



## CRA Stimulus: 3 Stocks That Benefit the Most

### Description

The COVID-19 pandemic has brought the nation's economy to a standstill. We're now in the middle of one of the deepest recessions in modern history. To put a floor on the economic sag, the government has unleashed a comprehensive stimulus plan. Ordinary businesses and citizens can now reach out to the Canadian Revenue Agency for low-cost loans or direct compensation.

The CRA stimulus package is preventing wide spreading economic chaos and rolling bankruptcies. It's also helping some large, publicly-listed companies survive.

Here are the top three stocks that benefit the most from the government's bailout initiative.

### Airlines stocks

Canada's largest airline, **Air Canada** ([TSX:AC](#)), is also one of its largest private employers. At the end of 2019, the firm employed roughly 32,900 people across the country. Unfortunately, the airline sector and its workforce have been at the epicenter of the current crisis. Operations have dropped 90% since all the borders are shut.

The CRA's Canada Emergency Wage Subsidy (CEWS) program helped Air Canada retain most of its employees despite the crisis. The relief plan covers three-fourths of employee wages to prevent furloughs.

Air Canada's team is also trying to secure a government bailout. Ottawa has bailed out the company twice before. The government extended a \$100 million bailout package after the September 11, 2001 attacks and also offered financial relief during the 2009 economic crisis. There's a good chance the federal government could step in again and save the airline, thereby boosting the stock price.

Air Canada's stock has lost 70% of its value since the beginning of 2020. However, the wage program could put a floor on the stock price. Meanwhile, the prospect of a government bailout could boost the stock tremendously.

## Private equity stocks

Wealth managers in Canada have had an incredible run over the past decade. After the 2008 financial crisis, these private equity giants raised billions from wealthy investors and gobbled up small and medium-sized (SME) companies. Now, those SME companies are the hardest hit due to the shutdown.

**Brookfield Asset Management** and **Fiera Capital** could suffer heavy losses if the companies in their portfolio go bust. However, the CRA's stimulus programs are especially generous to SME businesses. Small businesses can access up to \$40,000 in interest-free loans to offset the loss of income.

Meanwhile, the CRA's Canada Emergency Response Benefit (CERB) helps support consumer spending for these SMEs. Private equity stocks could be indirect beneficiaries of these generous stimulus plans.

In fact, **Onex** even owns an airline alongside its SME subsidiaries. Onex stock is supported by the CRA's stimulus measures, but could sky-rocket if the [government bails out airlines](#).

## Foolish takeaway

The 2020 recession is unlike any other. While economic growth has dipped in the past, it has never been completely suspended.

To prevent unimaginable chaos, the government has been forced to step in. The CRA's stimulus packages help businesses of all sizes survive and sustain consumer spending power, indirectly benefiting private equity companies that hold small and medium-sized businesses in the portfolios. A government bailout of the airlines could boost stocks like Onex and Air Canada.

I believe government stimulus should be a part of your investment research in 2020.

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