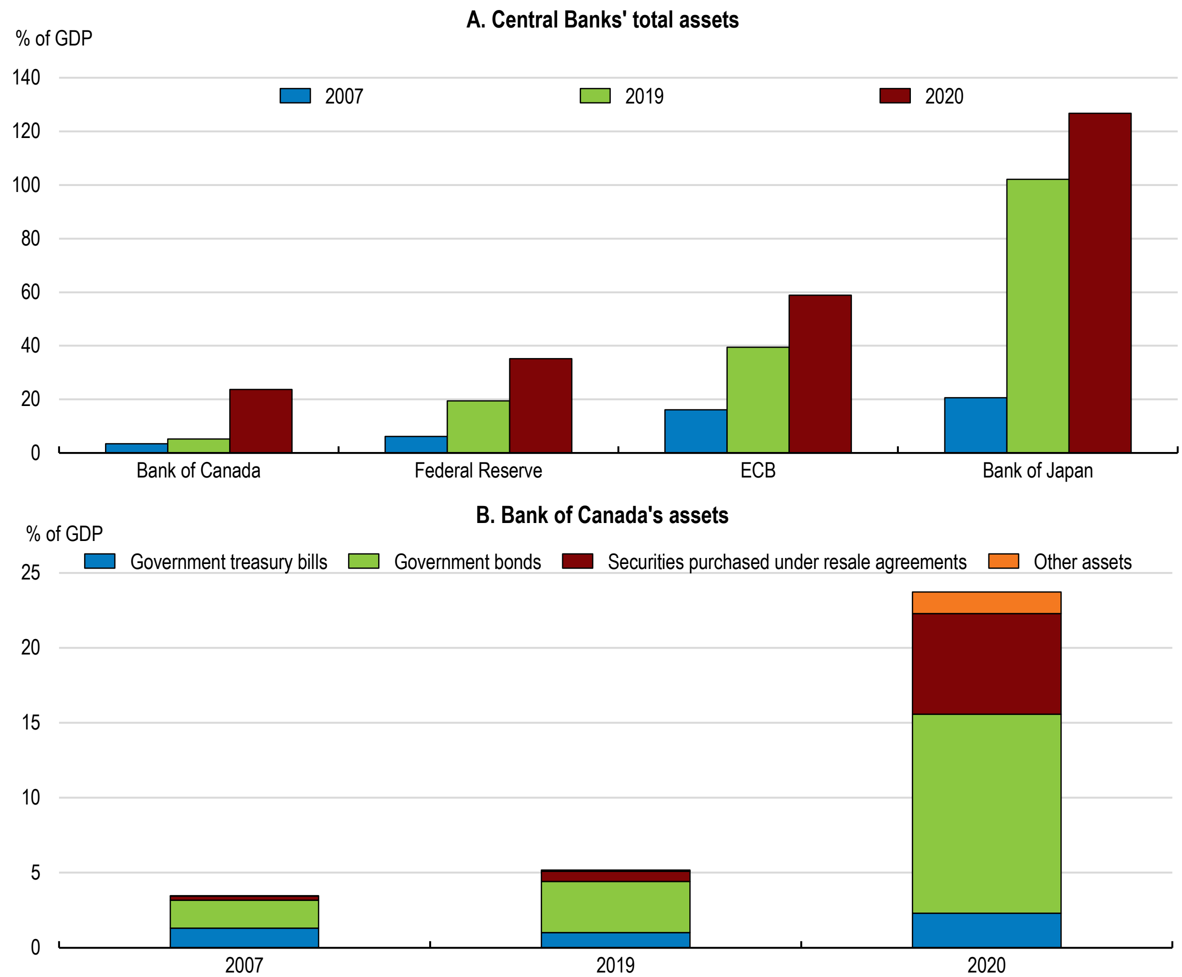
Table 1.4. Emergency support for the financial sector in the wake of the crisis

Measure	Role
Bank of Canada and other support for financial institutions	
More favourable borrowing conditions in the term repo market, including a wider set of allowable collateral.	Widened commercial banks' short-term borrowing capacity with the Bank.
Reduction in the Domestic Stability Buffer Requirement for domestic systemically important banks by 1.25% of risk weighted assets (announced 13 March).	Increased the lending capacity of banks by reducing the amount of capital they must hold (still in place, as of December 2020).
Accelerated launch of the Standing Term Liquidity Facility (announced in November 2019, launched 19 March).	The Facility enables the Bank to provide loans to a wider range of financial institutions.
Suspension of the introduction of a benchmark rate for the minimum qualifying rate for insured mortgages (announced 13 March).	Improved access to mortgage credit by households.
Bank of Canada and other support for financial markets	
Broadened scope of the government bond buyback programme, by adding new Term Repo operations with terms of 6 and 12 months in addition to its regular 1 month and three month Term Repo operations. Government of Canada Bond Purchase Program, purchase of bonds on the secondary market.	Ensures the market for government bonds remains liquid across the spectrum (the purchases matched by sales of widely-traded government bonds).
Purchases of Canadian Mortgage Bonds.	Provides mortgage-bond market liquidity.
Commercial Paper Purchase Program (CPPP).	Support for short-term financing of business and public authorities.
Corporate Bond Purchase Program (CBPP).	Support for longer-term business financing.
A new Bankers Acceptance Purchase Facility (BAPF).	Supports the funding for small- and medium- size business.
Provincial Money Market Purchase (PMMP) programme, Provincial Bond Purchase Program (PBPP).	Support markets for provincial government funding, the PMMP has been wound down.

Notes: Most measures are under the responsibility of the Bank of Canada: exceptions include the Domestic Stability Buffer Requirement (Office of the Superintendent of Financial Institutions), insured mortgage regulation (Minister of Finance) and uninsured mortgage regulation (Office of the Superintendent of Financial Institutions). Most measures were announced in March 2020.

Looking ahead, headline consumer-price inflation will be affected by energy prices in the near term. However, core inflation will pick up only gradually. Accordingly, ultra-accommodative monetary policy can, and should, be maintained to help economic recovery. However, as the recovery matures, a close watch will be required on the distortive effects of low interest rates on asset prices (including house prices) and investor risk-taking. As for other countries, the risk of expansion in the central bank's balance sheet expansion leading to excessive consumer-price inflation in the medium term is not seen as substantial, because demand in the economy is not expected to be strong enough to induce price rises.

Figure 1.13. The Bank of Canada has been expanding its balance sheet



Note: The data in 2020 is expressed as a per cent of GDP in 2019.
Source: OECD Economic Outlook database; and Bank of Canada.

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The upcoming renewal of the inflation-targeting regime (Box 1.4) provides an opportunity to adapt the Bank's monetary policy framework to achieve its 2 percent inflation target, over time, and maintain well-anchored inflation expectations in the context of persistently low global interest rates and downside risks to real-side recovery. Interestingly, the U.S. Federal Reserve has moved to a so-called average-inflation target by announcing that following periods when inflation has been running persistently below target, monetary policy will, for some time, probably aim to achieve inflation moderately above target (Federal Reserve, 2020). Canada's inflation-targeting regime already has some capacity to accommodate such flexibility. Its "Inflation Control Target" aims at keeping consumer-price inflation at 2 per cent, with a control range of 1 to 3 per cent around this target. However, options for a different framing of the target should be considered in the review process that precedes the renewal of the inflation-targeting regime.

Box 1.4. Canada's inflation-target review and renewal process

Canada conducts a regular review and renewal of its inflation-targeting regime (elsewhere reviews and renewals are generally on an ad hoc basis), an approach that a recent OECD paper calls to be adopted more widely (OECD, 2020c). The review and renewal runs on a five-year cycle and originates from the establishment of the inflation-targeting regime in 1991, which was based on a short-term agreement between the government of Canada and the Bank of Canada that specified the inflation target and required a formal review (Amano et al., 2020). The process has proven to be deliberate, in-depth, research-driven and transparent, involving consultation with relevant stakeholders. It has generally been technical, with limited involvement of non-specialists. However, outreach has been increasing; the review for the 2021 renewal has included reaching out to different groups in civil society and to members of parliament. The review and renewal process extends over several years. For instance, groundwork for the 2021 renewal started in 2017, stakeholder outreach commenced in 2019, and roundtables and public consultation were conducted in 2020.

So far the crisis has not triggered household-debt problems, but risks remain

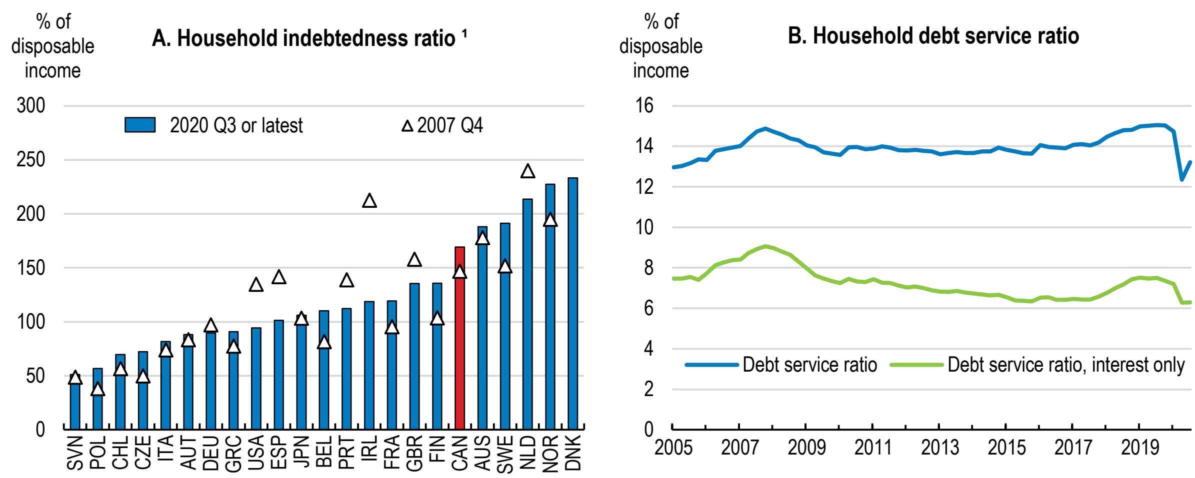
Mortgage default has not so far become a major concern. Canada's still comparatively high level of household debt (Figure 1.14), linked to low borrowing costs and rapid house-price growth, elevates the risks to macro-financial stability and to household consumption risks. Thus far, the increase in mortgage defaults arising from the crisis has been absorbable by lenders. The scale of defaults, and the capacity to absorb them, have been helped by:

- Past policy measures, including the steps to bolster banking-sector resilience since the global financial crisis (such as through increased capitalisation requirements), have reduced the risk of direct hits to financial stability. Macro-prudential measures, such as tighter loan-to-value caps and debt-servicing stress-test requirements, have helped limit the amount of debt at risk in the event of falling house prices or greater financial stress among households.
- A decline in aggregate debt-servicing costs relative to income during the crisis, with interest-rate reductions and support for household incomes playing a role (Figure 1.14).
- Emergency provisions allowing mortgage-payment deferrals of up to six months.

Alternative lenders for households and small enterprises, such as mortgage investment corporations and private lenders, have been affected by the crisis. For instance, in June 2020 mortgage registrations by private lenders in Ontario had fallen by 26% (Teranet, 2020). However, the sector is small and therefore unlikely to spark major financial instability. Private lenders are important only in some markets; for instance, in the Greater Toronto Area they account for about 7% of new residential mortgages.

Continued vigilance on house prices and mortgage lending is needed as the economy recovers under continuing low borrowing costs. Canada's housing-market tendencies of strong price and lending growth already appear to have re-emerged in the wake of the crisis. Thus, past *Survey* recommendations still apply, including stronger oversight and policy co-ordination of the unregulated mortgage market, moves to limit mortgage insurance coverage and measures to facilitate housing supply (such as lighter planning regulation) (Chapter 2).

Figure 1.14. Household debt-servicing burdens have declined



1. Total household outstanding debt as a percentage of household gross disposable income. Q1 2019 for Japan.
Source: OECD, National Accounts - Household Dashboard database.

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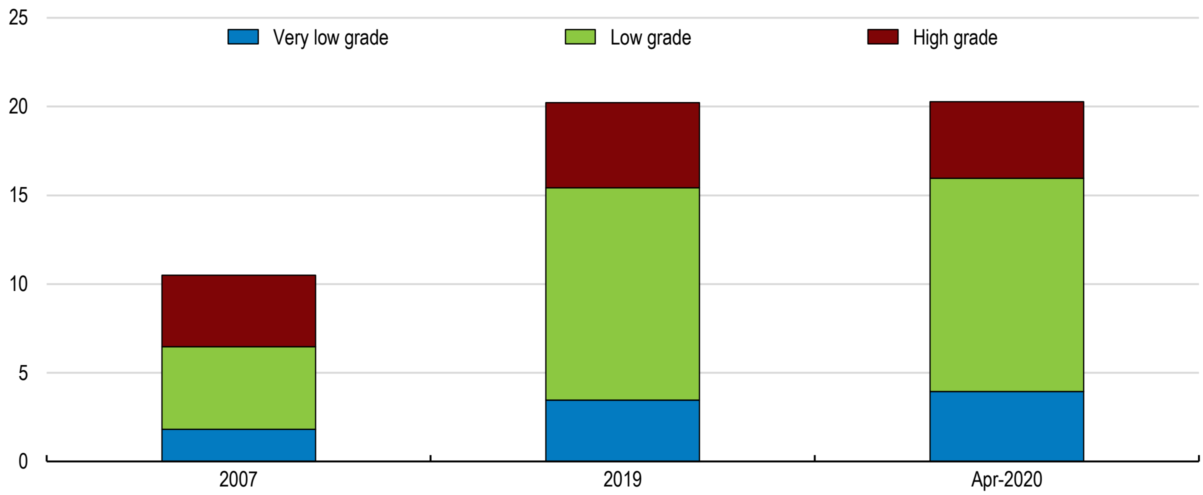
The growth of financing via high-risk corporate bonds remains a concern

In the initial phase of the crisis corporate pre-tax net income more than halved. Also, Statistics Canada data show a big spike in business closures during the spring 2020 confinement that has only been partially offset by subsequent re-openings and start-ups. Many businesses face considerable financial strain, especially in the sectors hit hardest by confinement measures. However, indicators do not so far suggest that this strain is posing a critical risk to the banking sector or financial markets.

Corporate financing through bonds and leveraged loans was on watch prior to the crisis. Following global trends, a combination of stricter regulation on bank lending and greater appetite for risk due to low interest rates, brought substantial growth in these forms of financing, much in the high-yield, high-risk category (Figure 1.15). Credit downgrades can put pressure on businesses cash flow from funding-cost increases, more restrictive covenants on debt contracts and margin calls (Bank of Canada, 2020a). An increasing proportion of high-risk bonds in investors' portfolios points to greater uncertainty in returns. As is the case in many countries, tax deductibility of debt interest payments but not on the return to equity creates a bias towards debt financing. Furthermore, Canada's multiple tax jurisdictions create opportunities to use interest deductions as a vehicle for profit shifting (IMF, 2018). Overall, another look is warranted at limiting the debt-financing bias, for instance through further limits on interest deduction (including through measures that target earnings-stripping) or through an allowance on corporate equity such as exists in Italy (Branzoli and Caiumi, 2018). Tackling the structural issue of debt-bias, however, does not perhaps warrant immediate attention, given the strong priority on encouraging investment in the current crisis and the fact that low interest rates are anyway limiting the importance of interest deductibility.

Figure 1.15. The stock of high-risk bonds has grown substantially

Non-financial investment-grade corporate bonds, % of GDP



Note: High grade: AA AAA, AA, A rated bonds; Low grade: BBB+, BBB, BBB- ; Very low grade: BB, B, CCC-D.
Source: Calculations based on data from Bank of Canada (2020), *Financial System Review 2020*.

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Table 1.5. Past OECD recommendations on the financial sector and housing market

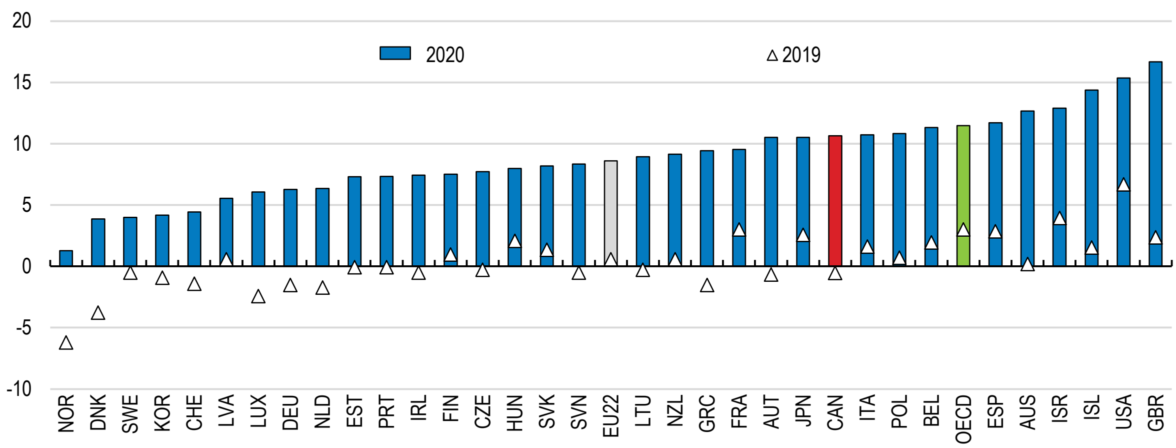
Recommendations in past *Surveys*	Actions taken since the previous *Survey* (June 2018)
Co-ordinating financial regulation	
Extend participation in Cooperative Capital Markets Regulatory System.	Nova Scotia joined the network in April 2019. Other governments participating are: British Columbia, New Brunswick, Ontario, Prince Edward Island, Saskatchewan, the Yukon and Canada.
Mortgage-borrowing oversight and regulation	
Monitor the effects of macro-prudential measures and stand ready to act should the balance of risks change.	Canada Mortgage and Housing Corporation (CMHC) tightened mortgage eligibility rules in July 2020. The changes lowered the amount of debt an applicant for an insured mortgage can carry, set a higher credit score to qualify for CMHC insurance, and prevented homebuyers from using borrowed funds for down payments. Other insurers did not follow suit.
Tighten mortgage insurance to cover only part of lenders' losses in case of default. Keep increasing the private-sector share of the market by gradually reducing the cap on the CMHC's insured mortgages.	No action taken regarding mortgage insurance. CMHC's market share has continued to drop.
Monitor the unregulated mortgage-lending sector more closely to improve understanding of risk exposures. Bolster cooperation and information sharing between federal and provincial financial regulators.	The Canadian authorities are continuously monitoring shadow-banking entities, including through their participation in the Financial Stability Board's information-sharing exercises.

Supporting the recovery while preparing the groundwork for reducing the public debt burden

As in many economies, the substantial emergency tax and spending measures plus the effects of the downturn have generated large government deficits. Canada's general government deficit for 2020 (calendar year) was 11% of GDP according to national accounts data (Figure 1.16) and represents among the biggest increases on the previous year compared with other countries. As discussed above, the large package of federal-government measures accounts for much of the budget expansion.

Figure 1.16. The general government deficit has increased substantially

Net general government deficit, % of GDP



Source: OECD Economic Outlook 108 database. For Canada the published figures from national accounts data are shown.

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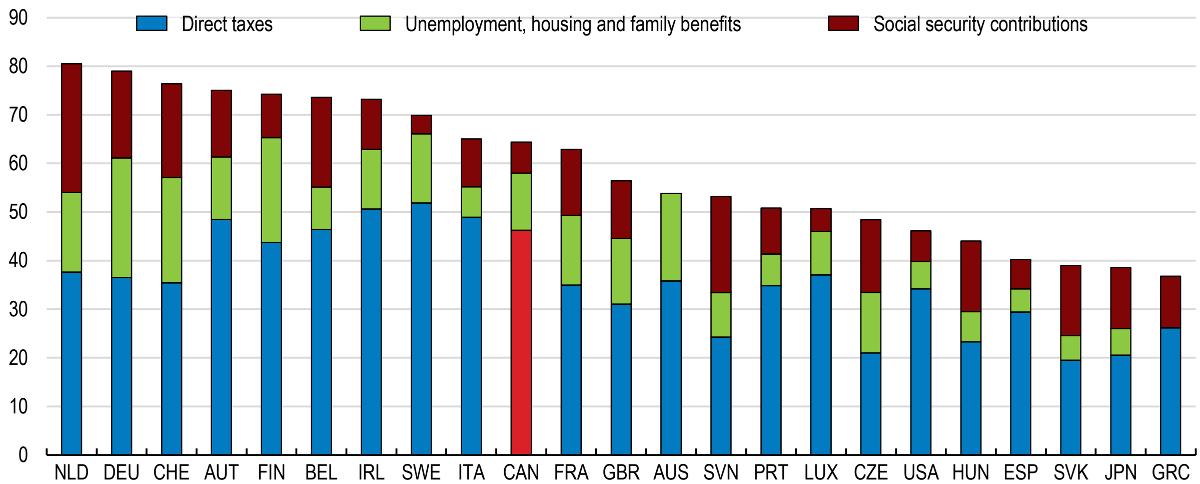
Fiscal support for households, businesses and green investment is needed

For the time being, a focus on active measures is appropriate to help economic recovery with the implications for public debt a secondary consideration. Financial assistance for households should continue focussing on ensuring gaps are covered, as exemplified by the introduction of the Canada Recovery Benefit that has taken over from the CERB in assisting the self-employed (this is discussed further below). For businesses, continued focus is needed on nurturing recovery in businesses but also facilitating the reallocation of resources towards the most promising sectors and firms.

A fully supportive fiscal policy will anyway see deficits decline as recovery progresses. The very large deficit generated in 2020 will unwind in part as the need for financial assistance wanes. Shifting away from blanket support (notably the CERB benefit) suggests smaller outlays, and the recovery process itself (unless reversed by another shock) will bring deficit cuts through revenue increases and diminished spending demands (automatic stabilisation). Indeed, OECD estimates suggest automatic stabilisation via taxation in Canada, for household income at least, is substantial (Figure 1.17).

Figure 1.17. Automatic stabilisers are sizeable

The share of a household disposable income shock offset by automatic stabilisers



Note: Automatic fiscal stabilisers refer to spontaneous changes in government spending and revenues that help stabilise the economy after negative and positive shocks without any discretionary policy intervention.
Source: A. Maravalle and L. Rawdanowicz, "How effective are automatic fiscal stabilisers in the OECD countries?", OECD Economics Department Working Paper (forthcoming).

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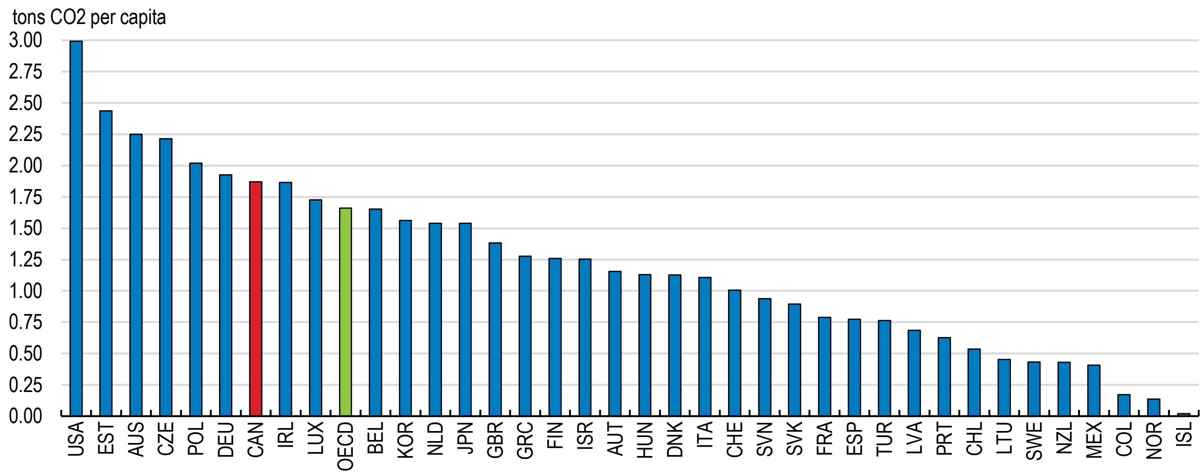
Flexibility in provinces and territories' balanced budget rules should be used as part of the fiscal response. Most provinces and territories operate balanced-budget fiscal rules with inbuilt leeway for deficits under exceptional circumstances, or can be overridden. This flexibility was illustrated during the global financial crisis (Atkinson et al., 2016), with most jurisdictions temporarily running deficits. Deficits will help provinces and territories (also municipalities) cope with the financial strain generated by the crisis. As in other countries with decentralised public expenditure, the fiscal challenges for sub-national governments during the COVID-19 crisis are likely to be bigger than in countries with more centralised expenditure (OECD, 2020d).

Public investment should be accelerated to bolster recovery while also helping achieve long-term goals, especially green transition. Making buildings more energy efficient (including through retrofits) looks among the most promising avenues (Figure 1.18). An expert group (Task Force for a Resilient Recovery, 2020) has suggested a five-year green investment programme costing about 2% of GDP that focuses on making buildings more efficient and climate resistant. The federal government has already taken some steps along these lines. In October 2020 it announced *Investing in COVID-19 Community Resilience*, a facility valued at around CAD 3 billion for reallocating infrastructure budgets to near-term, quick-start projects in certain areas, including building retrofits, transport infrastructure and disaster mitigation and adaptation. Also, in November 2020 the federal government announced a programme worth CAD 2.6 billion providing grants to homeowners for energy-efficient improvements. Further acceleration of public investment should be considered if the economic recovery falters.

Figure 1.18. Per capita carbon dioxide emissions from housing are high

CO_2 emissions from fuel combustion, including electricity and heat, from the residential sector, 2018



Source: IEA (2020), *CO_2 Emissions from Fuel Combustion*, 2020 Edition.

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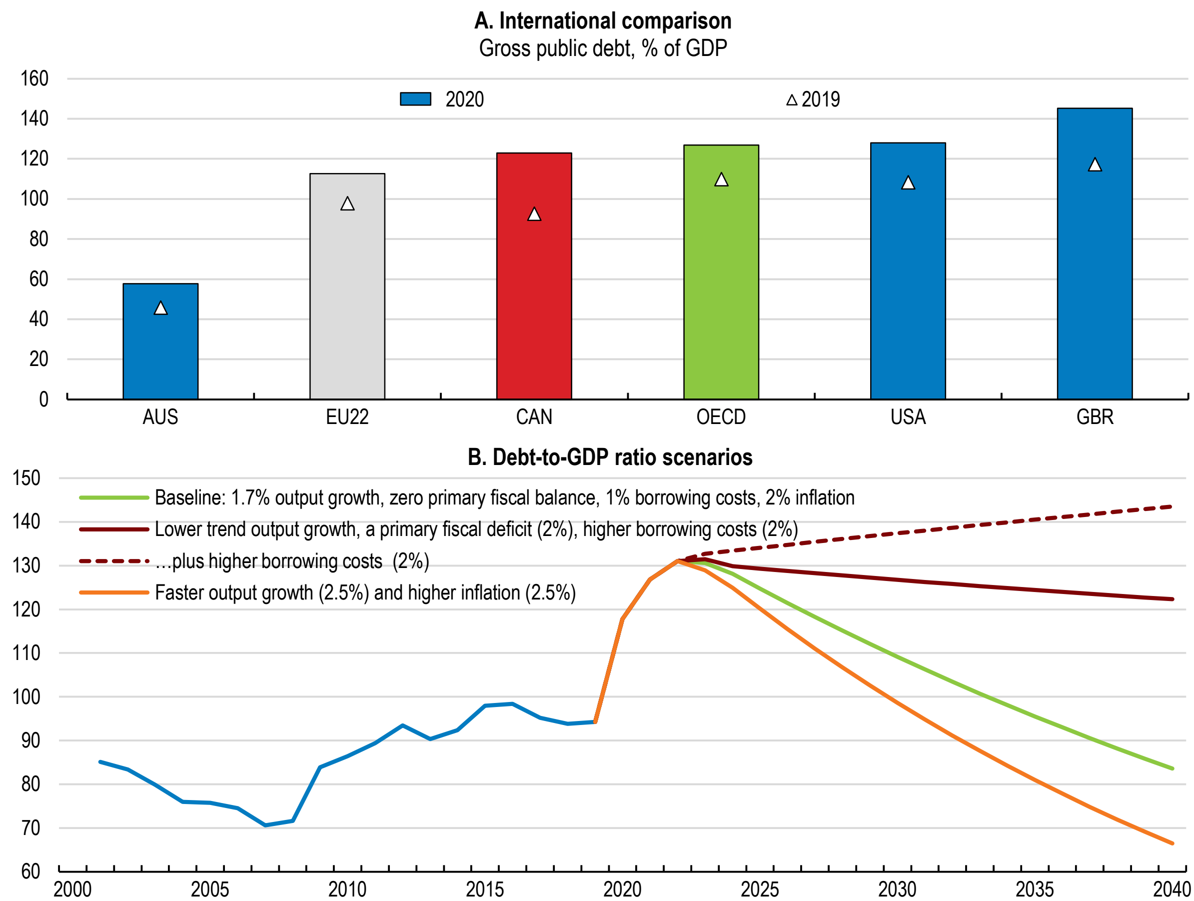
Getting ready to tackle the debt burden in the medium term

Once economic recovery is on a solid path, debt-burden reduction should be prioritised. Before the COVID-19 crisis, Canadian governments had attached considerable importance to the containment of public debt and were broadly successful; the ratio of both gross and public debt to GDP were lower than in many other OECD countries (Figure 1.9). The near-term public-debt expansion due to the pandemic looks set to be large. Looking further ahead, shows scenarios of nationwide gross government debt. Under a central scenario ("baseline" scenario) that comprises a zero primary fiscal balance, output growth at roughly historical average (1.7%), on-target inflation (2%) and borrowing costs of 1%, the debt-to-GDP ratio could return to pre-COVID levels by the mid-2030s. Faster output and inflation growth would accelerate the decline in debt-to-GDP ratio. However, lower trend growth, and a primary fiscal deficit or higher borrowing costs could mean an ever-increasing debt-to-GDP ratio. A policy roadmap for managing the debt is needed to head off risks to fiscal sustainability and to reassure markets. Rating agencies have already signalled disquiet. Fitch downgraded its rating on Canadian Government from triple-AAA to "AA+" in June 2020, citing the deterioration of public finances resulting from the pandemic.

Figure 1.19. Gross public debt has increased substantially



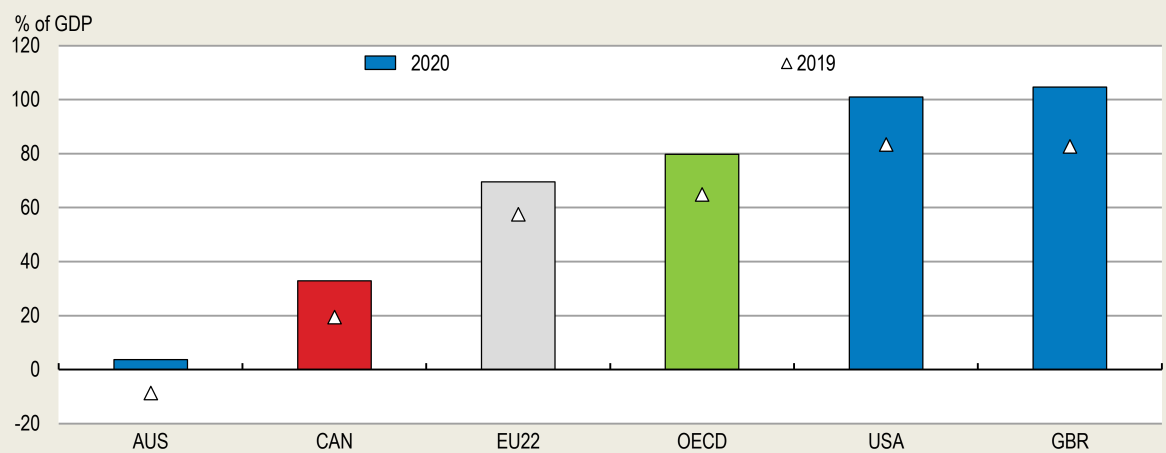
Notes: Gross debt in these figures is aggregate consolidated debt across federal, provincial and territorial governments (as in the national accounts).
The 1% borrowing cost is an estimate of the average 10-year government bond rate for 2020-25 (Parliamentary Budget Officer, 2020a).
Source: OECD Economic Outlook108 database, Statistics Canada and calculations based on OECD Economic Outlook database.

StatLink https://stat.link/qmhwar

Box 1.5. Measuring Canada's public debt

Reporting and policy debate on public debt within Canada typically centres on federal government net debt. Net debt (Figure 1.20) is particularly important for countries like Canada, that have well-funded social security schemes and significant financial assets. Canada's debt measures (both gross and net) notably include the balance of assets and liabilities relating to public-sector employee pensions, reflecting good accounting practice and efforts to ensure long-term fiscal sustainability. OECD analysis often uses total gross debt in analytical work because of international comparability issues in the valuation of government assets (for instance, practices in valuing assets of state-owned enterprises can vary across countries). To ensure comparability of gross debt, the public-sector pension liabilities that appear in some countries accounts, including Canada's, are stripped out to improve comparability with countries where public-sector pensions are not reflected in the general-government balance sheet.

Figure 1.20. Net public debt



Source: OECD Economic Outlook 108 database; and Statistics Canada.

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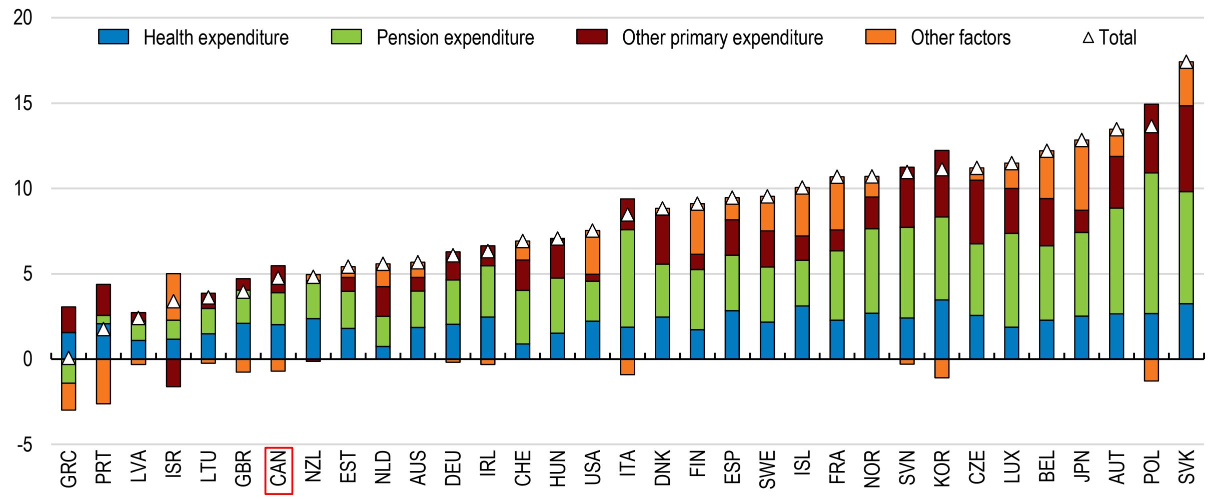
As in many other economies population ageing will increase the challenges for public spending containment and debt stabilisation. OECD estimates of spending pressure over the long run suggest that by 2060, health, pension and other spending pressures will have added costs equivalent to 5% of GDP. This is a sizeable increase but smaller than those estimated for many other economies, partly due to Canada's immigration policy (Figure 1.21). Increasing pressure on health care spending from population ageing most immediately affects provincial and territorial budgets and can also pass through to federal government balances through pressure to increase transfers to the provinces and territories. Though Canada's pension system is more self-funding than many, pressures from population ageing on fiscal balances will arise from spending commitments on first-pillar pensions.

Figure 1.21. Ageing related pressures on public spending are relatively light

Change in structural primary revenue between 2021 and 2060, % pts of potential GDP



Note: The charts show how the ratio of structural primary revenue to GDP must evolve between 2021 and 2060 to keep the gross debt-to-GDP ratio stable near its current value over the projection period (which also implies a stable net debt-to-GDP ratio given the assumption that government financial assets remain stable as a share of GDP). The underlying projected growth rates, interest rates, etc., are from the baseline long-term scenario. Expenditure on temporary support programmes related to the COVID-19 pandemic is assumed to taper off quickly. The necessary change in structural primary revenue is decomposed into specific spending categories and 'other factors'. This latter component captures anything that affects debt dynamics other than the explicit expenditure components (it mostly reflects the correction of any disequilibrium between the initial primary balance and the one that would stabilise the debt ratio).
Source: Guillemette, Y. et al. (2021), "The long game: fiscal outlooks to 2060 underline need for structural reform", OECD *Economic Department Working Papers* (forthcoming).

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Given the potential challenges for debt reduction, the federal government should consider a numerical debt-to-GDP target, as recommended in previous Surveys. Federal budgeting is typically guided by broad qualitative goals declared by governments in the Speech from the Throne or in Budgets and Fiscal Updates. Precise quantitative goals and timelines for achieving them are not used. Canada's past record in federal deficit and debt suggests that, to date, broadly defined rules have worked adequately. However, introduction of a more precise rule may provide a useful anchor for governments in reining in the debt burden generated by the COVID-19 crisis (OECD, 2015). As regards provinces and territories, previous Surveys have included suggestion for more independent oversight of budgets.

Box 1.6. Quantifying the fiscal impact of structural reforms

The following estimates roughly quantify the fiscal impact of ambitious medium-term reforms and are illustrative.

Table 1.6. Illustrative fiscal impact of selected reforms

Policy	Scenario	Additional fiscal cost/revenue, percentage points of GDP
Reforms involving additional spending		
Further subsidy of childcare provision	Increase spending on family benefit (20%) (1)	0.3
More resources for social housing	Increase in spending on social housing (20%) (1)	0.1
Greater support for long-term care	Increase in spending on long-term care (20%) (2)	0.4
Introduction of Pharmacare	An estimated gross cost by 2027, some researchers suggest cost reduction through increased bargaining power would mean net savings (from Chapter 2)	0.4
More resources for mental health and public health	Increase in spending on preventive care (40%) (2)	0.1
Total		**1.3**
Possible avenues for funding the additional spending		
Increased environmental taxation	Increase in environmental taxation as a share of GDP to the level of the OECD median (3). Note however, if the taxation is successful in altering behaviour, the revenue gains could diminish.	1.1
Greater efficiency in government services	Three per cent efficiency gain in general government consumption expenditure (4), for instance through a multi-year programme of efficiency incentives.	0.7
Increase in the federal rate of GST	Two-percentage-point increase in the rate of federal goods and services tax (5)	0.8

1. OECD Social Expenditure (SOCX) database.
2. OECD Health Expenditure and Financing Database.
3. OECD Environmental Policy: Environmental Policy Instruments.
4. OECD National Accounts, 2019.
5. Federal Government GST revenues, 2019.
Source: OECD calculations.

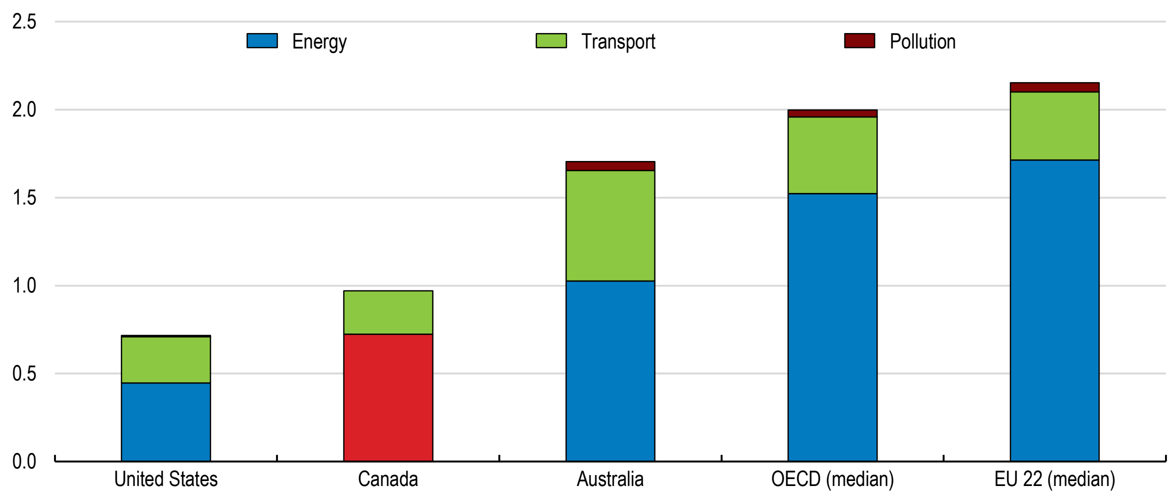
Strengthening carbon pricing and re-orienting the tax system

Canada has scope for taxation to help further in achieving environmental policy goals. Environmental tax revenues are smaller relative to GDP compared with many countries (Figure 1.22). The Pan-Canadian Framework is bolstering carbon taxation and strengthening its consistency, but further hikes in the price floor are needed (discussed further below). The average tax rate on motor fuel is higher than in the United States but much lower than in Europe. Furthermore, diesel is taxed less than gasoline, despite having more negative environmental externalities. There is also scope to expand congestion and road-use pricing. Expanding landfill charges would encourage waste prevention and recycling, as a large share of Canadian waste goes into landfill.

Given the current economic climate, the implementation of substantial hikes in environmental taxation should be delayed until the economy is on a more even keel and households and businesses can more readily absorb the additional tax burdens. However, groundwork can begin as considerable time is often required to bring measures to the point of implementation. An increase in environmental taxation could potentially raise sizeable additional revenues, for instance if environmental taxation as a share of GDP were increased to around the median of the OECD countries (Box 1.6).

Figure 1.22. Environmental taxation is comparatively low

Revenues from environmental taxation as % of GDP, 2019 or latest available year



Source: OECD *Environmental policy: Environmental policy instruments*, *OECD Environment Statistics* (database).

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Some other tax measures could also help strengthen and reprioritise the post-COVID economy. Past *Surveys* have notably recommended pruning tax support for small- and medium-sized enterprises (SMEs). Canada's extensive SME tax concessions includes elements that do not appear to be tackling an obvious externality and that are distorting, notably lower rates of corporate income tax and bigger R&D tax credits compared with large businesses. In other areas of taxation a government review in 2016 brought some welcome pruning of tax credits (see Table 1.7). However, there is scope for more, including cuts in tax breaks relating to health insurance and capital gains on principal residences and on other assets. Past *Surveys* have also advocated greater use of property taxation and municipal user fees. As for environmental taxation, due consideration to the timing of measures is required given the need to hold off on steps that might work against near-term economic recovery.

Exploiting opportunities for public-spending efficiency gains

As the need to address the immediate issues of the pandemic subsides, opportunities for improving public-spending efficiency should receive greater attention as a means of funding increased resource allocations to certain issues. Such opportunity in the context of health care is detailed in the analysis of Chapter 2 (and also summarised below). Increased spending through expansion of the national public health-care basket to include pharmaceuticals ("Pharmacare") and more resources for elderly care and mental health care could be offset by a range of efficiency measures, for instance stronger co-ordination between primary care providers, specialists and hospitals. Comparison across Canada's provincial and territorial health systems should be exploited as a means of identifying potential efficiency gains.

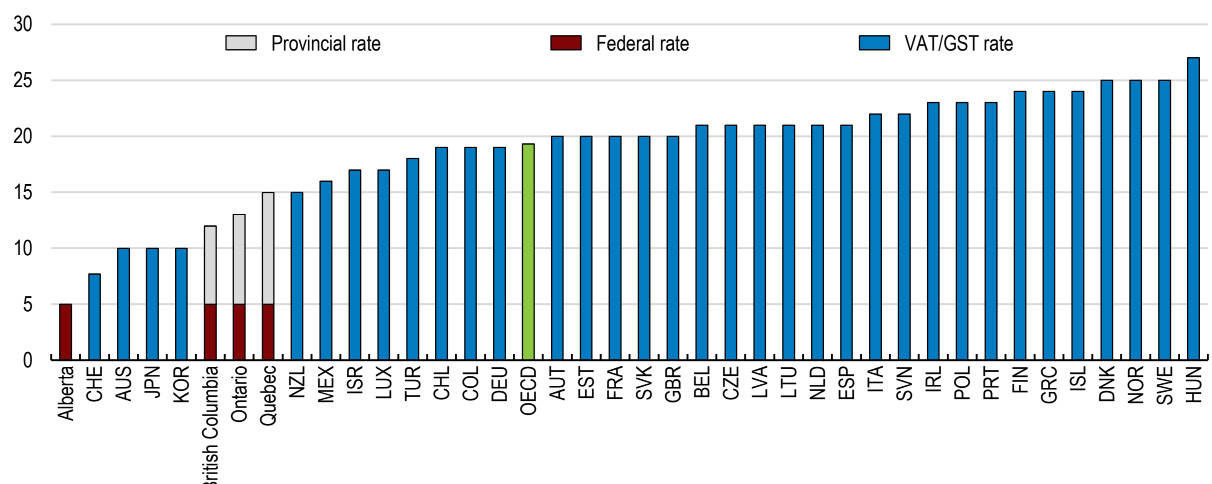
More generally, assessments of public-spending efficiency via spending reviews, budget assessments and costings could be stepped up to identify scope for cost savings. This could be carried out via existing structures, including through the Treasury Board as Canada did successfully in the past. Past *Surveys* have suggested the establishment of provincial budget agencies; these could also help identify scope to improve public spending efficiency at the provincial level. Box 1.5 illustrates that, for example, a 5% efficiency gain in general government spending on services could help considerably in covering the costs of additional spending measures.

Eventually raising revenues, if needed

If, eventually in the context of public-debt management, major revenue bases need to be tapped into for fiscal consolidation, consumption-tax increases are preferable to hikes in income tax. International evidence indicates that raising indirect taxation is less damaging to economic growth compared with greater income tax (Johansson, 2016). Also, there is precedent; a number of countries raised VAT (or the equivalent) to help fiscal consolidation following the global financial crisis. Furthermore, Canada has more headroom for increases compared with other countries, given that the combined rates of federal Goods and Services Tax (GST) and provincial equivalents are low compared with rates in many other OECD countries (Figure 1.23). This is echoed in revenues. According to the OECD Revenue Statistics, revenues from VAT/GST represent 14% of total tax revenues in Canada, compared to an average of 20% in the OECD. Raising the rate of federal GST would be the most practical approach, given the challenges in co-ordinating an increase in provincial rates. Also, as previous *Surveys* have underscored, there is scope to broaden bases through the scaling back of zero-rated items among basic groceries. To help overcome the political hurdles and cost-of-living implications, raising GST could, for instance, be combined with bolstering financial assistance for low-income households. Also, various other considerations have to be borne in mind, including that low consumption taxation in the United States to a degree limits the scope for raising rates in Canada because of cross-border shopping opportunities.

Figure 1.23. GST is lower than the OECD average

Standard rates of value added tax/ goods and services tax, 2020



Note: For further information on country notes please refer to the OECD Tax database. For Canada, the following provinces have harmonised their provincial sales taxes with the federal Goods and Services Tax, by adopting the Harmonized Sales Tax, and therefore Canada levies a rate of GST/HST in those provinces of: New Brunswick, Newfoundland and Labrador, Nova Scotia, Prince Edward Island: 15%; and Ontario: 13%. In Québec the GST applies at a rate of 5% and Québec imposes a Québec Sales Tax (QST) at a rate of 9.975% (applied on substantially the same tax base as the GST). Other Canadian provinces, with the exception of Alberta, Yukon, Northwest Territories and Nunavut apply a provincial retail sales tax to certain goods and services in addition to the federal GST.
Source: OECD Tax database (https://www.oecd.org/tax/tax-policy/tax-database/), Canada's Government website (www.canada.ca).

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Table 1.7. Past OECD recommendations on fiscal budgeting, tax and spending

Recommendations in past *Surveys*	Actions taken since the previous *Survey*
Fiscal rules and budgeting	
Establish provincial budget agencies, as in Ontario, or, better still, an agency reporting to the Council of the Federation that analyses fiscal forecasts and cost estimates for policy proposals.	No action taken.
Taxation	
Review small business taxation to identify clear market failures and the policy instruments best suited to addressing them.	No major changes.
Reduce personal income tax expenditures not warranted on economic or equity grounds, notably the non-taxation of private health plan benefits, capital gains on principal residences and some small business shares.	No progress on major issues.
Eliminate GST zero rating for basic groceries.	No action taken.
At the provincial level, increase taxes from non-renewable resource development.	No action taken.
Make more use of property taxes and user fees by municipalities, while easing the property tax burden on firms. As their tax base becomes more sustainable, reduce local authorities' reliance on provincial transfers by granting them more revenue-raising powers.	No action taken.

Nurturing recovery in the business sector

As the need for emergency measures diminishes, business policy should focus on encouraging positive shifts in the structure of economic activity in the post COVID-19 economy. Policy-making should also return to structural issues that have long held back the productivity and competitiveness of Canada's business sector. A well-performing, high-productivity business sector is necessary to create high quality jobs, which are a key component of people's well-being.

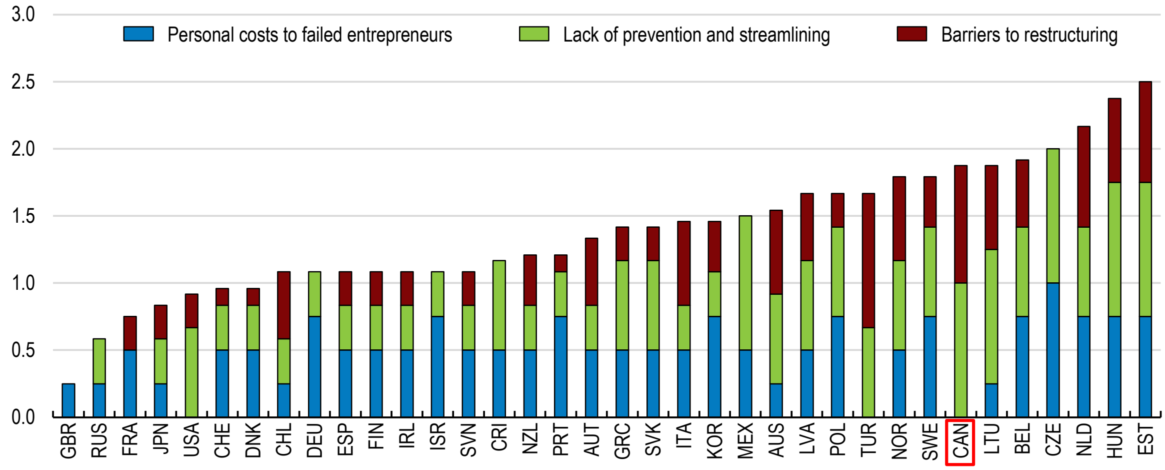
Further help for businesses is needed, including through better insolvency processes

Canada's measures for business have evolved from the early days of the pandemic. The initial phase included the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Business Account (CEBA) loan/subsidy scheme for SMEs, a rent assistance scheme and tax deferrals (Table 1.8; Table 1.9). CEWS has provided by far the most substantial support, with the total outlays expected to be CAD 84 billion, which is equivalent to around 3.5% of annual GDP. CEWS subsidises the wage bill for active employees and also has provisions for when employees are furloughed. The treatment of furloughed employees under CEWS is intended to provide a level of support comparable to unemployment schemes without having to sever the employer-employee relationship.

Credit provisions and loan guarantee schemes have been extended into 2021. This is broadly welcome. However, some firms may be reluctant to take on more debt. Extending more credit (even on favourable terms) can mean that later on businesses cut back on investment (due to debt overhang), thereby slowing recovery and denting productivity potential. As such, other policies that ease financial strain and reduce insolvency risk may be needed (OECD, 2020e). Canada's insolvency framework allows financially distressed, but viable businesses to restructure under court supervision, which has demonstrated success in preserving jobs and business value, thereby mitigating insolvency risk. That said, OECD indicators suggest that Canada's system could benefit from special restructuring procedures for small firms (Figure 1.24). Businesses in financial difficulty present a restructuring proposal under the *Bankruptcy and Insolvency Act* (BIA) or, if debts exceed CAD 5 million, can present a plan of arrangement under the *Companies' Creditors Arrangements Act* (CCAA). The latter provides more avenues to restructure the business.

Figure 1.24. There is scope to improve Canada's insolvency system

Scores in selected aspects of insolvency schemes: higher scores indicate worse systems, 2016



Source: OECD (2017), Confronting the Zombies: Insolvency and Financial Reform, Corporate Restructuring and Productivity Growth.

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Table 1.8. Key federal-government business support measures during the crisis

Measure	Key details	Scale of support
	Wage subsidies and work sharing programs	
Canada Emergency Wage Subsidy (CEWS) *Applications commenced April 2020, available to June 2021*	Under the current CEWS for supporting active employees, an employer's subsidy rate depends on the extent of its decline in revenues, and the maximum subsidy rate may vary by period. A separate rate structure applies for the CEWS supporting furloughed employees. Maximum subsidy varies by period; currently CAD 847 per employee per week (20 December 2020 to 13 March 2021).	Over 372 000 employers supported, CAD 55.4 billion in subsidies paid (as of 20 December 2020).
Temporary expansion of the Work Sharing program *Now extended to March 2021*	The Work Sharing program provides adjusted Employment Insurance payouts to eligible employees who agree to work a temporarily reduced work week while their employer recovers. In response to the crisis the maximum period was extended, waiting periods waived, application requirements eased and eligibility widened.	Since March 2020, over 3 500 employers had accessed the programme, with over 115 000 employees participating. This has helped avoid an estimated 55 000 layoffs.
	Business Credit Availability Program (BCAP)	
Canada Emergency Business Account (CEBA) *Access is now extended to March 2021*	A hybrid loan-subsidy scheme providing interest- free loans of up to CAD 60 000, with CAD 20 000 forgiven if the loan is fully repaid by end-December 2022. (The maximum loan was increased from CAD 40 000 to CAD 60 000 in December 2020).	CEBA estimated fiscal cost CAD 14 billion in subsidy. Total program size is estimated to be CAD 55 billion.
Financing support for small and medium-sized enterprises (SMEs) and mid-sized companies *Available to June 2021*	Credit schemes and loan guarantee schemes for SMEs and mid-sized companies (four schemes in total).	CAD 40+ billion.
	Other support	
Canada Emergency Rent Subsidy (CERS) *Available to June 2021*	CERS provides payments to help cover rental and mortgage costs directly to qualifying renters and property owners. It replaced the Canada Emergency Commercial Rent Assistance in November 2020), which supported renters through the participation of landlords.	
Large Employer Emergency Financing Facility (LEEFF) *No specified end date*	Bridging financing to businesses with revenues above CAD 300 million.	
Tax deferrals *Terminated end-September 2020*	Deferrals for payments due in March onwards. Corporate income tax payments deferred to end of September 2020. GST remittance and customs duty payments deferred until June 30 2020.	Corporate income-tax deferrals and deferred GST remittance and customs duty payments are estimated at CAD 60 billion in additional liquidity.

Table 1.9. Additional federal support for hard-hit sectors and for environmental clean-up

Hard-hit sectors	
Culture, heritage and sport	Emergency fund for culture, heritage and sport organisations, targeted financial support for museums and arts centres, waiving of private broadcasters' license fees, short-term compensation fund for the audio-visual production industry, targeted financial support for the live events and arts sectors (starting in 2021-22).
Air transportation	Waiving of federal-government ground lease airport rents (terminated December 2020), support for air services to remote communities.
Regional Relief and Recovery Fund	Safety net support for businesses not eligible for the other support programmes, or still experiencing hardship despite support.
Environmental clean-up	
Oil and gas well clean- up	Federal financial support for provinces to clean up orphan and inactive oil and gas wells.
Energy-sector emissions reduction	Establishment of a fund to support the financing of investment in reducing greenhouse gas emissions by oil and gas firms.

Longstanding issues in product-market regulation remain, in particular non-tariff barriers to domestic trade

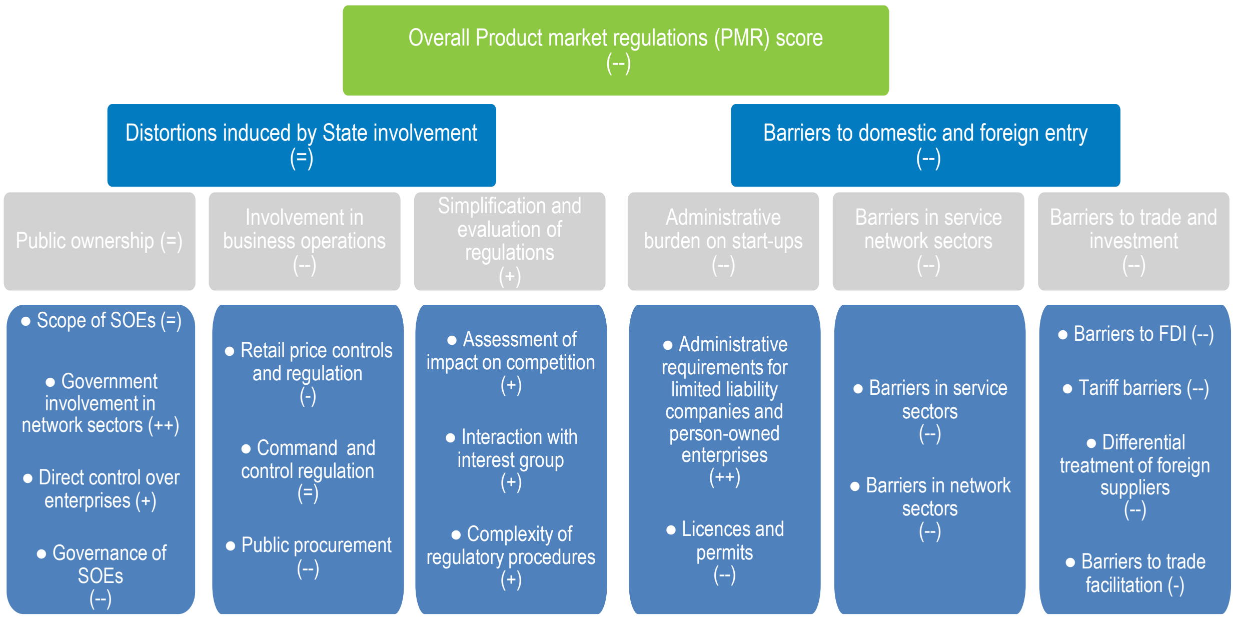
Remedying other structural weaknesses in product-market regulation should be part of the policy mix to strengthen the post-COVID economy. Canada's overall score in the OECD's Product Market Regulation indicator is poor, due to issues that have long been flagged in *Surveys*. Canada is ranked among the bottom five countries as regards governance of state-owned enterprises, public procurement, barriers to service and network sectors and barriers to trade and investment (Figure 1.25).

Non-tariff barriers arising from interprovincial differences in product, service and labour regulation have also long been flagged in *Surveys* as hampering the efficiency and productivity of Canada's business sector. The barriers, usually arising from differing regulations and standards, extend across many products and services, including, for instance in the dairy sector and the legal and accounting professions. A Statistics Canada study estimates that the non-tariff barriers are equivalent to an *ad valorem* tariff of 6.9% (Bemrose et al., 2017). Furthermore, studies suggest that lowering the barriers could have a sizeable positive impact on Canada's economy. A Bank of Canada estimate suggests that lowering all such barriers could generate a 0.2 percentage-point increase in potential GDP growth (Box 1.7). An IMF report (Alvarez et al., 2019) estimates that complete liberalisation of internal trade in goods could increase GDP per capita by about 4%.

Efforts to lower the non-tariff barriers include the Canadian Free Trade Agreement (CFTA) plus some additional agreements between subsets of provinces and territories. The CFTA builds on a previous agreement (the Agreement on Internal Trade) and includes a mechanism for reconciling regulations across provinces and territories (the Regulatory and Cooperation Table). The list of reconciliation processes currently underway, includes, for instance, truck driver certification, organic food standards, corporate registration, worker compensation, building codes and appliance efficiency standards (Government of Canada, Briefing Book-Internal Trade). There remains considerable unfinished business and a major effort accelerating the resolution of non-tariff barriers should be undertaken. The previous *Survey* (OECD, 2018a) recommended taking the CFTA further by prohibiting agricultural supply management regimes, reconciling remaining regulatory differences (possibly via mutual recognition) and expediting dispute resolution and raising penalties for non-compliance.

Figure 1.25. Key components of product market regulations

Ranging from: Poor (--), Below Average (-), Around Average (=), Above Average (+) to Good (++)



Note: (++)/ (--): Good /Poor performance: indicator score ranks among top (bottom) 5 OECD performers;
(+)/(-): Above / Below average performance; score at least 15% better (worse) than OECD average;
(=): Around average performance; score is within 15% of the OECD average score.
Source: OECD 2018 Product Market Regulation database.

Ensuring low-cost, high-quality telecommunications services

Attention to telecommunication services and related issues, including digital rights, should be intensified, especially given the prospect of a permanent shift to more teleworking (Box 1.8), greater use of the internet for meetings and conferences, and for business and personal use in general. Digital divides, including those arising from poor access to broadband in remote communities, have become more relevant. An OECD assessment of internet-service demand during the spring 2020 lockdowns pointed to Canada's paucity of direct interconnection domestically between big communication operators, which means approximately two-thirds of internet traffic is routed via the United States, resulting in higher costs and compromised service stability for Canadian users (OECD, 2020f). Past *Surveys* have underscored that more intense competition in telecoms and broadcasting could lower prices and increase access to fast, high-quality networks (OECD, 2016).

Box 1.7. Potential impact of structural reforms on GDP

The following estimates roughly quantify the fiscal impact of ambitious medium-term reforms scenarios and are illustrative.

Table 1.10. Illustrative GDP impact of selected recommendations

Policy	Scenario	Impact
Expediting the removal of non-tariff barriers	Impact of a 10 percent reduction in interprovincial trade barriers (Bank of Canada, 2016), percentage points. Note that IMF (2019) estimates a total boost to GDP per capita of 4% from the removal of barriers.	0.2 percentage-point increase in potential GDP growth
Less restrictive product-market regulation on other fronts, including telecommunications	GDP boost to arising from a reduction in Canada's score on the OECD Product Market Indicator from 1.76 to 1 over a five-year period (1 is the average score of the best performing countries). Simulation using the OECD Economics Department's long-term model.	0.5 percentage point increase, on average, in annual GDP to 2030

Source: OECD calculations.

The federal government aims at reducing the average cost of cellular phone bills by 25%. One avenue being pursued is to widen market access for mobile virtual network operators (i.e. operators that lease wireless capacity from incumbents and resell it on retail markets) (Prime Minister of Canada, 2019). In August 2019, the regulator (the Canadian Radio and Telecommunications Commission, CRTC) reduced the rates that the major telecoms companies are able to charge third-party operators. Federal government mandates also pledge new regulations for large digital companies regarding personal data and competition in the digital marketplace.

Canada’s foreign-ownership restrictions in telecommunications (and broadcasting) continue to be a potential barrier to competition and lower prices. In telecommunications, foreign interests with market share exceeding 10% are generally allowed to hold no more than 46.7% of voting equity in any facilities-based telecommunications carrier or a broadcast distribution undertaking (OECD, 2016). International evidence (for instance Rouzet and Spinelli, 2016) confirms a connection in the telecoms sector between ownership restrictions and companies’ price-cost margins, suggesting derestriction in Canada could bring consumer benefits. The OECD’s 2017 review of Mexico’s telecommunications and broadcasting noted positive impacts from a reform in 2013 that eliminated restrictions on foreign direct investment in telecommunications and satellite communications services (OECD, 2017).

Ensuring broadband access in rural and remote communities generally requires additional government support, and a welcome policy push is underway on this front. In November 2020, the federal government announced the Universal Broadband Fund. This will provide CAD 1.75 billion for broadband projects, with CAD 50 million earmarked for mobile projects that primarily benefit Indigenous communities. The Canada Infrastructure Bank intends to invest CAD 2 billion in broadband infrastructure over the next two to three years. Other initiatives includes support worth CAD 600 million towards for broadband via low-earth orbit satellites and a CAD 750 million fund to improve internet services in underserved areas.

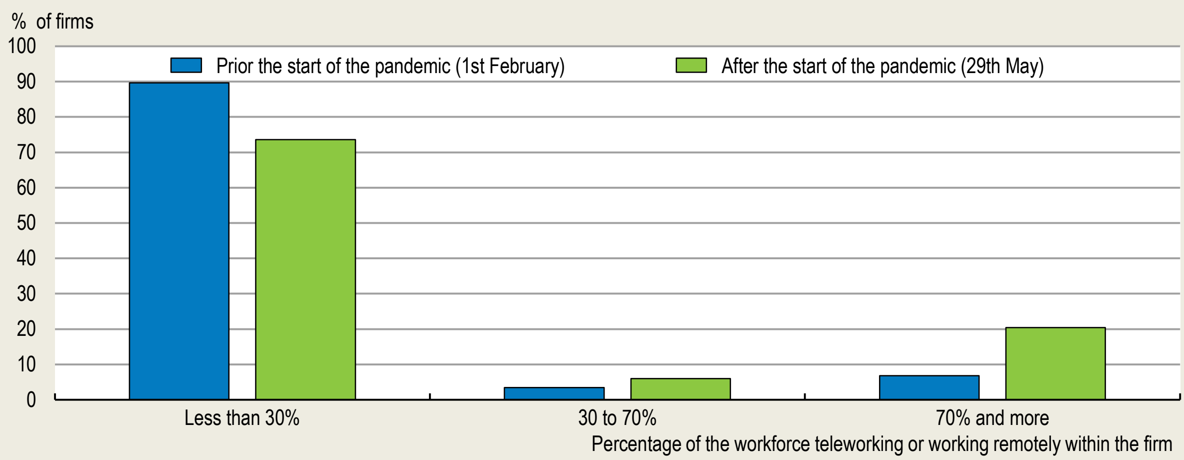
Topics in digitalisation, including online rights, are receiving welcome attention. As elsewhere, individuals’ rights as regards online data, including data portability, are of considerable importance, not only as a question of rights, but also because well-developed data rights can strengthen competition in Internet-service provision. In Canada a digital charter has been in place since 2019. Ministerial mandates following the 2019 federal election included objectives to improve data portability and the ability to remove personal data from platforms and to advance further on regulation of the ethical use of data and digital tools such as artificial intelligence. In this vein, the federal government has recently tabled new private-sector privacy legislation, the Consumer Privacy Protection Act, which includes provisions related to data portability, rights over personal data and artificial intelligence.

Box 1.8. Canada's shift to teleworking during the pandemic

A Statistics Canada study shows that prior to lockdown less than 10% of businesses had at least 70% of employees teleworking (though not necessarily full time). During lockdown that figure had risen to 20% (Figure 1.26). However, these data may underestimate the shift to teleworking as they do not capture that the crisis will have prompted a shift from part-time (or occasional) to full-time teleworking. An estimated 40% of Canada's workforce could plausibly telework full time according to Deng et al. (2020), a similar figure to OECD estimates for other countries (OECD, 2020g).

Figure 1.26. Teleworking before and during the spring 2020 COVID-19 confinement

Distribution of firms according to incidence of teleworking or working remotely within the firm



Note: For instance, the first column of the chart indicates that before the start of the pandemic the incidence of teleworking was less than 30% in 90% of Canadian firms.
Source: Statistics Canada (DOI: https://doi.org/10.25318/3310024701-eng).

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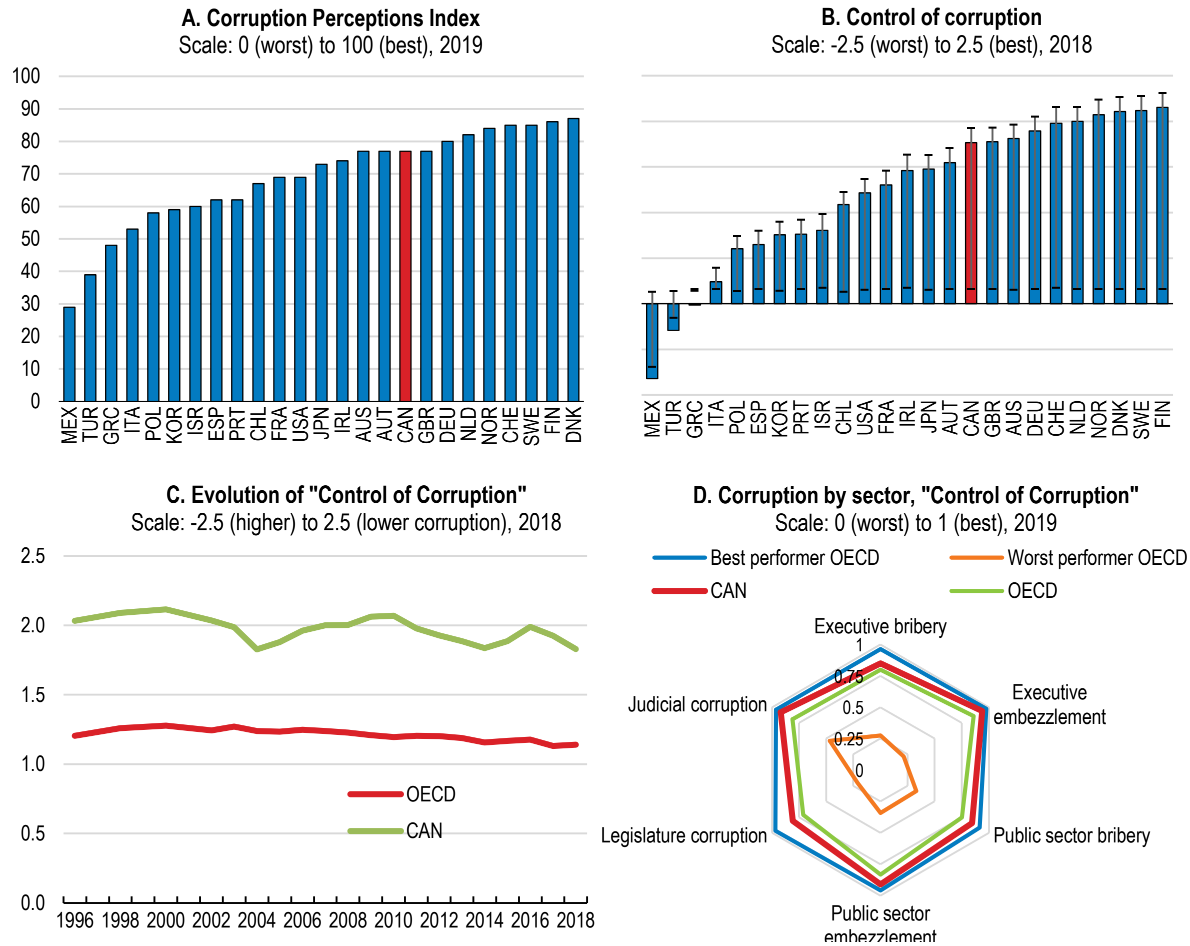
Combatting corruption and money laundering

Canada scores well in international indicators of domestic corruption. It ranks favourably in indicators of the public perception of corruption and the control of corruption (Figure 1.27). However, good ranking in such scores does not mean an absence of corruption. Within Canada, corrupt practices have been alleged with regard to governments, municipalities, corporations and senators (Rotberg and Carment, 2018). For instance, the Charbonneau commission exposed corruption in Québec's public construction contracts (Charbonneau and LaChance, 2015).

Canada has an export-oriented economy, with companies operating in jurisdictions and sectors where corruption can be present, such as mining, oil and gas operations. Thus, Canadian businesses are able to play a role in international efforts combatting transnational corruption and bribery. The OECD Working Group on Bribery's Phase 3 report on Canada (OECD, 2011) flagged a number of shortfalls in Canada's legislation and expressed concern that inadequate resources had been committed to coping with bribery cases. As a signatory to the Anti-Bribery Convention, Canada came under OECD scrutiny in 2019 in relation to alleged interference in the prosecution of a bribery case involving an engineering and construction group. Canada will undergo a Phase 4 peer review in 2023.

Figure 1.27. Perceived levels of corruption are low



Note: Panel A shows the Corruption Perception Index (CPI) which originally scores from 0 (worst) to 100 (best) on an inverted scale (i.e. 100 - CPI); Panel B shows the point estimate and the margin of error. Panel D shows sector-based subcomponents of the "Control of Corruption" indicator by the Varieties of Democracy Project.

Source: Panel A: Transparency International; Panels B & C: World Bank, Worldwide Governance Indicators; Panel D: Varieties of Democracy Institute; University of Gothenburg; and University of Notre Dame.

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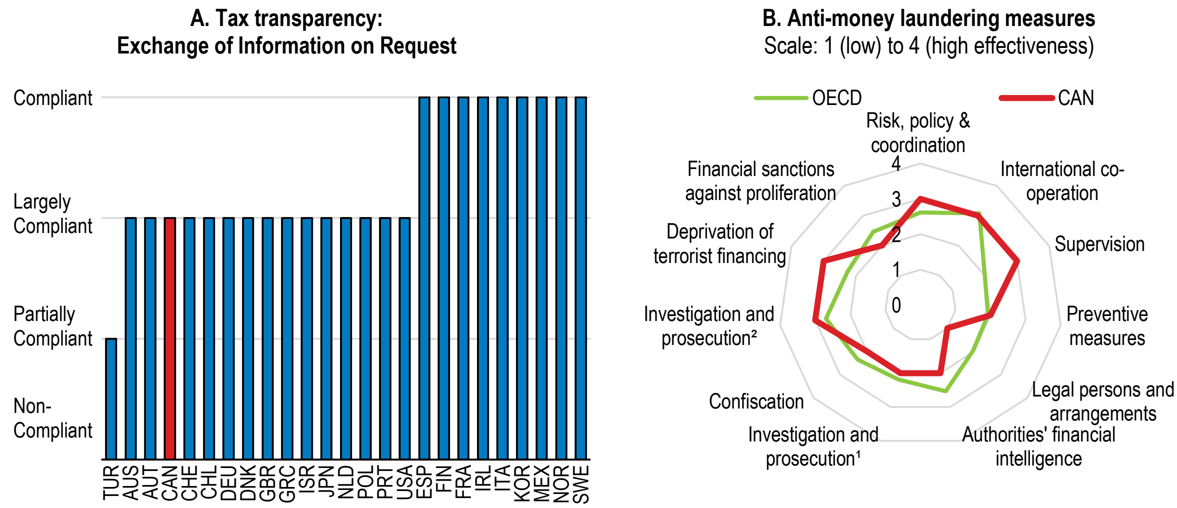
Canada's framework for anti-money laundering and countering terrorist financing (AML/CFT) is adequate according to an IMF assessment (IMF, 2019b), and there have been ongoing improvements. In 2019, preventative measures were strengthened, for instance regarding the reporting of suspicious transactions. Money laundering is among the outstanding issues (Figure 1.28), in particular that involving real-estate transactions. Transparency International (2019) concludes that it is too easy to create opaque ownership structures in Canada's property register systems and that requirements for checks on the buyers of real estate are too light and that prosecutions are too few in number. A tightening of property registration regulation, which is set at the provincial and territorial level, would help. Limits on cash transactions should also be considered.

Figure 1.28. There is still scope to improve the framework to fight economic crimes



Note: Panel A summarises the overall assessment on the exchange of information in practice from peer reviews by the Global Forum on Transparency and Exchange of Information for Tax Purposes. Peer reviews assess member jurisdictions' ability to ensure the transparency of their legal entities and arrangements and to co-operate with other tax administrations in accordance with the internationally agreed standard. The figure shows first round results; a second round is ongoing. Panel B shows ratings from the FATF peer reviews of each member to assess levels of implementation of the FATF Recommendations. The ratings reflect the extent to which a country's measures are effective against 11 immediate outcomes. "Investigation and prosecution[1]" refers to money laundering. "Investigation and prosecution[2]" refers to terrorist financing.
Source: OECD Secretariat's own calculation based on the materials from the Global Forum on Transparency and Exchange of Information for Tax Purposes; and OECD, Financial Action Task Force (FATF).

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Table 1.11. Selected past key recommendations on business policy

Recommendations in past *Surveys*	Actions taken since the previous *Survey*
A. Competition	
Internal trade. The Canada Free Trade Agreement should be taken further by prohibiting agricultural supply management regimes, accelerating the reconciliation of remaining regulatory differences and raising penalties for non-compliance.	The ongoing work of the Regulatory Reconciliation and Cooperation Table is eroding regulatory differences (see main text).
Reduce foreign ownership restrictions in air transportation on a reciprocal basis and in telecoms and broadcasting, where cultural objectives could be achieved by other means.	Amendment of the Canada Transportation Act in 2018 increased the maximum percentage of foreign voting interests in Canadian air carriers, subject to restrictions.
Grant the Competition Bureau the power to require provision of relevant information in the context of conducting market studies and advocacy activities. Require federal government agencies to "comply or explain" in response to the Bureau's recommendations.	No action taken.
B. Innovation	
Shift away from tax-subsidies by lowering the small firm tax-credit rate toward the large firm rate in the Scientific Research and Experimental Development (SR&ED) Program. Use the savings from this move to reinstate capital costs in the base for the credit and to scale up direct grants.	The tax credit structure still favours smaller enterprise.
C. Specific sectors	
Media. Consider subsidising Canadian content through general taxation rather than targeted levies on specific content providers.	No action taken.
Rail. Eliminate revenue caps on western grain shipments. Evaluate economic benefits of the expanded inter-switching zone for Prairie provinces' commodity shipments.	No action taken.
Energy. Develop more east-west electricity interconnections. Liberalise the generation and distribution segments in jurisdictions that have not done so yet.	No action taken.

Giving greater profile to well-being in future policy-making

Policy-makers should consider how policy development and implementation can be improved to help Canada achieve a resilient and healthy post-COVID economy and society. Chapter 2 of this *Survey* underscores the potential gains from a more structured policy approach to well-being: specifically, an approach that more explicitly incorporates aspects such as work-life balance, job quality, social capital and trust, and resources for future well-being as well as for distributional considerations. Most OECD countries are now using dashboards of well-being indicators as a guide to identifying and prioritising economic and social policy, and for gauging progress. A handful, notably New Zealand, have gone as far as hard-wiring indicator dashboards into their budget processes, thereby in principle committing all government ministries to basing economic and social policy reforms on the same objective and quantifiable criteria. In such hard-wiring, a key issue is how widely to apply the dashboard; only for policy proposals, or more widely, for instance to all elements in the tax and spending baseline.

In Canada, there is indeed further scope to integrate well-being concerns formally into policymaking. Some issues are already covered in the federal government's Gender Based Analysis Plus (GBA+), a framework for ex-ante assessment of policy impact on gender equality and some other well-being issues. GBA+ assessment is mandatory for many policy documents and in 2018 the federal government introduced the Gender Results Framework as means of ex-post assessment. However, GBA+ is not a fully-fledged well-being framework along the lines developed, for instance, in New Zealand.

Moves are already underway to more fully integrate well-being issues. The federal government has recently been developing a dashboard of quality-of-life indicators with a view to their use in budgeting and other policy development. Other countries have chosen frameworks of widely differing scope and complexity. For instance, the number of indicators ranges from fewer than 10 to well over 100, and the OECD well-being framework has 84 indicators covering 11 dimensions. As Chapter 2 points out, Canada generally has a broad range of statistics for most dimensions of well-being, so there is little practical constraint from this perspective to establishing a dashboard. In addition, Canada's experience with GBA+ and other mechanisms, such as its Poverty Reduction Dashboard, stands it in good stead for the further integration of well-being issues into policymaking.

Reforming health care and welfare support

Health care: COVID-19 has underscored problems in long-term care homes

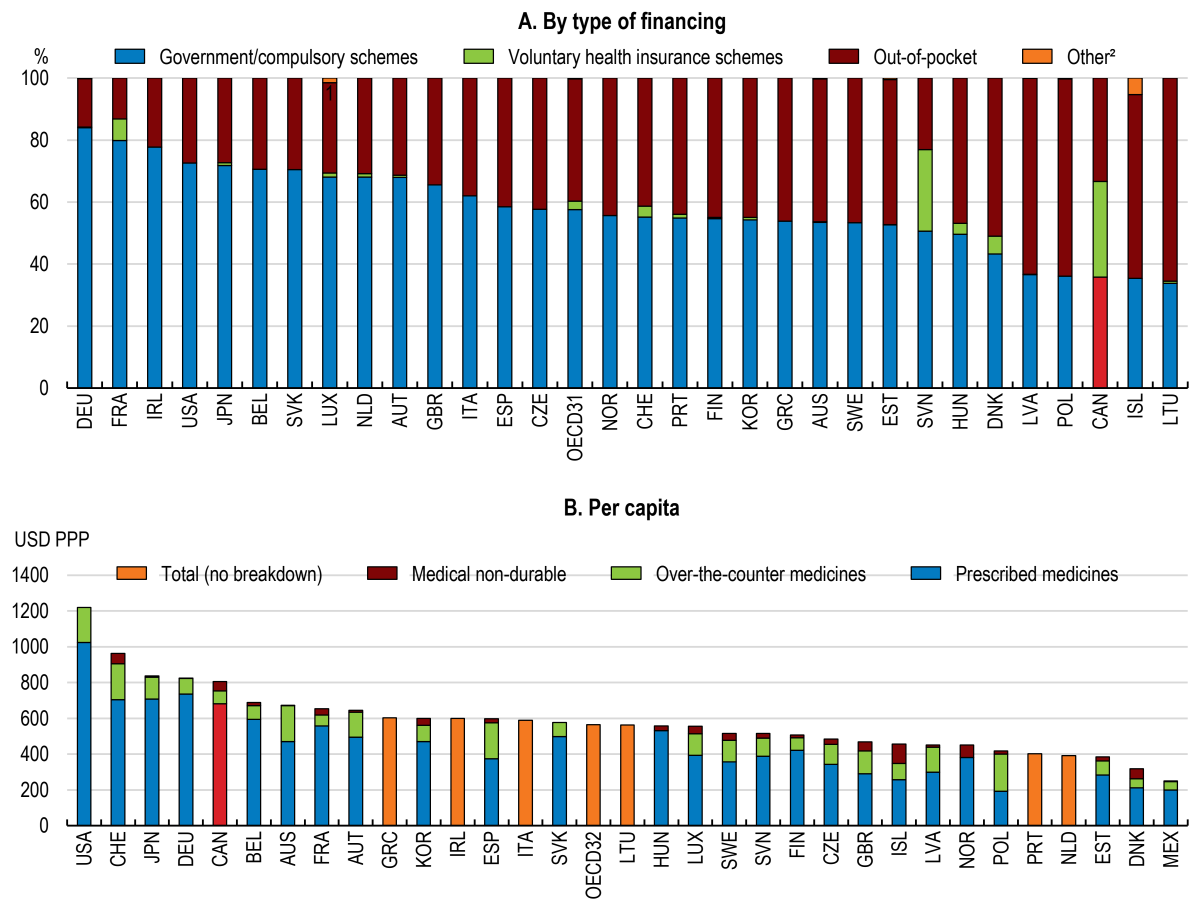
The initial wave of the pandemic saw around 80% of fatalities in long-term care facilities and retirement homes. This drew attention to Canada's heavy reliance on communal long-term care, shortfalls in facilities' pandemic preparedness and instances of low-quality care. More public funding for care at home, better training for care-home employees, tighter quality control of facilities and better data on service quality in the accreditation process should be part of the policy solution (Chapter 2).

The pandemic has also revealed scope to improve public health policy. In Canada, shortfalls in information sharing emerged in particular. The Public Health Agency of Canada does not have strong powers to compel data submissions from provincial, territorial, and private sector partners, limiting its capacity to produce timely national surveillance (Wolfson, 2020).

There is room to improve the scope, efficiency and quality of health-care services. Widening the core package of national public health insurance (Medicare) to include prescription drugs ("Pharmacare") should be a priority (Chapter 2). Canada remains an outlier in having a national public universal health-care scheme that excludes drug coverage. (Figure 1.29). Provinces and territories provide some coverage for drugs, mainly for seniors. Nevertheless, some 20% of the population is estimated not to be covered. The patchwork system also means collective buying power is not fully exploited, though the introduction in 2021 of a regulatory process comparing Canadian patented medicine prices internationally aims to tackle this. Other measures that would improve health-care efficiency and quality (including waiting times) include: more comparison across Canada's multiple health-care systems to identify successful approaches and practices, better patient prioritisation, improved co-ordination between primary-care providers and specialists, greater use of telemedicine and the reallocation of some tasks from physicians to nurses.

Figure 1.29. Public support to pay for medicines is low

Expenditure on retail pharmaceuticals[1], 2017 or nearest year



1. Includes medical non-durables.
2. "Other" includes financing from non-profit-schemes, enterprises and the rest of the world.
Source: *OECD Health at a Glance 2019*, https://doi.org/10.1787/4dd50c09-en.

StatLink https://stat.link/x7woar

Mental health also merits greater attention, given its importance for well-being and more efforts are needed to address substance-related harms. Across OECD countries around 20% of adults are affected by mental illness at any one time and the direct economic cost for Canada has been estimated at close to 3% of GDP (Chapter 2). Furthermore, surveys indicate that mental health is an important driver of life satisfaction. Substance-related harms are a growing problem; in 2017 an estimated 76 000 people died from its effects, and Canada is facing a worsening opioid overdose crisis. Additional funding and policy options could be explored to address the increase in opioid-related harms and deaths, including wider availability of harm reduction and safe supply, improving access to treatment options, reducing reliance on the criminal-justice system and enhancing data and surveillance capacity. Finding ways to include pain management practices, including alternatives to opioids, and ways to support people with substance use disorders as part of physician training plus improved co-ordination between health-care, social and criminal-justice systems would also help.

Addressing wage gaps and improving support for disadvantaged groups

The COVID-19 crisis has brought some shortfalls in income support to the fore. In the initial months of the COVID-19 crisis, support for those losing income was chiefly provided by the Canada Emergency Response Benefit (CERB), a flat rate payment of CAD 500 per week. Introduction of the scheme was in part to address gaps in the coverage of federal Employment Insurance; for instance, as is typically the case for such insurance, the self-employed do not have access. Also, the crisis highlighted a general problem of modest safety-net provisions in many provinces and territories. The expiry of the CERB in October 2020 was accompanied by the introduction of more targeted measures. For instance, new schemes were introduced to cover the self-employed and those not working due to sickness or isolation and the eligibility of Employment Insurance was expanded (Table 1.12). In addition, a welcome commitment has been made to introduce automatic tax filing for simple returns, partly with a view to raising the number of low-income households filing returns and consequently receiving refundable tax credit entitlements.

A key follow-up scheme to CERB, the Canada Recovery Benefit, could benefit from a less steep clawback to avoid damaging work incentives. The Benefit provides a flat rate payment for those who not qualify for Employment Insurance, notably the self-employed (Table 1.12). Unlike CERB, which was fully withdrawn if biweekly earnings exceeded CAD 1 000, the Canada Recovery Benefit allows earnings up to CAD 38 000 annually without loss of benefit. A 50% clawback applies to earnings above this amount. This may be too high. When personal-income tax is taken into consideration the marginal effective tax rates are estimated to reach 75-80% depending on family characteristics (Boadway et al., 2020), which could have a substantial marginal effect on labour force participation.

Permanent change to income support may be required to make social safety nets more reliable and effective for the longer term. One route would be for provinces and territories to upgrade safety net welfare provisions, possibly with financial assistance from federal government. In principle, a guaranteed income scheme offers another solution. However, Chapter 2 concludes that such a scheme is likely to be expensive and may entail significant adverse labour supply effects.

Canada's gender wage gap is still substantial, and shortfalls in access to affordable childcare continue to be a key reason for this. The wage gap in median weekly earnings for full-time workers is almost 5 percentage points above the OECD average. The gap is especially wide for women with school-age children. Access to childcare remains quite expensive, despite government subsidies. Chapter 2 recommends that more provinces should follow Québec in providing greater subsidies, while also toughening quality standards. Policy should focus on support for child care that facilitates and encourages employment by parents. A more gender-equal use of parental leave would also facilitate a shrinkage in gender gaps (in terms of numbers, hours and career perspectives) in the labour market.

Growth in house prices during the pandemic has further added to Canada's problems in housing affordability. Past *Surveys* (Table 1.13) have called for measures to facilitate the supply of affordable housing, and this is echoed in Chapter 2, such as ensuring a competitive construction sector, reduced rent controls, relaxing strict zoning and land use regulations and urban containment measures. The Chapter also draws attention to the issue of homelessness, underscoring that implementation of the National Homelessness Strategy needs to be expedited. Measures detailed in the Fall Economic Statement, including the Rapid Housing Initiative (a programme supporting the construction of low-cost housing), are a welcome sign of policy commitment (Table 1.13).

Canada's Indigenous peoples continue to suffer deep disadvantages, despite substantial policy attention and many programmes providing targeted public support. Indigenous communities are worse off than the rest of Canada's population in many dimensions including: income, employment, security, housing, life expectancy and physical and mental health. Some progress has been made in empowering their governments, for instance by the resolution of more land claims cases and by offering ten-year funding. Also, in recent years federal government policy has pursued a "distinctions based" approach that makes greater efforts to tailor policy to each of the three Indigenous groups, First Nations, Métis and Inuit. Chapter 2 underscores the importance of maintaining a focus on self-determination, improving labour-market outcomes through better education and support for indigenous entrepreneurship, ensuring adequate housing, providing more infrastructure and boosting access to high-speed broadband in remote communities. The Fall Economic Statement indicates a welcome desire to make progress, including commitments for additional support for infrastructure and health and well-being in Indigenous communities.

There is also substantial socio-economic disadvantage among Canada's racialised minorities, which as estimated to account for around 20% of the population. As Chapter 2 points out, some are at a disadvantage from their immigrant status and those that are non-White have an extra source of disadvantage. For example, the poverty rate among non-White Canadians has been estimated to be more than double that of White Canadians.

Table 1.12. Federal-government support for households during the crisis: selected measures

Measure	Selected detail	Scale of support (1)
Canada Emergency Response Benefit (CERB) *April-October 2020*	Flat-rate payment of CAD 500 per week for those who lost income due to COVID-19. Initially the benefit was made available for 16 weeks, subsequent extensions raised it to 28 weeks.	CAD 82 billion paid between April and October Payouts were made to approximately 8.9 million individuals
Canada Recovery Benefit (CRB) *Commenced October 2020 (12 months)*	Available to the self-employed or those otherwise not eligible for Employment Insurance (EI) who are unable to return to work or had their income reduced by at least 50% due to COVID-19. CAD 500 per week payout for up to 26 weeks, a 50% clawback commences after annual earnings exceed CAD 38 000.	CAD 9.8 billion, for 2020-21 and 2021-22
Other benefits for specific employee groups *Announced August 2020*	Canada Recovery Sickness Benefit (those not working through illness or self-isolation). Canada Recovery Caregiving Benefit (those unable to work due to caring responsibilities).	CAD 5.0 billion for the Sickness Benefit CAD 9.4 billion for the Caregiving Benefits
Additional funding for skills training and employment supports *Announced September 2020*	Additional funding for training for in-demand skills and support for reintegration into employment via the Workforce Development Agreements (WDAs) with provinces and territories. New flexibilities were also introduced in the WDAs and Labour Market Development Agreements so that workers can have access to additional services, such as mental health support.	CAD 1.5 billion in 2020-21
Temporary expansion of Employment Insurance (EI)	Steps included lowering of eligibility criteria, a minimum weekly benefit amount and a minimum coverage of 26 weeks benefit in instance of job loss.	CAD 9.5 billion
Other program expansions	Enhanced GST Credit, one-off additional credit payment targeting low-income families (April 2020). A one-time increase in Canada Child Benefit (announced May 2020).	CAD 5.5 billion CAD 1.9 billion
Additional support for Indigenous peoples	A range of additional supports have been provided, including supplementary funding to the On-Reserve Income Assistance Program and an additional support via the Indigenous Community Support Funds delivered by Indigenous Services Canada to support Indigenous community-based solutions to prevent, prepare and respond to the spread of COVID-19.	CAD 0.27 billion via the On-Reserve Income Assistance Program CAD 0.69 billion via the Indigenous Community Support Funds.
Tax deferrals *Announced March 2020, ended September 30*	Deferral of individual income tax; for individual return filing due date deferred to 1 June (normally 30 April), income tax payments deferred to 1 October.	CAD 25 billion in liquidity

1 Cost estimates are principally from the federal government's *Fall Economic Statement*, 2020.

Table 1.13. Selected past key recommendations on social, labour and welfare policy

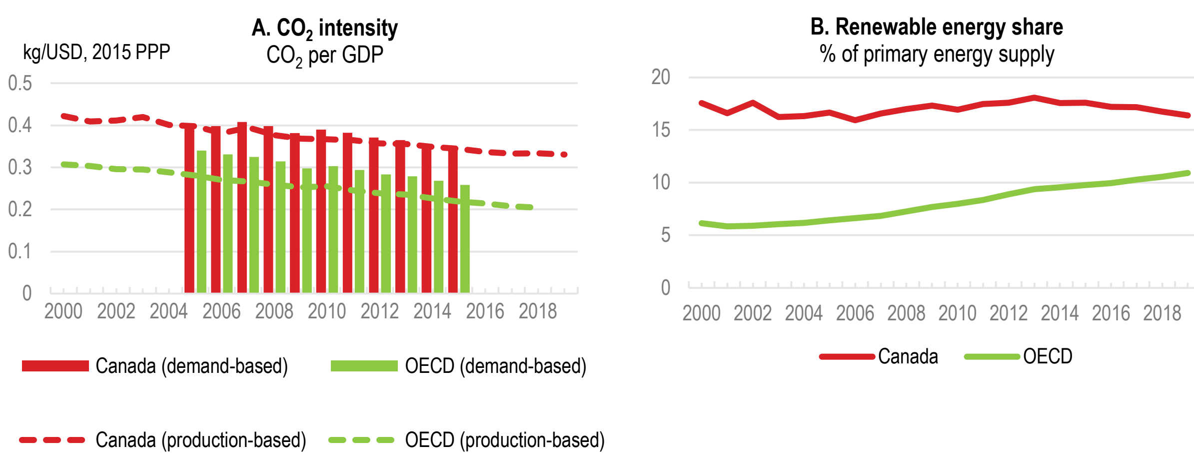
Recommendations in past *Surveys*	Actions taken since the previous *Survey*
A. Child care and early education	
Increase childcare funding with a goal of making affordable childcare available to all children aged three and under. Extend kindergarten so that all four year-old children have access to affordable pre-school education.	The federal government has been working with each jurisdiction on bilateral agreements providing CAD 400 million in 2020–21 for early learning and child care. Federal government is also making CAD 625 million available for childcare as part of investment to help provinces and territories restart their economies. This year, the federal government will invest approximately CAD 1.2 billion in total in early learning and child care and has committed to future investments.
Support take-up of parental leave by fathers through information provision and, if necessary, higher payment rates.	No major initiative.
B. Tertiary education and innovation	
Increase differentiation between institutions that engage in research and those that focus primarily on teaching.	No action taken.
Make higher education more flexible by strengthening credit transfer arrangements between tertiary education institutions and provinces.	No action taken.
C. Employment	
Consolidate career guidance and education information into a single national portal to provide a comprehensive one-stop shop.	No major initiative.
Index the eligibility age for public pensions to life expectancy, supported by encouraging flexibility in working hours and skill development.	No action taken. Workers can access Canada Pension Plan retirement benefits at any time between the ages of 60 and 70, with corresponding actuarial adjustments, however the age range is not indexed to life expectancy.
D. Immigrant integration	
Immigrant selection: -Give greater priority to those with skilled Canadian work experience. - Channel more Provincial Nominee Program candidates through the federal government's Express Entry system, which selects candidates with high levels of human capital. - Improve provinces' foreign qualifications recognition.	No major initiative. The Fall Economic Statement 2020 announced increased funding for the Foreign Credential Recognition Program.
Settlement facilitation: - Evaluate the utilisation of settlement services. - Expand bridge programmes to help bring credentials up to the required level. - Cut back on wait times for proven language programmes, such as occupation-specific training.	No major initiative.
E. Affordable housing	
Expand affordable municipal rental housing supply and encourage densification by adjusting zoning regulations.	Recent initiatives include: - the Rapid Housing Initiative (announced September 2020), a federal-government scheme that will provide CAD 1 billion for funding the construction of modular housing, land acquisition and the conversion of existing buildings into affordable housing. - More funds for the Rental Construction Financing Initiative and expansion of the First-Time Home Buyer Incentive.
Continue efforts to legalise and encourage secondary suites and laneway housing in single-family residential zones. Remove property-tax-rate differentials that disadvantage multi-unit rental properties relative to owner-occupied housing.	No major initiative known. This is under municipal jurisdictions, of which there are many.
In areas of rapid house price appreciation, strengthen incentives for private-sector development of rental housing through tools such as development charge waivers, reduced parking requirements and expedited permit processing.	Edmonton became the first major Canadian city to remove minimum parking requirements (operational as of July 2020).

Building environmental sustainability

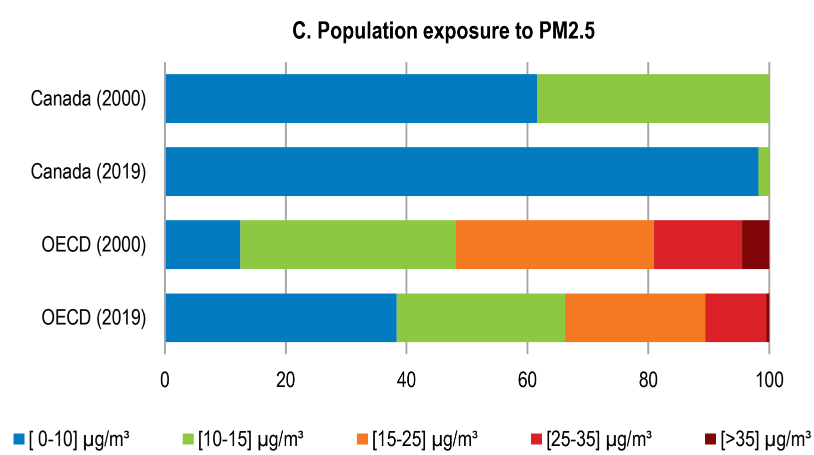
Canada's score on environmental indicators generally ranks above many countries', but there is room for improvement. Local air pollution is relatively low (Figure 1.30), for instance, but climate change is a central issue. Also, there are challenges in wastewater treatment, and Canada's expansive and diverse geography means there are many concerns in biodiversity.

Reduced economic activity during the spring 2020 confinement raised awareness of urban air pollution and congestion. Indeed, as underscored in Chapter 2, some aspects of the environment are important for immediate well-being. Those living in urban areas report lower well-being due to water, air and noise pollution, according to some research. However, immediate subjective well-being is not the only issue in the context of the environment. Environmental indicators are also included in well-being dashboards on the basis of sustainability, notably climate change. Industrial pollution may also not factor immediately into subjective well-being. In Canada, for instance, the clean-up of waste produced by the oil and gas sector is a major challenge.

Figure 1.30. Selected green growth indicators



Note: Included are CO_2 emissions from combustion of coal, oil, natural gas and other fuels.
Gross Domestic Product (GDP) is expressed at constant 2010 USD using PPP.



Source: OECD Environment Statistics (database), OECD National Accounts (database); and IEA (2020), IEA World Energy Statistics and Balances (database).

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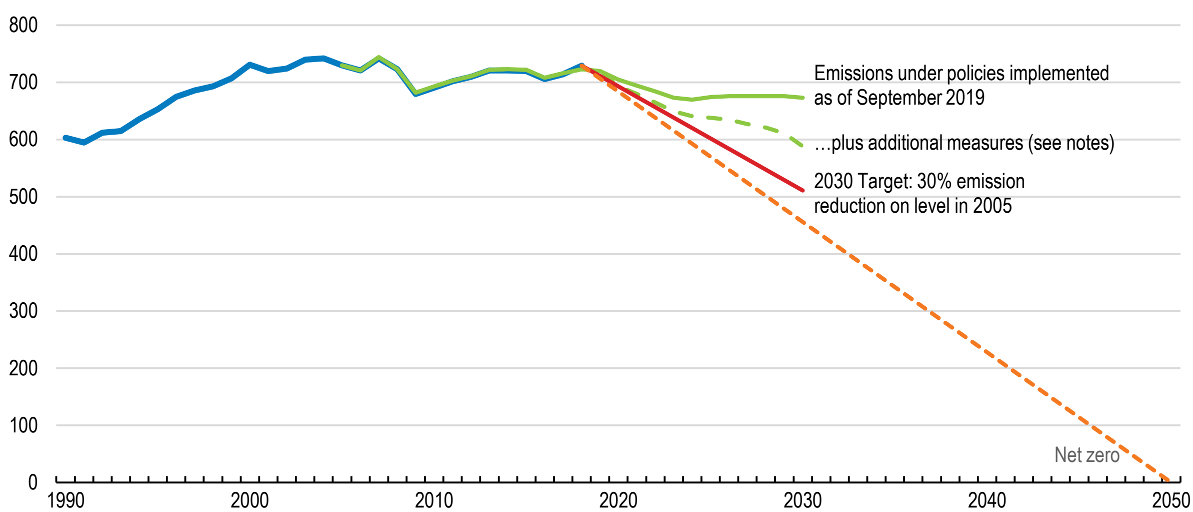
Ensuring greenhouse-gas emissions reduction is on track

As in many countries, greenhouse-gas (GHG) emissions reduction needs to accelerate if targets are to be achieved. Canada's per capita greenhouse gas emissions are large, and decarbonisation of the economy is needed to achieve official climate-change goals. GHG emissions relative to economic activity has been declining (Figure 1.30), and substantial hydroelectric and nuclear electricity generation means Canada has a greater share of renewable energy production than many countries. However, a substantive trend reduction in the absolute tonnage of emissions is yet to get underway (Figure 1.31). Estimates from the federal government's Biennial Reports on Climate Change show that even with the full implementation of measures under development to date, emissions will exceed the 2030 target by a sizeable margin. The pace of emissions reduction required to achieve the government's 2050 net zero target is even greater. A strengthened climate plan, *A Healthy Environment and a Healthy Economy*, announced by the federal government in December 2020, aims to expedite emission reduction.

Figure 1.31. Greenhouse emissions have yet to begin a substantive downward path

Total greenhouse gas emissions, megatons of carbon dioxide equivalent



Note: The projections of emissions under policies are from the Fourth Biennial Report on GHG Emissions (Environment and Climate Change Canada, 2020). "Additional measures" comprises: *i)* policies and measures that are under development but have not yet been fully implemented; *ii*) credits through the Western Climate Initiative, and *iii*) the contribution from the land use, land use change and forestry (LULUCF) sector.
Source: Environment and Climate Change Canada.

StatLink https://stat.link/dh91er

Arrangements to contain GHG emissions have varied across provinces and over time but may not be ambitious enough to reach the 2030 federal target. In particular Ontario, which generates nearly one quarter of emission, has moved away from a cap-and-trade approach (Table 1.14). A change in government in 2018 was followed by termination of the province's cap-and-trade system and withdrawal from the combined market under the Western Climate Initiative (leaving Québec and California as the only full members). An alternative approach is being introduced, modelled on an Australian policy (see OECD, 2018b for discussion), in which the Ontario government sponsors emissions-reduction projects by business via an auction process. This type of mechanism can, in principle, achieve the same emissions-reduction outcomes as a carbon tax or a cap-and-trade system. However, there are drawbacks. Aside from the fiscal expense, the focus on specific emissions-reduction projects, rather than total emissions, means the approach does not guarantee the achievement of emissions-reduction targets.

Table 1.14. State of play in greenhouse-gas reduction policy (as of December 2020)

Federal backstop and situation in the five largest emitting provinces (covering around 90% of total emissions).

Jurisdiction	Key elements
Federal backstop: Pan-Canadian Framework on Clean Growth and Climate Change (PCF) (launched 2016)	- Federal government policy centres on a federal fuel charge and backstop carbon pricing system. The backstop applies, in whole or in part, in six provinces and two territories (as of December 2020). The remaining jurisdictions operate alternative carbon pricing systems. Under the PCF these must be deemed as equivalent to the benchmark system by the federal authorities (who have the right to impose the backstop system if equivalency is not met). - The minimum price of carbon per tonne in the benchmark system is being increased by CAD 10 each year until 2022 when it will reach CAD 50. - The PCF also includes targeted federal measures that *inter alia* aim to: accelerate the phase-out of coal-fired electricity; reduce methane emissions from the oil and gas sector; support community climate-change adaptation; and support clean technology solutions.
Alberta 38% of total emissions	- The federal backstop system applies in part under Alberta's Climate Leadership Plan. The federal fuel charge applies but is accompanied by a provincial emissions-trading system (Technology Innovation and Emissions Reduction, approved by the federal authorities in December 2019). Under the scheme, businesses can reduce emissions, or purchase emission allocations or offsets from others. - The Plan commits to limit oil-sands emissions to 100 million tonnes through adjustment of the free-allocations benchmarks for the oil-sands sector under Alberta's carbon-pricing mechanism.
Ontario 23% emissions	Currently the federal backstop system applies in full following the unwinding of Ontario's cap-and-trade mechanism in 2018. However, as described in the main text, the Ontario government intends to bring in an equivalent system in which government sponsors emission-reduction projects by business via an auction process.
Québec 11% emissions	Operates a cap-and-trade system, which since 2014 has been fully integrated with California's (offsets and allowances can be freely traded).
Saskatchewan 10% emissions	The federal backstop applies in part in this province. The federal fuel charge applies to fossil fuels and the federal output-based pricing system applies to electricity generation and natural gas transmission. A provincial output-based performance standards system (introduced in January 2019) also applies to large emitters.
British Columbia 9% emissions	A carbon-tax system has been in place since 2008. Recent steps include a move to greater transparency in the *Climate Change Accountability Act*.

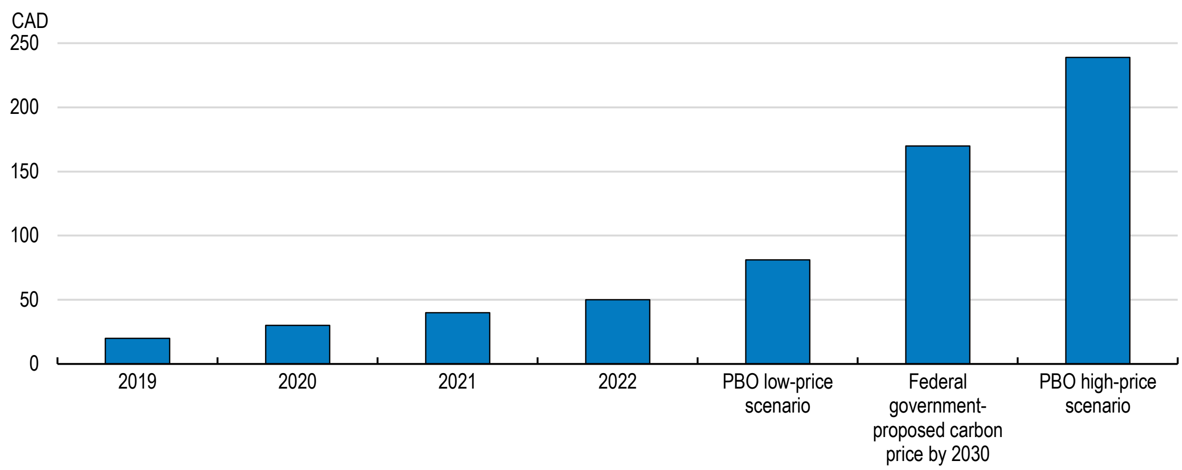
Note: Emissions data are calculated from Government of Canada emissions data for 2018.
Source: OECD Secretariat

Increases in the Pan-Canadian Framework's carbon price beyond 2022 should be legislated. The carbon pricing system provides a concrete means for raising the bar on emissions reduction through an economically efficient mechanism (i.e. with the least overall cost to households and businesses). At present, legislated annual increases in the price are due to end in 2022 when it reaches CAD 50 per tonne. Further price hikes are needed if the mechanism is to do the necessary heavy lifting towards climate-change goals. The strengthened climate plan, *A Healthy Environment and a Healthy Economy*, announced in 2020, proposes further annual increases of CAD 15 per tonne from 2023 until 2030, bringing the price per tonne to CAD 170 in 2030. This is roughly at the mid-point of the range of prices (CAD 81 to CAD 239) recently estimated by the Parliamentary Budget Office (PBO) to be required to meet Canada's Paris commitments (Parliamentary Budget Officer, 2020b) (Figure 1.32). The difference between the low and high estimates by the PBO reflects different scenarios on the extent to which energy-intensive and trade-exposed industrial emitters are exposed to the additional carbon levy under the output-based carbon-pricing mechanism. Whether the government's proposal for price increases is successful in reducing emissions will similarly depend on the provisions for industrial emitters and other critical details.

Maintaining a central role for the Pan-Canadian Framework allows for the phasing out of inefficient emissions-reduction mechanisms, such as the mandatory biofuel content for vehicle fuels, which previous *Surveys* have criticised (see Table 1.15). The Pan-Canadian Framework also helps bolster Canada's comparatively low environmental taxation.

There is welcome progress on measures that complement the central carbon-pricing mechanism. As outlined in the discussion on fiscal policy there are new initiatives for retrofitting buildings. The Fall Economic Statement outlines plans to accelerate investment in recharging and refuelling infrastructure for zero-emissions vehicles and nature-based climate solutions (including tree planting). It also signals government intent to develop border carbon adjustments with other economies.

Figure 1.32. The federal government has proposed increasing the carbon price to CAD 170 by 2030



Note: The PBO values are calculations by the Parliamentary Budget Officer (2020) of the carbon levy needed to reach the Paris target with energy-intensive and trade-exposed industrial emitters ("large emitters") being subject to the output-based pricing system.

- The low value assumes large emitters face evolving emission caps over time and the same carbon price as that applied to the rest of the economy
- The high value assumes large emitters face fixed emission caps and pay CAD 50 per tonne (the carbon price's scheduled value for 2022), i.e. they are shielded from additional carbon pricing.

The federal government proposal increases the carbon price from the price of CAD 50 in 2022 by CAD 15 per year to 2030 (thereby reaching CAD 170). It was proposed as part of a package of environmental measures in December 2020, A Healthy Environment and a Healthy Economy (press release, 11, December 2020).
Source: OECD and Parliamentary Budget Officer (2020b).

StatLink https://stat.link/hq83xi

Canada's substantial greenhouse gas emissions from the oil and gas extraction industry need to be more forcefully addressed. This sector account for about one quarter of total emissions, with extraction from oil-sands being a significant component. Alberta set an emissions cap for the oil-sands sector in 2016 (Table 1.14), but this is untested as production has not yet come close to the limit. Nevertheless, the cap is probably spurring producers' efforts to reduce the emissions generated by processing, not least because upcoming projects imply emissions significantly above it without further reduction in emissions intensity (for estimates, see Israel, 2020). Ensuring no loopholes and good enforcement of the cap will help make the mechanism effective. In a welcome move, the federal government's COVID-19 response plan includes the establishment of CAD 750 million fund, which will promote the reduction of oil and gas emissions.

The federal government's green investment commitment in the wake of COVID-19 crisis has included a welcome programme to tackle the backlog of waste-clean up in the oil and gas sector. Cleaning up the waste produced is estimated to cost between CAD 58-260 billion (2.5-11% of national GDP) in Alberta alone (Alberta Liability Disclosure Project, 2020). In April 2020 the federal government announced a financing package comprising CAD 1.7 billion in grants to subsidise the costs for rehabilitating inactive and abandoned ("orphan") wells. A large backlog of waste clean-up projects has accumulated, as Alberta's regulator in particular has been slow in enforcing regulations that require the producers to pay for damages and/or undertake clean up (Dachis et al., 2017). Indeed, in many cases there is no possibility of compensation because the producer is no longer in business.

Table 1.15. Selected past key recommendations on energy and environment policy

Recommendations in past *Surveys*	Actions taken since the previous *Survey*
Make greater use of road-use charging and parking fees to encourage switch to public transit.	Road-use charging remains rare.
Review the efficiency of promoting biofuels. Rather than imposing regulatory mandates, offer increased research subsidies or prizes for technological breakthroughs if a carbon tax or permit trading is infeasible in agriculture.	No action taken.
Provide clear guidelines for resource companies on how to engage with affected Indigenous groups so that projects bring long-term benefits to these communities.	The 2019 Mandate letters to federal ministers directs the development of a new national benefits-sharing framework for major resource projects on Indigenous peoples' territory.

Main findings and recommendations

MAIN FINDINGS	RECOMMENDATIONS (key recommendations in bold)
Ensuring a solid recovery in output and jobs	
Economic recovery from the pandemic looks set to pick up again following the second wave of the pandemic, but the outlook remains surrounded by considerable risks.	**- Continue fiscal support until the economic recovery is well underway. Adjust crisis-related support as the recovery progresses to ensure assistance focuses on viable jobs and companies.** - Make retrofitting of houses and buildings a central feature of the green investment strategy given the potential for rapid roll-out and job creation.
Underlying consumer-price inflation outcomes will probably pick up only slowly.	**- Accommodative monetary policy should be maintained to help economic recovery.**
Longstanding concerns about high household and corporate debt risk are becoming more acute under the crisis due to the prolonged low-inflation environment.	**- Maintain a close watch on housing and corporate debt and if needs be tighten macro-prudential rules.**
It is important to ensure that large fiscal deficits and public debt accumulation do not persist once the economy is on a solid path to recovery. Although the pension system is mostly funded, ageing will put pressure on public finance over the long term.	**- Ensure a credible medium-term plan for controlling and stabilising federal government debt.** **- After the pandemic subsides, debt stabilisation and the accommodation of additional spending commitments should be achieved through efficiency gains in public spending, where feasible. Should substantial additional revenues be required, consider an increase in the rate of the federal goods and services tax.** - When the economy is on a solid path to recovery, review and reform tax expenditures, including the tax support for small and medium sized enterprises. Step up public spending reviews that assess resource allocation and cost efficiency.
The business sector remains fragile in the wake of the crisis. Government schemes offering credit on favourable terms are welcome but need complementing with measures that help businesses in financial difficulties. Advancing on some of the longstanding structural issues in Canada's business environment would help recovery.	**- Augment the insolvency system with an early-warning mechanism and a pre-insolvency regime for businesses in difficulty.** **- Expedite the removal of non-tariff barriers to internal trade.** - More broadly, address the structural weaknesses in product-market regulation including in the areas of state-owned enterprise governance, public procurement, licence and permit requirements and barriers to trade and investment. **- Reduce the cost and improve the quality of telecommunications services, including broadband to rural and remote communities.** - Continue to widen market access for mobile virtual network operators. **- Tackle money laundering via the property market by tightening property registration rules to prevent the creation of opaque business structures.** - Consider limits on cash transactions to shut down money laundering.
Building a more sustainable environment	
Without stronger incentive for economically efficient greenhouse gas emissions cuts, Canada will miss its official climate change goals.	**- Follow through with the recent plan to accelerate the increases in carbon pricing and taxation through 2030 while protecting the poorest from the impact on their living standards.** **- Make greater use of taxation and charges to tackle environmental externalities, including from vehicle fuels, waste water treatment and solid waste disposal.** - Reduce the tax gap between diesel and gasoline and expand road-use pricing. - Continue tackling the backlog of waste clean-up projects in the oil and gas sector.

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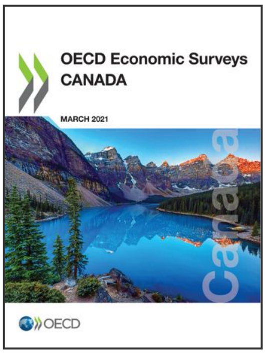

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