

\$10 Billion Crisis Stimulus: Just in Time, or Too Little, Too Late?

### Description

The Bank of Canada announced its emergency rate cuts by half a percentage point in an attempt to shield the Canadian economy from the impact of both the oil crash and coronavirus pandemic. The country's central bank is one of many central banks around the world taking emergency measures to counteract the global market correction on the respective economies.

The Ottawa-based central bank announced on March 4, 2020, to reduce its policy rate to 0.75%. The bank also announced that it's fully prepared to make further cuts if the need arises. Governor Stephen Poloz, along with Finance Minister Bill Morneau, announced that the government would also facilitate the formation of a new facility to support small and medium enterprises.

Is the crisis fund coming in too little, too late to save the economy?

## Coronavirus and oil crash weighing heavily on the economy

The oil crash was already bad enough for the Canadian economy. The breakdown of OPEC+ has sent the oil prices hitting significant lows. Several energy sector operators were already reeling from the impact of falling oil. An effect on oil resulted in devastating chain reaction to other critical industries in Canada.

Add the coronavirus pandemic into the situation and the combined impact is seriously threatening the country's economy. Morneau announced that he would soon deliver a fiscal stimulus package that will come with an additional \$10 billion stimulus to the Business Development Bank of Canada and Export Development Canada, two of the country's premier business financing agencies.

## Canada is not alone

The number of coronavirus cases continues to rise daily. The countries not taking proper precautionary measures are looking at cases increasing exponentially. The volatility in global markets and oil prices can be expected to get much worse. Analysts fear that Canada will undergo economic contraction in

the fiscal second and third quarters of 2020.

Canada is not the only country taking incremental measures against the crisis. Policy prescriptions to counteract the oil crash and coronavirus' impact are coming in by the dozen internationally. The U.S. Congress is believed to be close to achieving a relief bill, and the European Union is preparing to suspend government spending rules.

Spain and Italy, two of the hardest-hit countries, are banning short-selling on specific equities. China's central bank is planning to pump US\$79 billion to boost its economy.

# Foolish takeaway

Officials from Morneau's office in Canada are scrambling to get advice from experts on the necessary measures on how a large scale stimulus package can help bolster the economy. Morneau has declined to comment on the specifics of the package or which bank economists he's seeking advice from.

Minister Morneau has stated that he will do whatever it takes. Let's hope the stimulus comes through for the economy and helps us all keep afloat in these incredibly challenging times.

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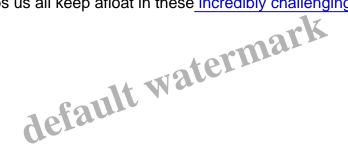
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**Author** 

adamothman



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