The Economic Recovery Is Almost 50% There, Canada!

Description

A sharp economic recovery seems underway in Canada following the July 2020 jobs report by Statistics Canada. The country's economy posted its worst contraction at the height of the pandemic. If you recall, the GDP fell more than 18% in March and April. But in May, the cumulative increase was nearly 10%, following a 5% increase in June.

Flash report

The proof that Canada is starting to rebound is the declining unemployment rate since the tumultuous months. With the gradual reopening of provinces and territories in June 2020, 953,000 jobs were added to the economy (488,000 full-time work and 465,000 part-time jobs).

In July, the gain in Canada's labour market was 418,500 jobs (82.4% part-time work), aided by the reopening of businesses like food, accommodation services, gyms, and hair salons. The trend for the unemployment rate is downward: it hit a 13.7% record high in May, 12.3% in June, and 10.9% in July.

A more than 50% recovery

Economists are not expecting a similar employment bump in June in the ensuing months. Bank of Canada expects the resurgence to taper off in the second half of 2020. Nevertheless, the signs are encouraging, because the recuperation rate of about three million lost jobs in March and April is 55%.

After July's gains, the country's total employment level is 17.3 million, although it's still 7% below the pre-pandemic levels registered in February. Another bright note is that there was employment growth in all sectors, with the services-producing industry recording the most significant gains.

Remote work is becoming the norm, since it mitigates the spread of coronavirus. A total of 4.6 million Canadians worked from home in July. According to Statistics Canada, the unemployment rate in July would match the May rate if you were to factor in the number of people who wanted to work but didn't look for a job.

Pandemic-resistant asset

On the investment front, analysts find the stock market behaviour odd. Despite the deteriorating economic conditions, the TSX is chugging along fairly well. Some stocks are falling in value, while a good number of stocks are displaying pandemic-resistant qualities. **TELUS** (TSX:T)(NYSE:TU) deserves to be on investors' radars.

The shares of the second-largest telecom company in Canada sunk to below $20 in March as an offshoot of the COVID-19 shock. Its price rose to $24.21 in August 21, 2020 — nearly the 2019 year-end price. Analysts are convinced that TELUS will continue to deliver resilient financial and operational results in the coming quarters.

In Q2 2020, the company showed balance sheet strength and robust liquidity. Notably, consolidated revenue and free cash flow grew by 3.6% and 57%, respectively. Its broadband network experienced significant changes in usage patterns and increased demand. TELUS Mobility, its 5G carrier, was also launched in June. The future is bright.

Economic slack

The June and July jobs reports indicate the economy is starting to recuperate. However, the Bank of Canada expects the recovery to be slow because of COVID-19's impact on consumer confidence, and that behaviour will linger. The central back forecast real GDP to contract by 7.8% in 2020 and then rebound 5.1% in 2021 and grow by 3.7% in 2022.

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cliew