CRA Update: $40.3 Billion in CERB Money Paid… and Rising!

Description

Two months after the program was announced, Canada's CERB numbers are starting to rack up.

According to Canada.ca, there have been 8.2 million CERB applicants and $40.33 billion paid out so far. These numbers represent a sharp increase over late April, when seven million people in total had applied for benefits.

The figures come after months of lockdowns, which have seen businesses closed and Canadians put out of work in record numbers. According to Statistics Canada, unemployment reached 13% in April. Unemployment for May is likely higher, and we'll get the numbers on that next month.

It goes without saying that all of this is significant for investors. The more people are out of work, the more consumer spending will fall. While the $500 weekly amount CERB pays out is a good lifeline for many Canadians, it does not even replace full-time minimum wage earnings in Ontario. If this situation persists for much longer, businesses will suffer. The only question is what all it all means for investors.

What eight million CERB applicants means

The first thing to note is that eight million CERB applicants does not equal eight million unemployed. According to Statistics Canada, two million jobs were lost in April and one million in March. More were likely lost in May, but we'll have to wait until June for official data on that.

Assuming May ends up being similar to April, and no jobs are recovered, then we'll reach five million jobs lost by the end of the month.

That's a very high number. And indeed, the most recent published unemployment rate was shockingly high, at 13%. However, there do appear to have been more CERB claims made than jobs lost. This is understandable, since the CRA has been known to approve applications with few questions asked in the name of expediency.

Takeaway for investors

For investors, the rise in CERB claims could suggest economic weakness that won't be resolved soon. Eventually, unemployment will hit corporate earnings, as out-of-work consumers cut back on spending. That's bad news for most stocks. However, some could actually benefit from it.

Case in point: discount retailers like **Dollarama Inc** (TSX:DOL).

Discount retailers specialize in providing low priced goods that everybody can afford. Accordingly, their sales tend to jump during recessions. In the Great Recession, shares of **Dollar Tree** jumped 200% and **Wal-Mart** saw its earnings increase.

These were not freak accidents, but consistent with well-established trends: In downturns, discount retailers make more money.

That could be good news for Dollarama shareholders. The company has an 18% share of the discount retail market in Canada and a huge presence nationwide. If cash-strapped Canadians start looking around for bargains, Dollarama will be one of the first places they'll go. Dollarama stores have low priced offerings in many essential product categories like groceries and kitchenware.

They'd be among the first places to benefit if consumers cut down on spending. The company's first-quarter results bear that out. The company increased same-store sales by 2% and met guidance on every metric. A solid performance in one of Canada's toughest times ever.

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