CRA CERB Update: On Pace for a Massive Deficit of $330 Billion

Description

The government has expended significant resources in fighting the pandemic. The bulk of the resources were exhausted on direct aid programs like the CERB and the CEWS. But there were other expenses as well. Everyone knew that the pandemic has been very expensive, but they didn't have an accurate idea of how expensive it can turn out to be.

In July, it was estimated that the deficit this year might be around $343.2 billion. While the actual number of $330 billion, as estimated in the parliamentary budget officer's report, is slightly lower than expected, it's a heavy price to pay.

Future outlook

Canada is going to carry this deficit to the future years. Another dismal prediction along the same vein is that the federal budget deficit can grow to $400 billion before it starts to shrink. The country is unlikely to see the pre-pandemic unemployment numbers until 2023 or 2024. The debt-to GDP ratio can also keep increasing for several years if a few more expenses or measures get out of hand.

The current outlook is that the debt level will peak in 2023 before declining. That's considering the pandemic will soon be under control, and a vaccine won't be delayed more than 1.5 years. Because waves of the pandemic keep hitting the country (and the world), and they are nearly as deadly as the first one, the economic recovery won't develop the necessary momentum.

What can you do?

There is nothing people can do about the pandemic, except follow the safety guidelines to keep themselves and their families safe. What they can do, however, is use the market fluctuations or another crash that the raging second wave might trigger to their advantage. One way to do it by buying something that is slightly overvalued right now, partially due to its recovery.

One such stock might be **Colliers International Group** (TSX:CIGI). It's a real estate services and investment management company and has an extensive global footprint (it is established in 68 countries). It manages an impressive real estate empire spread out over two billion square feet and a total of US$ 33 billion of assets under management.

This Toronto-based company has a strong balance sheet. And even though the price is discounted compared to the pre-pandemic valuation, the company is currently trading at a price to earnings of 36.2 times and a price to book of 5.3 times. It also pays dividends, but the yield is too paltry to consider. The good thing about the company is its capital growth prospects and its recovery.

It's nothing too fancy, but the company grew almost 85% since the crash. Before the crash, the company was growing its market value at a modest pace. Currently, it has a five-year CAGR of 10.5%. You might not want to keep the stock forever. It's the kind of recovery stock that you might be tempted to sell just after you've capitalized on its growth during the recovery.

Foolish takeaway

CERB helped out millions of Canadians. But now, everyone should try to rejoin the workforce as soon as possible. The sooner the economy recovers, the faster this deficit might be brought under control.

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adamothman