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The Global Economic Outlook For USA & Canada (2021)

Introduction

The COVID-19 pandemic has had a stunning impact on the global economy, and has led to a permanent shift in the operating landscape for millions of businesses. As of early November 2020, over 47.4 million cases of COVID-19 have been recorded and over 1.2 million fatalities have occurred globally. At a time when the accelerating spread of COVID-19 is disrupting much of the developed world, IBISWorld has examined how this historic pandemic has permanently shifted the global economic landscape.

This report examines how the COVID-19 pandemic has influenced national economies across the globe, including analysis of GDP, unemployment, consumer sentiment, business confidence, household discretionary incomes, monetary policy and fiscal spending. It looks at the top five industries to fly and fall over the next 12 months. In addition, IBISWorld has investigated the outlook for COVID-19 restrictions and what a return to normal operating conditions will look like.

While COVID-19 may subside if a vaccine is developed and distributed, the economic impacts of the pandemic will likely continue for years to come.

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USA | Economic Summary

Real GDP

US GDP measures the total value in dollars of all the goods and services produced in an economy. IBISWorld projects annual US GDP to decline 4.4% in 2020 due to the adverse economic effects of the COVID-19 (coronavirus) pandemic. This would be the first decline since 2009 and the worst decline since 1946. Even though a coronavirus vaccine is expected in the first half of 2021, the economy will likely take time to recover to pre-pandemic levels and uncertainty with consumer behavior will likely remain.

Still, IBISWorld anticipates US GDP to increase 3.1% in 2021 as the economy slowly reopens and the restrictions on activity are fully eased. Consumer spending remains uncertain, but as the national unemployment rate decreases, economic activity should grow. Thus, IBISWorld expects the domestic economy to experience an uptick and increase at an annualized rate of 3.5% over the five years to 2025 as businesses reopen and the virus is contained.

Unemployment rate

The unemployment rate measures the proportion of Americans aged 16 and older who are currently unemployed and looking for work. The unemployment rate is considered a lagging indicator of economic health and tends to mirror GDP. The coronavirus pandemic has disrupted global supply chains and consumer demand, causing the domestic economy and GDP to suffer in 2020. Due to the temporary close of business establishments to prevent the spread of the virus and production cuts, tens of millions of jobs were lost during the first half of 2020, causing the unemployment rate to spike an estimated 134.0% in 2020.

Due to the adverse and long-lasting effect the pandemic has had on the economy, the unemployment rate will likely remain elevated for an extended period of time. However, it is anticipated to decline 17.6% in 2021 as businesses and the overall economy continue gradually reopening. Overall, IBISWorld estimates the unemployment rate will increase 8.6% in 2020, before declining to 7.1% in 2021. Therefore, as the economy recovers, the unemployment rate is anticipated to decline an annualized 14.0% over the five years to 2025.

Consumer Confidence Index

The Consumer Confidence Index (CCI) measures household finances, business conditions, employment, income and economic outlook. In 2020, the coronavirus pandemic has contributed to a rise in economic uncertainty and recession. As a result, the CCI is anticipated to decline an estimated 19.2% in 2020. As economic uncertainty resides, the CCI is anticipated to continue to decline 3.6% in 2021.

Even though employment and economic activity are anticipated to slowly recover over the five years to 2025, IBISWorld expects consumer confidence to fluctuate since the long-term consequences of the pandemic remain unknown. However, as Americans return back to work, they will likely have a more positive outlook about their economic position and future, which is anticipated to encourage consumers spending. Consequently, IBISWorld anticipates that the CCI will increase an annualized 2.4% over the five years to 2025 as the economy recovers and consumers feel more secure about their economic situation and less threatened by the pandemic.

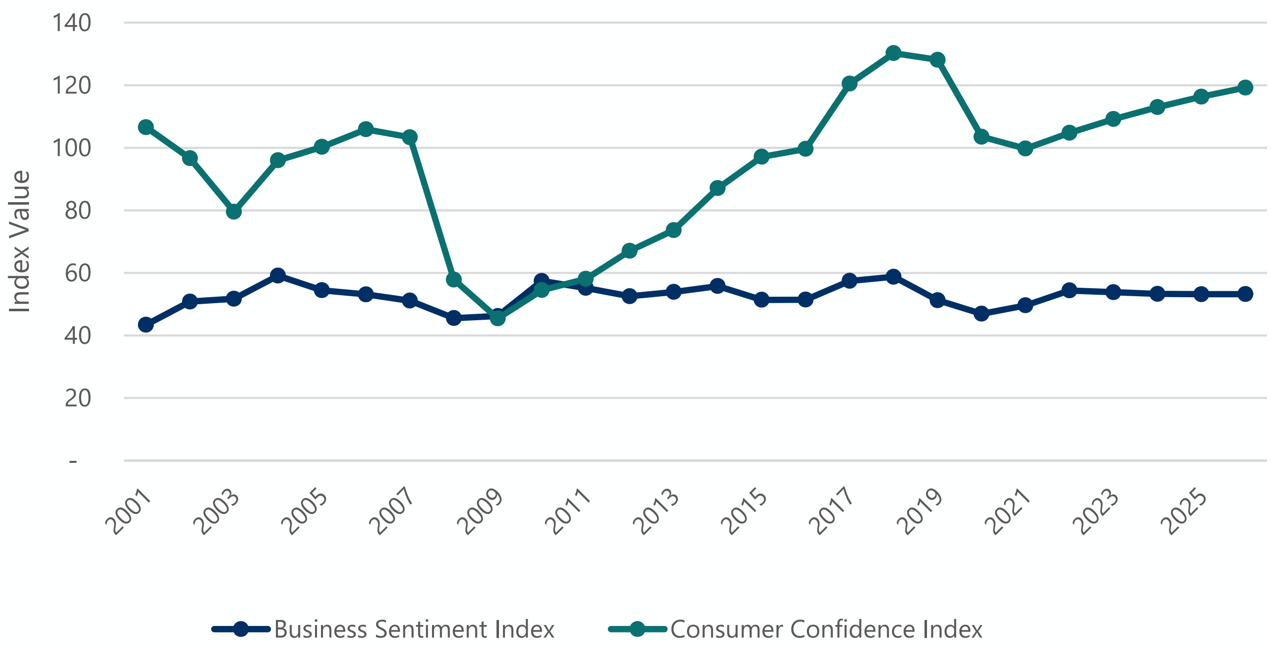
Business sentiment index

The business sentiment index gages the overall health of the business environment by reviewing production levels, inventory levels, supply deliveries and employment levels. The business sentiment index is highly correlated with the performance of the US business sector. IBISWorld anticipates the business sentiment index will decrease 8.4% in 2020 due to heightened uncertainty and the adverse effect of the coronavirus pandemic.

If global containment and vaccination prospects improve, the business sentiment index will likely decrease along with economic uncertainty. As a result, IBISWorld estimates business sentiment will likely increase 5.7% in 2021, as consumer confidence improves and global disruptions minimize. To help spur this growth, the Federal Reserve cut interest rates to near-zero in an emergency effort to boost the economy in 2020, which reduces the cost of borrowing for businesses. It remains uncertain how the Federal Reserve will react in the near future if the economy rebounds or remains stagnant. Even so, the business sentiment index is expected to increase at an annualized rate of 2.5% over the five years to 2025.

United States Business Sentiment and Consumer Confidence

IBISWorld estimates that the Consumer Confidence Index will decline 19.2% in 2020.



Prime rate

The prime rate refers to the interest rate charged by banks to their most creditworthy and largest corporate customers. To stimulate the economy and prevent the adverse effect of the coronavirus pandemic, the federal funds rate was cut to zero in March 2020 to lower borrowing costs and keep businesses afloat. As a result, the prime rate is expected to decrease 37.7% in 2020.

Even though the economy has just started to reopen, businesses are still struggling and the Federal Reserve is not expected to bring rates negative, nor raise rates in the foreseeable future. Still, the prime rate is anticipated to decline 1.3% in 2021 as trade tensions reside and the economy slowly recovers. Once the coronavirus pandemic is contained globally and the adverse effects start to mitigate, there will likely be a positive outlook with economic growth for the rest of the period. Consequently, IBISWorld anticipates that the prime rate will increase an annualized 4.7% over the five years to 2025.

Per capita disposable income

Per capita disposable income determines an individual's ability to purchase goods or services. In 2020, as businesses temporarily closed their doors to slow down the outbreak, the national unemployment rate spiked and millions of people lost their jobs and salaries. However, due to federal unemployment benefit programs and the one round of stimulus checks, per capita disposable income is expected to increase 5.7% in 2020. However, as government programs expire in 2021, per capita disposable income is expected to decline 1.6% that same year.

As the economy recovers and businesses start reopening, the employment rate will likely increase and per capita disposable income will likely follow suit during the outlook period. A rebound in wage growth and prices once the virus is contained will likely help the economy recover. Overall, per capita disposable income is anticipated to increase at an annualized rate of 1.2% over the five years to 2025.

Government stimulus support

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27th, 2020. The CARES Act is a $2.0 trillion economic relief package to help with the public health and economic effects of the COVID-19 pandemic. As part of the CARES Act, Economic Impact Payments to American households were made of up to $1,200 per adult for individuals whose income was less than $99,000, or $198,000 for joint filers, and $500 per child under 17 years old. Furthermore, the Paycheck Protection Program, implemented by the Small Business Administration, provides small businesses with funds to pay up to eight weeks of payroll, including benefits, in which these funds can also be directed to pay rent, utilities and interest on mortgages.

Additionally, employers of all sizes that have suffered economic hardships are incentivized to keep employees on the payroll through a 50.0% credit on up to $10,000 of wages paid or incurred between March 13, 2020 and December 31, 2020. Employers and self-employed individuals can defer payment of the employer share of Social Security and can be paid over the next two years with a deadline of December 31, 2022. This incentive is to enhance cash flow so that employers or the self-employed can keep afloat and keep a payroll.

Also, the $150.0 billion Coronavirus Relief Fund, which was established by the CARES Act, provides funding to states and eligible units of local government to cover expenses caused by the coronavirus pandemic. These expenses only qualify if they were necessary expenditures incurred due to the public health emergency with respect to the pandemic; not accounted for in the for the state or federal government budget most recently approved as of March 27, 2020, the date of enactment of the CARES Act; or were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

It remains uncertain if there will be an extra round of funding on a state, business or individual level once all of the government stimulus packages have expired. However, there is discussion about a new stimulus package being prepared.

Growth Industries

71113 Musical Groups & Artists in the US

The Musical Groups and Artists industry has experienced its biggest decline in 2020 due to the COVID-19 (coronavirus) pandemic, which has made it relatively impossible for the industry to have live events, such as concerts or tours. Since large gatherings have been discouraged and even restricted, most musical groups have cancelled or postponed concerts, tours, album debuts, among other revenue streams. Most of these events have been moved to 2021, which will likely benefit the industry as consumers regain their confidence and positive outlook, which increases discretionary spending in industry products.

Furthermore, as the virus is globally contained and stay-at-home orders are lifted, the industry will likely rebound. As a result, industry revenue is anticipated to increase 169.9% in 2021 to reach $7.6 billion. The number of employees is also anticipated to experience a drastic increase, rising 134.4% to 110,320 individuals in 2020, as industry operators hire more people to cater to the rebound in demand. Due to the increase in demand, profit, measured as earnings before interest and taxes, is anticipated to return to pre-pandemic levels and account for 5.1% of industry revenue in 2021, up from 2.8% in 2020.

51213 Movie Theaters in the US

An increase in disposable incomes, postponements of blockbuster movies and the anticipated reopening of movie theaters is expected to help drive consumer spending on movie theater admissions. In 2021, moviegoers are expected to finally return to theaters, which have been closed for most of 2020. As a result, industry revenue is anticipated to increase 147.1% in 2021, reaching $17.1 billion. Even so, revenue is not expected to return and surpass 2019 levels until 2024.

Since most movie theaters across the United States have been temporarily closed during the pandemic, industry operators have had to lay off employees to keep afloat. However, employment is anticipated to increase 42.9% to 132,538 people in 2021 as operators gradually reopen their establishments and hire employees for daily operations. Even as industry revenue makes an expected partial recovery in

2021, industry operators will still likely struggle with the sharp decline in 2020, especially with incurring operating expenses. As a result, profit is anticipated to increase, accounting for 7.0% of revenue in 2021, up from 3.8% in 2020, but still below 2019 levels.

72111 Hotels & Motels in the US

As tourism and travel sectors tanked in 2020 due to strict travel restrictions and global disruptions caused by the coronavirus pandemic, the industry has experienced substantial volatility. In fact, the Hotels and Motels industry has been one of the hardest hit industries by the pandemic. However, once the pandemic has been contained and the economy continues to slowly reopen, IBISWorld projects that the industry will likely rebound, with particularly strong growth in boutique hotels, spa and health retreats and resorts segments, especially in large outdoor settings. As demand for industry services picks up, industry employment is anticipated to recover and increase 19.8% to 1.4 people in 2021.

As a greater number of tourists need accommodation, hotels and motels are expected to benefit from an influx of tourist dollars and business travel, and thus, IBISWorld anticipates that industry revenue will expand 43.4% to $154.3 billion in 2021. However, even though profit, measured as earnings before interest and taxes, is anticipated to expand from accounting for 3.5% of revenue in 2020 to 7.4% in 2021 as demand increases, profit will likely remain low compared to pre-coronavirus levels as operators struggle with incurring operating expenses.

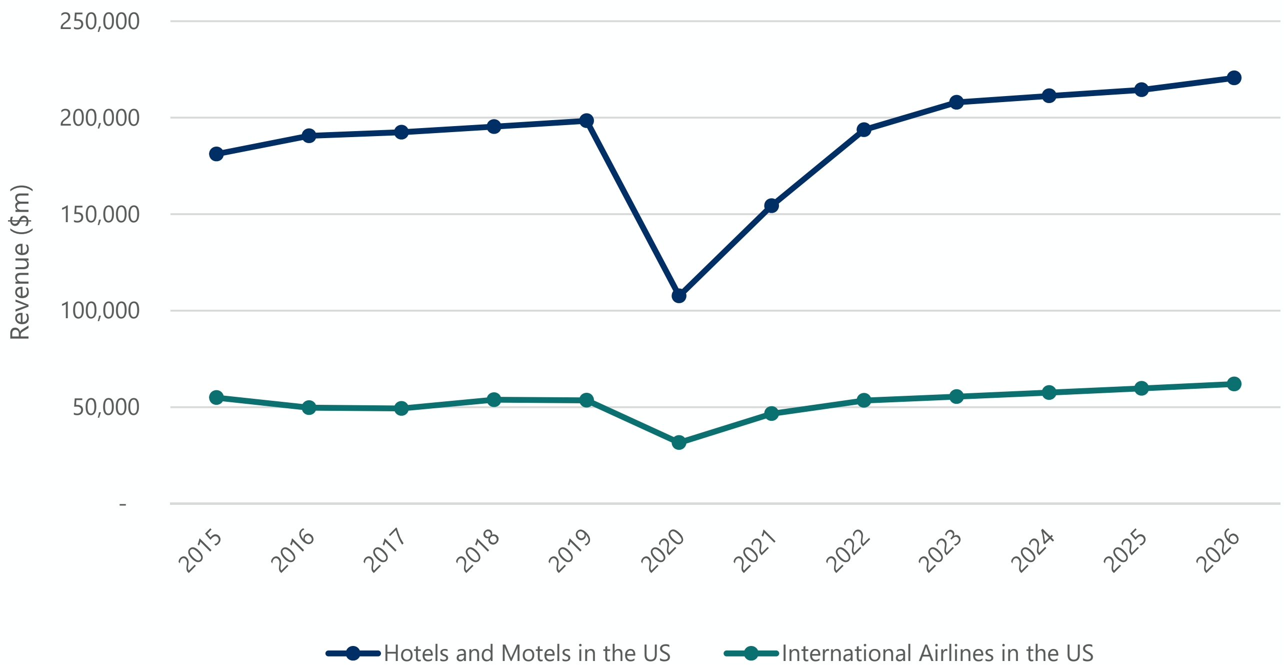
48111a International Airlines in the US

The International Airlines industry is expected to recover from the sharp decline caused by the pandemic, but it will depend on economic growth in US and overall global travel activity. Travel demand is anticipated to increase once the pandemic has been contained, which is expected to bolster revenue, which will likely rise 47.6% to $46.6 billion in 2021. However, intense price competition from an array of global airlines will likely continue to place downward pressure on industry ticket prices, which harms industry revenue. Still, the expansion in demand and capacity in airplanes will likely encourage industry operators to hire labor to operate efficiently. Consequently, the number of industry employees is anticipated to climb 31.5% to 100,060 people in 2021.

The combination of increasing demand and capacity is forecast to increase industry profit, measured as earnings before interest and taxes, from accounting for 1.8% of revenue in 2020 to 2.2% in 2021, still well below pre-pandemic levels. When aircrafts are fuller, operators are able to spread costs across more customers and run their operations more efficiently. Still, uncertainty around the coronavirus pandemic remains, and the long-term effects of the pandemic are unknown, which could affect air travel if travel restrictions, political tensions or unforeseen circumstances appear.

Revenue Outlook for Travel Industries in the United States

The Hotels and Motels and International Airlines industries in the United States are anticipated to rebound in 2021.



72211a Chain Restaurants

With stay-at-home orders placed and increasing restrictions by local governments, restaurants are considered an essential business permitted to stay open. Consequently, industry operators have continued to serve food for to-go orders to comply with social distancing. However, due to the sudden reduction in demand, many chain restaurants have laid off most of their workers or closed their doors completely. The expectation of recovered low unemployment and rising per capita income is expected to encourage consumers to increase their spending on small luxuries, such as dining out.

In 2021, industry revenue is anticipated to increase 43.7% to $83.9 billion as the unemployment rate decreases and consumers dine out more often. Industry operators are slowly reopening indoor dining, which will likely support employment to increase 29.3% to 2,404,999 workers in 2021. The increase in demand is anticipated cause profit, measured as earnings before interest and taxes, to increase from accounting for 2.6% of revenue in 2020 to 3.4% in 2021. Still, it will likely take a couple of years to reach pre-pandemic levels as industry operators make up for losses in 2020.

Decline Industries

53223 DVD, Game & Video Rental in the US

Increasing demand for video streaming and consumers' consistent distaste for physical DVD rental services will likely continue to hamper industry revenue in 2021, which is anticipated to decline 10.2% to $1.4 billion. Consumers seeking home entertainment have pivoted almost exclusively to subscription streaming services, such as Netflix and Hulu, which have boomed during the pandemic. As online streaming services are able to competitively price their products, they have forced industry operators to accept lower rental prices, harming profit for the industry.

In 2021, profit, measured as earnings before interest and taxes, is anticipated to decline, accounting for 3.8% of industry revenue. It is expected that traditional operators with viable financial resources will also likely switch to video streaming services to remain profitable. In response to changing consumer taste, many major operators have closed down their storefronts and opted to operate as mail-order and rental kiosks. Due to the industry's decline, the number of employees is also anticipated to decrease 12.0% to 6,947 workers in 2021.

45211 Department Stores in the US

Increased competition from e-commerce businesses and the continued transition of department stores to supercenters will likely continue to pressure industry revenue, causing it to decline an estimated 11.2% to $98.7 billion in 2021. Consumers have been increasingly turning to online retailers due to fears of virus exposure and easy price comparisons across online retailers. Consequently, the Department Stores industry will likely continue to lose customers to the convenience of online shopping. As a result, both the number of employees and industry establishments are anticipated to decrease as operators try to cut down costs due to the decline in demand.

Large industry operators have struggled with the management of large inventories and lack of demand as consumers shop elsewhere. Due to intense competition and the uncertain economic landscape, profit, measured as earnings before interest and taxes, is also expected to remain low in 2021, accounting for 1.2% of revenue as department stores continue to slash their prices to compete for customers while partially recovering from the pandemic.

33699b Piece Goods, Notions & Other Apparel Wholesaling in the US

Operators in the Piece Goods, Notions and other Apparel Wholesaling industry wholesale piece goods, fabrics, yarns, thread and other notions and hair accessories, which includes apparel trimmings, belts and buckles, textile fabrics, sewing accessories and zippers, among others. Rising import penetration, intense price competition and vertical integration will likely be contributing factors to the industry's decline. The shrinking apparel manufacturing market has reduced downstream demand for buttons, zippers and yard fabric, adversely affecting industry revenue and profit. As a result, IBISWorld anticipates that industry revenue will likely decrease 10.1% to $7.4 billion in 2021.

Still, downstream demand remains uncertain and depends on whether additional federal aid is injected into the economy. As companies struggle to stay afloat or exit the industry altogether, the number of industry employees is anticipated to decline 7.5% in 2021. However, profit, measured as earnings before interest and taxes, is anticipated to recover from the historic decline caused by the pandemic, but still remain relatively low, accounting for 4.1% of revenue in 2021, compared with pre-pandemic levels.

72121 Campgrounds & RV Parks in the US

The Campgrounds and RV Parks industry has benefited from a surge in RV sales as consumers have shifted travel plans to industry accommodations. Considering that campsites tend to be spacious and outdoors, consumers are able to isolate and reduce risk of exposure to the virus, making it a perfect getaway and replacement to traveling. However, as consumers return to more traditional forms of accommodation and as global travel recovers, the industry is expected to experience some downward pressure. In 2021, industry revenue is anticipated to decrease 13.1% to $7.9 billion due to a decline in demand as air travel picks up.

Due to the decline in demand, the number of employees is anticipated to decrease 8.0% to 55,980 workers in 2021. Even though demand is anticipated to decrease, industry operators will likely lay off employees or cut down wages to keep profit relatively stable. Consequently, profit, measured as earnings before interest and taxes, is anticipated to account for 16.3% of revenue in 2021, a slight decrease from 2020.

32312 Printing Services in the US

The continued transition to the internet will likely limit any potential gains for the Printing Services industry over the coming years as rising competition from online publishers will likely threaten the industry. Spending on print advertising is anticipated to continue to decline as consumers turn to the internet for news and entertainment, which decreases the size of the target audience and does not make it a lucrative investment. Therefore, as readership continues to decline, print advertising will likely become less attractive to advertisers, harming industry revenue.

In 2021, industry revenue is anticipated to decline 3.1% to $2.4 billion. Additionally, as the growing popularity of online media has caused many companies to reduce print advertising expenditure, profit has been pressured due to intense price competition. Overall, the negative operating landscape has been further exacerbated by the coronavirus pandemic, which its negative effects on the industry are anticipated to remain in 2021 and likely force many businesses to close store locations and cut down the number of employees. As a result, the number of employees is also anticipated to decline 3.6% in 2021.

Outlook for COVID-19 Restrictions

International travel

Due to travel restrictions and closed international borders, US citizens may be discouraged from traveling abroad in the near future. Strict measures taken to contain the COVID-19 (coronavirus) outbreak both in the United States and abroad have led to rapid decline in international trips by US residents in 2020. Even though some people are expected to return to traveling in late 2020, especially during the holidays, the number of trips is forecast to decline 74.1% in 2020 alone.

International travel is expected to rebound significantly in 2021 as travel restrictions are lifted and the virus has been contained. Still, since the United States has had trouble with containing the virus, some countries could keep the travel ban for US citizens throughout the year. Even so, the anticipated rebound and recovery of the domestic economy and vaccine developments will likely encourage people to travel. While there will likely be some residual effects from the coronavirus outbreak and the way of living is expected to be altered for years to come, the number of international trips by US residents is anticipated to increase sharply.

Domestic trips by US residents

In 2020, due to the coronavirus outbreak, the number of domestic trips by US residents is anticipated to decline sharply as the spread of the virus has been severe in the United States. Stay-at-home mandates, travel restrictions and a negative economic landscape has discouraged consumers to travel domestically. However, as time has passed, domestic travel has been recovering very slowly when compared to the first half of 2020. Still, domestic travel is projected to decline 62.4% in 2020 and will likely remain at historic lows for a period of time as people still fear exposure and traveling.

In 2021, the number of domestic trips is anticipated to more than double as the economy reopens and consumers feel more confident about their economic outlook. Thus, the number of domestic trips by US residents is anticipated to rise at an annualized rate of 23.5% over the five years to 2025. While there will likely be some residual effects from the coronavirus pandemic, a vaccine is expected to be available in 2021, which encourages consumers to start planning trips and vacations. As the economy recovers, an increase in consumer spending and disposable incomes will likely be the main drivers for the increase in domestic travel. Additionally, ticket prices are anticipated to remain low due to intense price competition as airlines try to recover their losses and attract consumers.

International and Domestic Trips by US Residents

in 2020, the number of international and domestic trips are anticipated to decline 74.1% and 62.4%, respectively.

Large public gatherings

Large public gatherings have been prevented and avoided due to the dangerous and easy spread of the virus. Furthermore, stay-at-home mandates, travel restrictions and social distancing guidelines have led to the cancelations or postponements of large events in 2020. These limitations have made it relatively impossible to host an event in this landscape and have proved that the broader events industry will not likely be able to resume in 2020.

The virus surge during the summer months caused the cancellation of major music festivals, such as Coachella Valley Music, among others, which were the main revenue stream for 2020, being extremely detrimental for multiple industries. Still, the Arts, Entertainment and Recreation sector (IBISWorld report 71) has not been the only sector that has experienced the adverse effects of not being able to have large public gatherings. For example, the wedding planning industries have also struggled amid the pandemic due to cancelations and postponements. As people and communities learn how to comply with health and safety concerns, large public gatherings and events will likely resume in 2021 as the virus has been contained on a global scale and vaccine developments are at play.

Canada | Economic Summary

GDP

As a result of the COVID-19 (coronavirus) pandemic, the gross domestic product (GDP) of Canada is projected by IBISWorld to decline 5.6% in 2020. This decline is primarily due to a slowdown in Canadian industrial activity beginning in the first quarter of 2020 amid supply chain disruptions and a decrease in demand as the pandemic began to spread first within China, and then globally.

Moreover, record job losses and decreased revenue prospects across large sectors of the Canadian economy are projected to further compound this decline in 2020. However, GDP is projected to increase 5.1% in 2021, with a vaccine for the virus anticipated to emerge over the next year, muting the effects of the pandemic on GDP in the long run.

Thus, Canada's GDP is projected to grow an annualized 3.2% over the five years to 2025, though uncertainties abound regarding commodity price fluctuations and global geopolitical tensions.

Unemployment rate

The spread of coronavirus across Canada occurred quickly earlier this year, prompting the adoption of social distancing methods and the mandatory closure of all nonessential businesses to contain the virus.

These containment measures have consequently weighed heavily on the economy's service sectors, especially regarding Canada's hospitality, tourism and airlines industries, causing the unemployment rate to rise sharply in the second quarter of 2020. Though partial reversal of this trend occurred in the third quarter as individuals began going back to work, concern over a second wave of infections and continued permanent economic damage caused by the pandemic are nonetheless projected to cause the unemployment rate to rise 69.6% in 2020; however, it is projected to decrease 17.5% in 2021 as the economy increasingly shifts toward recovery.

Accordingly, the unemployment rate in Canada is anticipated to decrease an annualized 9.7% over the five years to 2025 as the economy continues along its trajectory of recovery during the outlook period.

Consumer sentiment

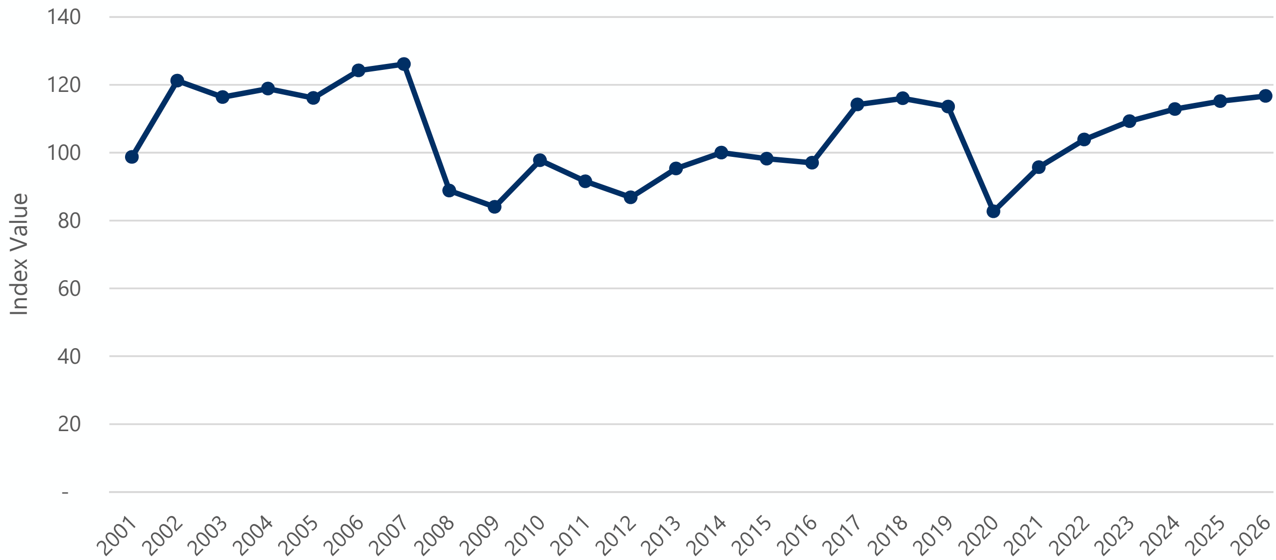
In 2020, Canada's Consumer Confidence Index (CCI) is forecast to decline 27.2% as a result of the coronavirus pandemic.

Initially, consumer confidence was weighed down in Q1 as global supply chain disruptions slowed domestic industrial activity and a dispute between oil-rich Saudi Arabia and Russia regarding global oil production levels caused significant economic uncertainty. Although the dispute over oil production has since been resolved, the second quarter of 2020 did not serve to reverse consumers' negative perceptions of the economy. Businesses began to partially reopen, and job losses stayed high as wide-ranging restrictions of day-to-day activities continued to suppress large swaths of the economy.

As these restrictions are expected to continue and potentially even tighten amid fears of a second wave of infections, consumer confidence in Canada is projected to take a severe hit for the year. Moreover, while the CCI is projected to rise 15.8% in 2021, this is highly dependent on the creation of a vaccine and its distribution to a significant proportion of the population. However, the CCI is projected to rise an annualized 6.9% over the five years to 2025 as the economy recovers in the long run.

Canada Consumer Confidence Index

IBISWorld anticipated that the consumer Confidence Index will decline 27.2% in 2020 due to the COVID-19 pandemic.



Business confidence

The business sentiment index represents the most accurate measure of business confidence in Canada. More specifically, a value of 0.0 indicates completely neutral business sentiment, with lower and higher values respectively corresponding to negative and positive perceptions of the business environment in Canada. In 2020, the index is projected to have a value of -2.3.

This index takes into account a variety of operating conditions for businesses, including business activity, pressures on production capacity, price trends and credit conditions. In 2020, the index is projected to decline a staggering 8,427.3% as coronavirus cases are once again on the rise in Canada, thus reflecting widespread negative business confidence as the resumption of normal business operations may be delayed further.

While the index is also projected to decline 158.7% in 2021, since the recovery of business sentiment in Canada hinges on the as-yet uncertain development and release of a vaccine, it is not projected to decline as much compared with 2020 figures. Business sentiment is projected to decline an annualized 177.9% over the five years to 2025, due largely to performance in 2020.

Overnight rate

The overnight rate ultimately represents the main indicator of monetary policy in Canada, as the overnight rate is the rate at which major financial institutions are able to borrow and lend short-term funds to each other. Moreover, it is directly tied to what the Bank of Canada sets as its interest rate target.

The Bank of Canada announced that it was cutting interest rates in March to near-zero to make borrowing money cheaper and support the economy. By cutting interest rates, the Bank of Canada hoped to incentivize borrowing, and therefore, increase the flow of money in the economy during a period of economic decline caused by the coronavirus pandemic.

For the remainder of 2020, the overnight rate will likely average 0.54%, though it is important to note that the annual average is skewed upward due to the two pre-pandemic months in early 2020. Additionally, the annual overnight rate average is anticipated to decline 0.25% in 2021, which is the overnight rate target.

Over the next five years, the overnight rate is projected to remain unchanged until 2024, reflecting expectations of a long road back to full employment.

Real household discretionary income

In Canada, per capita disposable income measures real household discretionary income for Canadian individuals and families, representing the ability to purchase goods and services after paying taxes and medical insurance premiums to the government.

While disposable income often decreases during periods of economic duress, disposable income is expected to increase 7.4% in 2020 due to government transfer payments giving the poorest individuals in Canada increased amounts of funds. Further, a generally large stimulus and enhanced unemployment benefits, along with other components of Canada's federal Economic Response Plan to the pandemic, have enabled disposable income to rise in 2020 despite bleaker economic operating conditions.

In 2021, as the economy shifts toward recovery, some of these benefits are likely to be scaled back or discontinued, resulting in disposable income declining 4.7% that same year. However, per capita disposable income in Canada is expected to decrease an annualized 0.5% over the five years to 2025 despite the anticipated economic recovery, skewed in part by the forecast decline in 2021.

Government stimulus support

By enacting federal legislation, Canada's COVID-19 Economic Response Plan, first formulated in March, seeks to support both individuals and businesses that have been affected negatively by the spread of the virus. Namely, the government has instituted a wide range of relief programs, targeted toward different sections of the population, so as to adequately support varying categories of the workforce and the national population as a whole depending on how they have been affected.

For instance, the Canada Emergency Response Benefit (CERB), which has now ended, represented one of these programs. The CERB gave financial support in the form of a $2,000 taxable benefit every four weeks to self-employed and employed Canadians who stopped working or had their work hours reduced due to the pandemic. Individuals were able to reapply until the end of the program.

The Canada Emergency Wage Subsidy (CEWS), ongoing at of the time of writing, grants affected employers in Canada a subsidy of up to 75.0% of employee wages for up to 24 weeks. This subsidy is meant to enable business owners to rehire workers that were previously laid off due to the coronavirus pandemic. Similarly, the Canada Emergency Business Account (CEBA), which is available through October 2020, provides interest-free loans of up to $40,000 for small businesses and nonprofit institutions to cover operating costs. The program as a whole is worth $25.0 billion, with all loans being federally guaranteed.

Moreover, Export Development Canada's Business Credit Availability Program is expected to run through June 2021, and is working with financial institutions to guarantee 80.0% of new operating credit and cash flow term loans of up to $6.3 million to small- and medium-sized enterprises, also referred to as SMEs. The program's terms are available to exporting and non-exporting companies, with the program itself being available at various banks and credit unions across Canada.

These programs span multiple categories of government support and are just some of many programs instituted by the government as a part of its Economic Response Plan, with the federal government broadly organizing its various programs on the basis of whether they provide support for individuals, families, seniors, businesses or entire sectors of the economy.

Lastly, some programs are forthcoming, and thus, are still in the process of being developed. For example, there are plans to announce more information concerning the Canada Emergency Rent Subsidy (CERS), which was announced via press release in early October. The CERS is meant to provide additional support to businesses by providing simple and easily accessible rent and mortgage support until June 2021 for qualifying organizations.

Growth Industries

72111CA Hotels & Motels in Canada

Revenue for the Hotels and Motels industry in Canada is forecast to rise 32.3% in 2021. Similarly, employment is projected to rise 21.5% the same year, and industry profit, defined as earnings before interest and taxes, is anticipated to over the five years to 2025, accounting for 12.0% of revenue in 2021, up from 7.3% in 2020.

This growth is due in large part to the forecast recovery of the Canadian economy in 2021 and during the outlook period as a whole, which is contingent upon the release of a vaccine for the virus. Currently, the vaccine is anticipated to be released in 2021, and will likely result in a resurgence of domestic and international travel.

To this end, inbound international travel to Canada is forecast to rise 340.8% in 2021, consequently providing a strong revenue base for industry operators since the recovery of the travel industry is implicitly linked to the hospitality and accommodations sector.

21111CA Oil Drilling & Gas Extraction in Canada

The Oil Drilling and Gas Extraction industry in Canada, which operates and develops oil and gas field properties and produces crude petroleum, among other activities, is expected to post strong growth in

2021, with total industry revenue forecast to grow 22.1%. Moreover, industry employment is projected to increase 13.7% in 2021, and industry profitability, defined as earnings before interest and taxes, is forecast to rise from an expected loss of 9.5% in 2020 to an expected loss of only 0.1% in 2021.

As the economy recovers following the coronavirus pandemic, oil and gas prices are projected to improve, and the domestic production of both resources will likely rise as well, especially considering that Canada's oil and gas resources are the third-largest in the world. As the industry returns to growth during the outlook period, oil and gas extraction companies are forecast to increase their respective workforces so as to take full advantage of a vastly improved operating environment, further underscoring the anticipated rise in industry employment in 2021.

48819CA Aircraft Maintenance, Repair & Overhaul in Canada

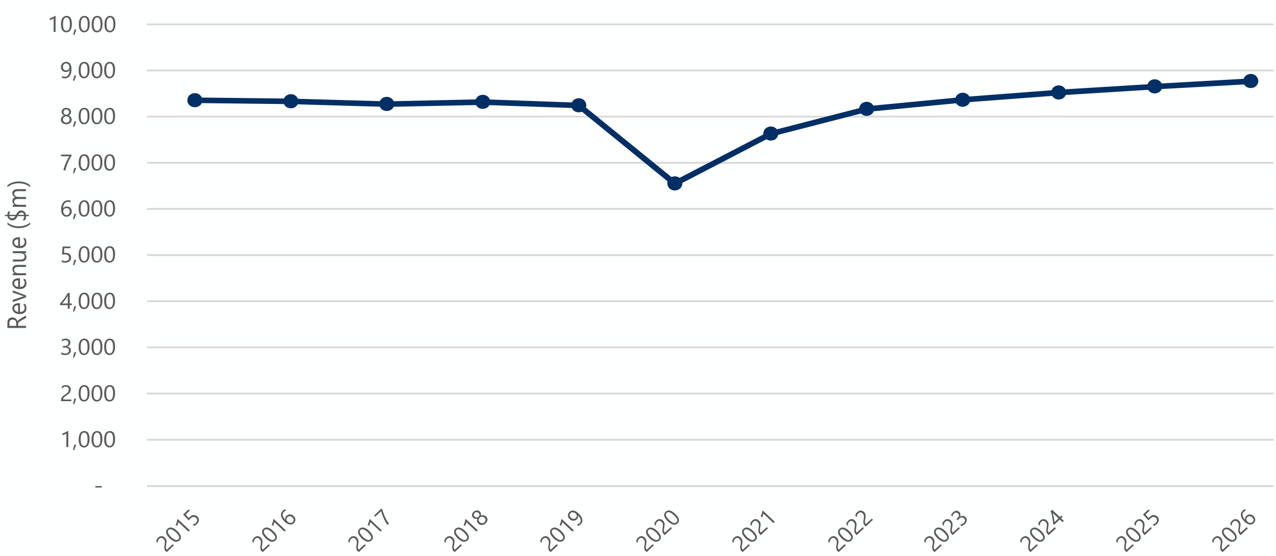
The Aircraft Maintenance, Repair and Overhaul industry in Canada services, repairs, overhauls and maintains aircraft, in addition to providing ancillary support services such as inspections and testing. Industry revenue is forecast to increase 16.5% in 2021, and employment is also anticipated to rise, increasing 11.8% that same year.

Additionally, industry profit, defined as earnings before interest and taxes, is forecast to comprise 10.0% of industry revenue in 2021, up from 9.7% in 2020. Although profit was not seriously affected in 2020 due to the coronavirus pandemic compared with other industries, industry operators have nevertheless suffered a marked revenue decline, as the broader travel industry has constituted one of the hardest hit industries.

However, a highly anticipated vaccine for the coronavirus is expected to be made publicly available in 2021; this bodes well for the Aircraft Maintenance, Repair and Overhaul industry, which must ensure that aircraft remain in the proper condition amid a likely resurgence in domestic and international travel activity.

Aircraft Maintenance, Repair and Overhaul in Canada

Revenue for the Aircraft Maintenance, Repair and overhaul industry in Canada is anticipated to increase 16.5% in 2021.



44229CA Home Furnishings Stores in Canada

The Home Furnishings Stores industry in Canada retails a wide range of home furnishing goods, which have been purchased from domestic and international manufacturers and wholesalers and then sold to downstream consumers. Though revenue is forecast to decline 12.5% in 2020 as a result of the pandemic, industry revenue is likely to recover in 2021 amid the broader recovery of the economy, since consumers will likely spend more of their disposable incomes amid a more positive economic climate.

Additionally, many of the social distancing measures that are in place in Canada at the time of writing are expected to be increasingly relaxed in the long run as the virus abates. Accordingly, revenue is forecast to rise 15.4% in 2021, and employment is forecast to increase 10.5% that same year as business operations resume and operators bring back their staff.

However, this resurgence in business activity for operators will likely not have immediate effects on industry profit. In 2021, industry profit, defined as earnings before interest and taxes, is forecast to increase marginally, from accounting for 4.5% of revenue in 2020 to 4.9% in 2021.

48311CA Ocean & Coastal Transportation in Canada

Operators in the Ocean and Coastal Transportation industry in Canada are primarily engaged in transporting freight and passengers using deep sea, coastal and Great Lakes water transportation, including ocean-going cruise ships.

In 2021, industry revenue is forecast to increase 15.1%, and total industry employment is anticipated to rise 8.9% that same year as the pandemic is likely to subside from 2021 onward, enabling the recovery of the Canadian economy and simultaneously facilitating the lifting of many of the restrictive measures in place to prevent the virus's spread at present. Consequently, individuals are expected to be increasingly likely to participate in travel-related activities, especially upon the release of a coronavirus vaccine.

In addition, the pandemic has caused widespread disruption with respect to global supply chains, especially in the first quarter of 2020, thereby interrupting the flow of ocean and coastal transport on a global scale and within Canada itself, which is expected to further subside in the near future. Nonetheless, profit is projected to recover more slowly, as it is projected to rise only 5.0% over the next year.

Decline Industries

51711cCA Wired Telecommunications Carriers in Canada

The Wired Telecommunications Carriers industry in Canada provides local and long-distance telephone services to its downstream consumers, though industry operators also generate an additional stream of revenue by wholesaling access to their networks.

Although total industry revenue is projected to decline 18.1% in 2021, denoting this industry as one of the top five declining industries over the next year, it is important to note that this industry has long been on the decline in an increasingly technologically advanced world. This forecast revenue decline is anticipated to be further compounded by a concurrent decrease in employment, which is expected to fall 14.7% in 2021.

Profit, however, is projected to remain fairly stable compared with 2020 figures; however, industry profit will likely increase, albeit slightly, in the long run along with the general improvement in country-wide operating conditions. Despite the industry's long-running decline, these benefits are not likely to be observed on a more immediate basis.

52239CA Loan Administration, Cheque Cashing & Other Services in Canada

The Loan Administration, Cheque Cashing and Other Services industry in Canada services loans, primarily mortgages. Servicing loans includes performing the administrative aspects of the loan, though industry operators do not originate the loans themselves. Furthermore, the industry performs money transmission services, including the selling and cashing of traveller's cheques, money orders and cashier's checks, while also renting safe deposit boxes.

In 2021, industry revenue is expected to decline as the economy recovers, due to aggregate household debt levels increasing at a slower rate and a falling unemployment rate in Canada. As the economy begins to recover following the coronavirus pandemic, individuals will likely begin returning to work in greater numbers and consumers are anticipated to become increasingly confident regarding future macroeconomic trends, decreasing the likelihood that consumers will need to take out high-interest loans.

This is expected to result in revenue declining 8.4% in 2021 and employment falling 5.5% that same year. Further underscoring this decline is industry profit, defined as earnings before interest and taxes, which is additionally anticipated to account for 9.9% of revenue in 2021, down from 10.1% in 2020 amid decreased revenue and employment prospects.

44511CA Supermarkets & Grocery Stores in Canada

The Supermarkets and Grocery Stores industry in Canada is the largest food retail channel in Canada, retailing general lines of food products such as fresh and prepared meats, poultry and seafood, canned and frozen foods, fresh fruits and vegetables and various dairy products.

As a result of the coronavirus pandemic, operators in this industry have experienced a temporary spike in revenue in 2020. This is because individuals and families have stopped eating out and started stocking up at grocery stores amid the adoption of social distancing methods and the issuance of shelter-in-place orders to slow the spread of the virus.

In 2021, however, revenue is projected to decline 7.1% and employment will likely fall 1.8% as consumers begin dining out again as restrictions are eased and the pandemic subsides. This is only projected to be a short-term trend, however, as revenue is projected to rise in the long run as the economy continues to recover over the five years to 2025.

In 2021, profit, defined as earnings before interest and taxes, is expected to decrease only marginally, accounting for 1.7% of revenue in 2021, down from 4.3% in 2020.

31142CA Canned Fruit & Vegetable Processing in Canada

The Canned Fruit and Vegetable Processing industry in Canada purchases fruits and vegetables and processes them with other ingredients to create canned fruit and vegetables, nonfrozen juices and drinks, canned soups, jams, baby food, sauces and dehydrated fruits and vegetables. The industry's products are ultimately sold to consumers at various retail channels, such as the Supermarkets and Grocery Stores industry in Canada (IBISWorld report 44511CA).

As more individuals and families resume dining out in 2021 upon the release of a vaccine and the general recovery of the Canadian economy, revenue for the Canned Fruit and Vegetable Processing industry is anticipated to decline 3.6% in 2021, with employment expected to decline 2.4%. Additionally, profit, defined as earnings before interest and taxes, projected to also decline, accounting for 7.9% of industry revenue in 2021, down from 8.1% in 2020.

The industry's decline in 2021 is also projected to be underscored in some part by health concerns regarding some industry products, as downstream consumers are increasingly choosing alternative goods, such as frozen foods, as well as fresh fruits and vegetables.

33451bCA Medical Device Manufacturing in Canada

The Medical Device Manufacturing industry in Canada primarily constitutes manufacturers of electromedical and electrotherapeutic apparatuses, such as magnetic resonance imaging equipment (MRIs), medical ultra-sound equipment, pacemakers, hearing aids, electrocardiographs and endoscopic equipment, among other product offerings.

Although industry revenue is projected to increase 2.2% in 2020 as a result of increased demand stemming from the healthcare sector, the anticipated easing of the pandemic over the next five years will likely cause revenue to decline over the next year; thus, industry revenue is projected to fall 0.7% in 2021, with employment forecast to rise 0.2% that same year. Profit, however, is projected to rise in 2021; in 2021, industry profit, defined as earnings before interest and taxes, is forecast to rise, accounting for 9.6% of revenue, down from 6.2% of revenue in 2020.

Although greater demand has enabled operators to increase revenue in 2020, supply chain disruptions and manufacturing slowdowns across the manufacturing sector have nevertheless cut into profit, which is projected to recover in 2021 along with the general recovery of the Canadian manufacturing sector.

Outlook for COVID-19 Restrictions

Although the Canadian economy is projected to recover in the long run, which will likely begin in 2021 and continue over the five years to 2025, the resumption of specific kinds of economic activity, including international travel and domestic travel, remains highly dependent on the public health nature of the crisis.

Therefore, international travel, which includes Canadians travelling abroad as well as inbound international travellers, and domestic travel are forecast to strongly rise in 2021, and is largely dependent on the release of a successful vaccine. It is also dependent on the ensuing vaccination of large swaths of the Canadian and global populations to safely enable the global flow of individuals.

If a vaccine is delayed, individuals and families within Canada, as well as globally, will likely continue to stick to social distancing and shelter-in-place activities until a vaccine is released. This same logic also applies to large public gatherings within Canada, such as spectator sports and concerts, since they involve large numbers of individuals inhabiting a shared space concurrently.