

Getting Squeezed



2024 Canadian Economic Outlook

February 2024



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Chief Economist



GLOBAL CONTEXT

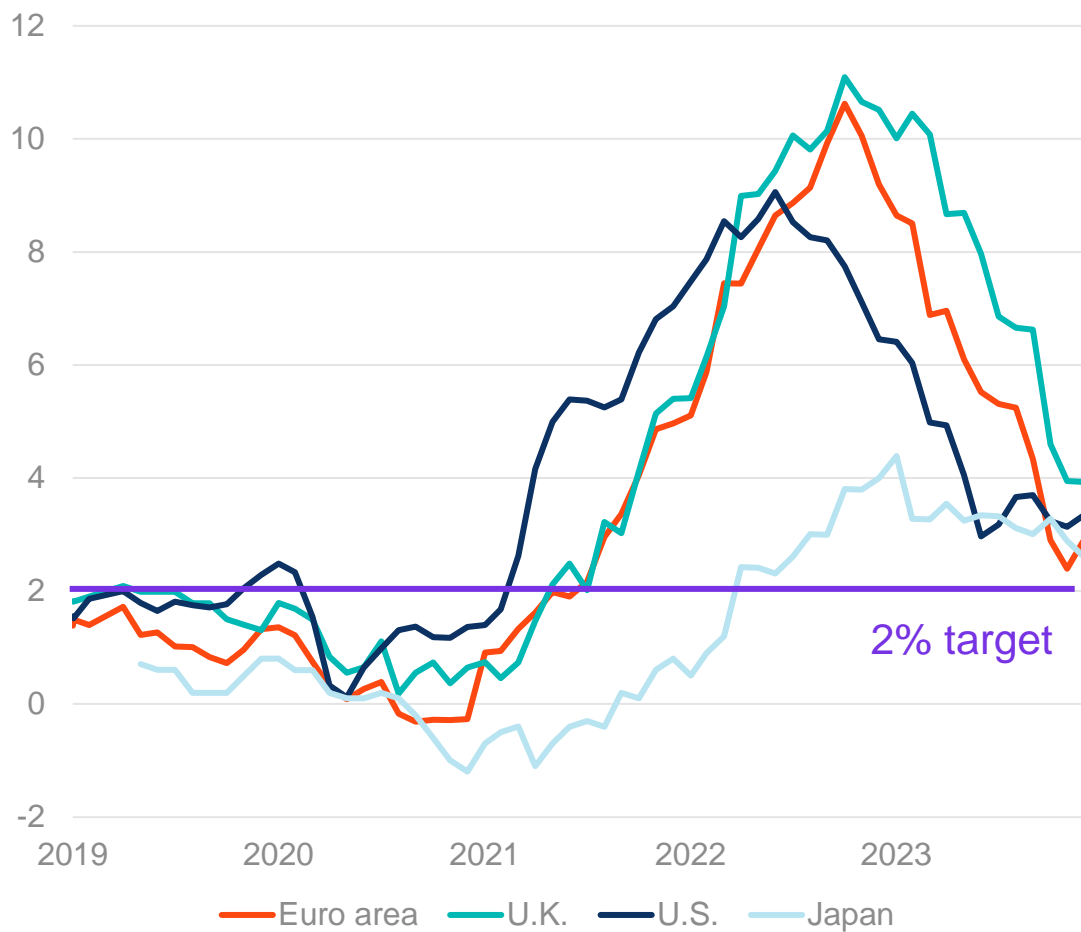




Headline inflation improves, core problems remain

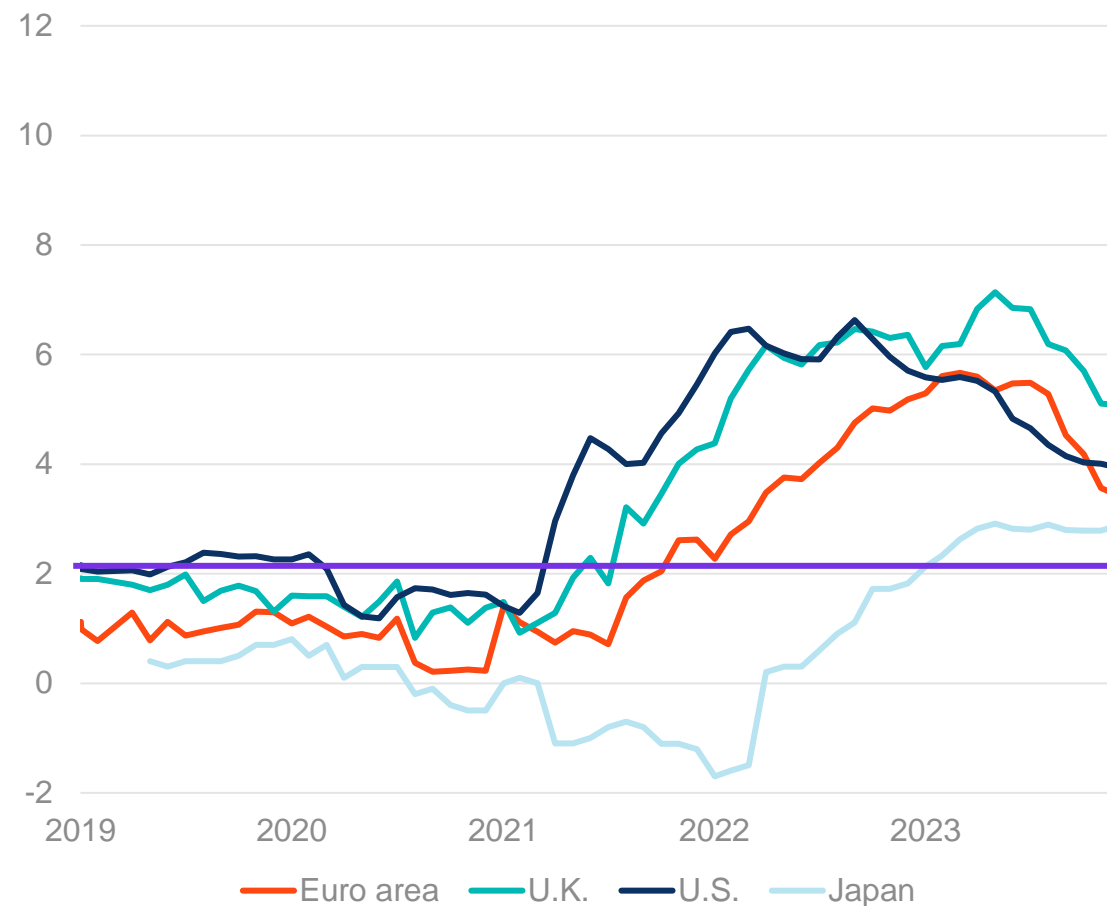
Total CPI inflation

%, year-over-year



Core inflation

%, year-over-year

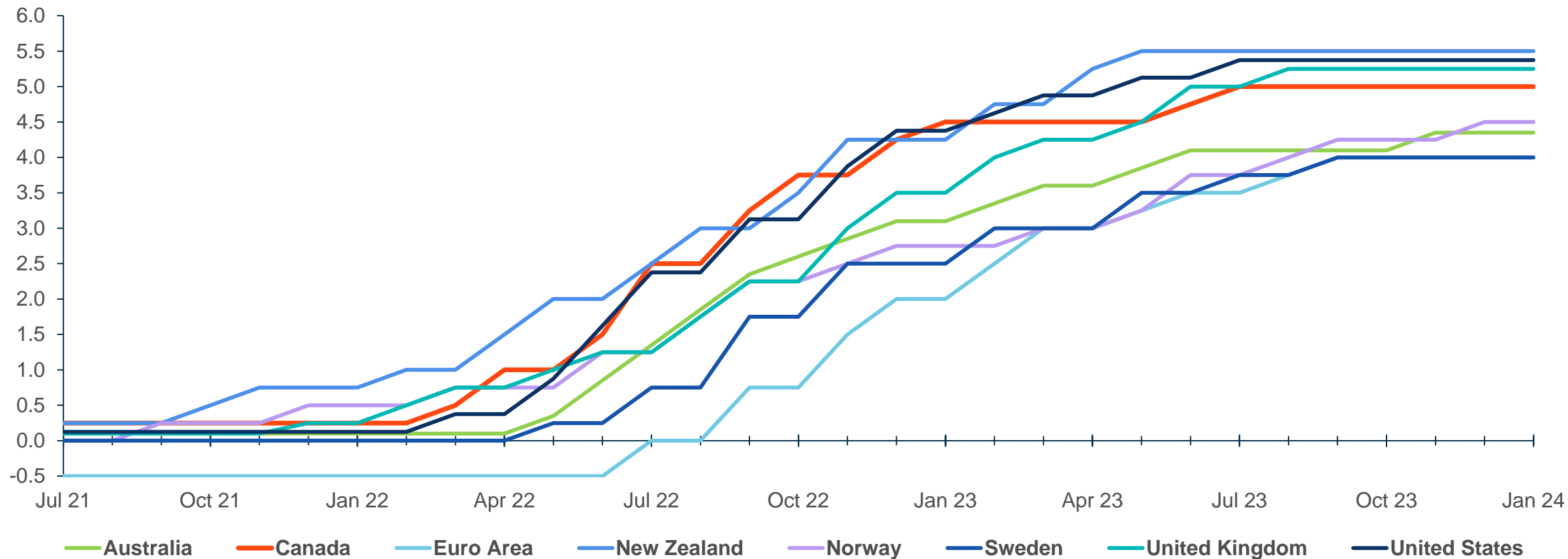




Global hiking cycle over

Central bank policy rates

%, select advanced countries



“Governing Council...is shifting from whether monetary policy is restrictive enough to how long to maintain the current restrictive stance.”

**Tiff Macklem,
Bank of Canada Governor
Jan 24, 2024**

**→ From whether to hike
to when to cut**



**“We need to see more evidence
that we’re on a sustainable
path towards 2% inflation.”**

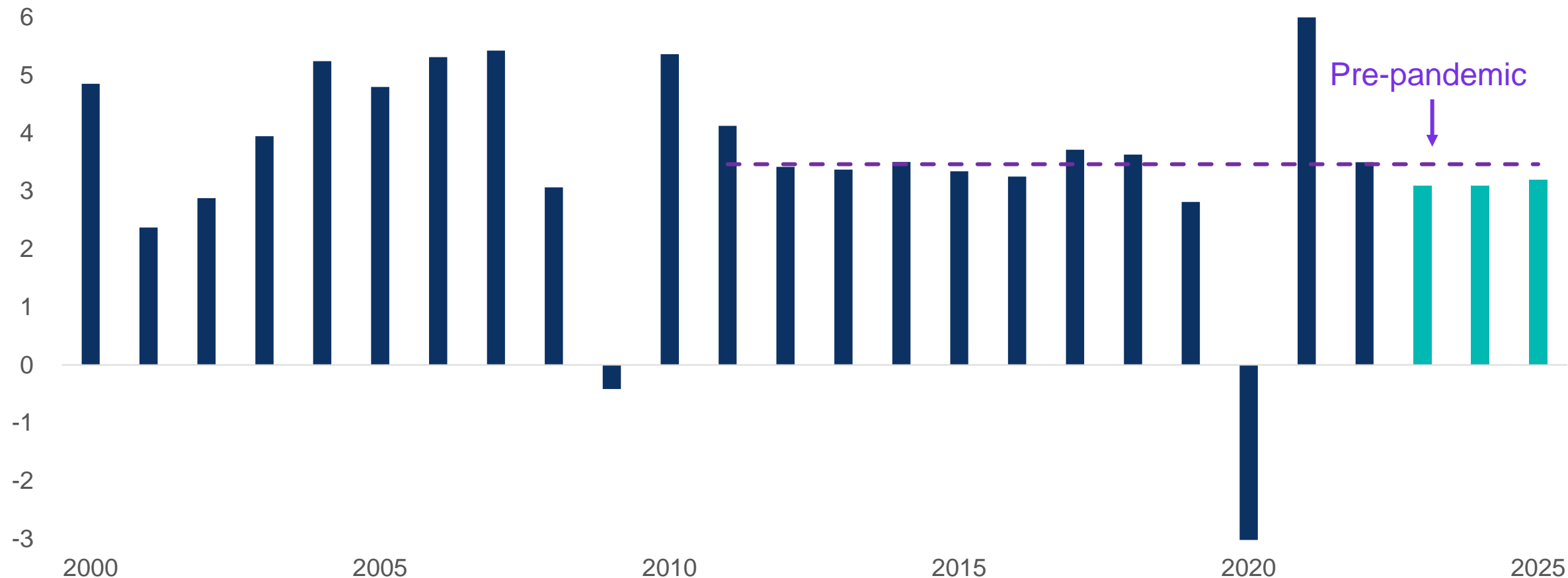
**Jerome Powell,
U.S. Fed Chair**

Jan 31, 2024



Weak global outlook, but resilient

Global GDP growth
% change, constant prices

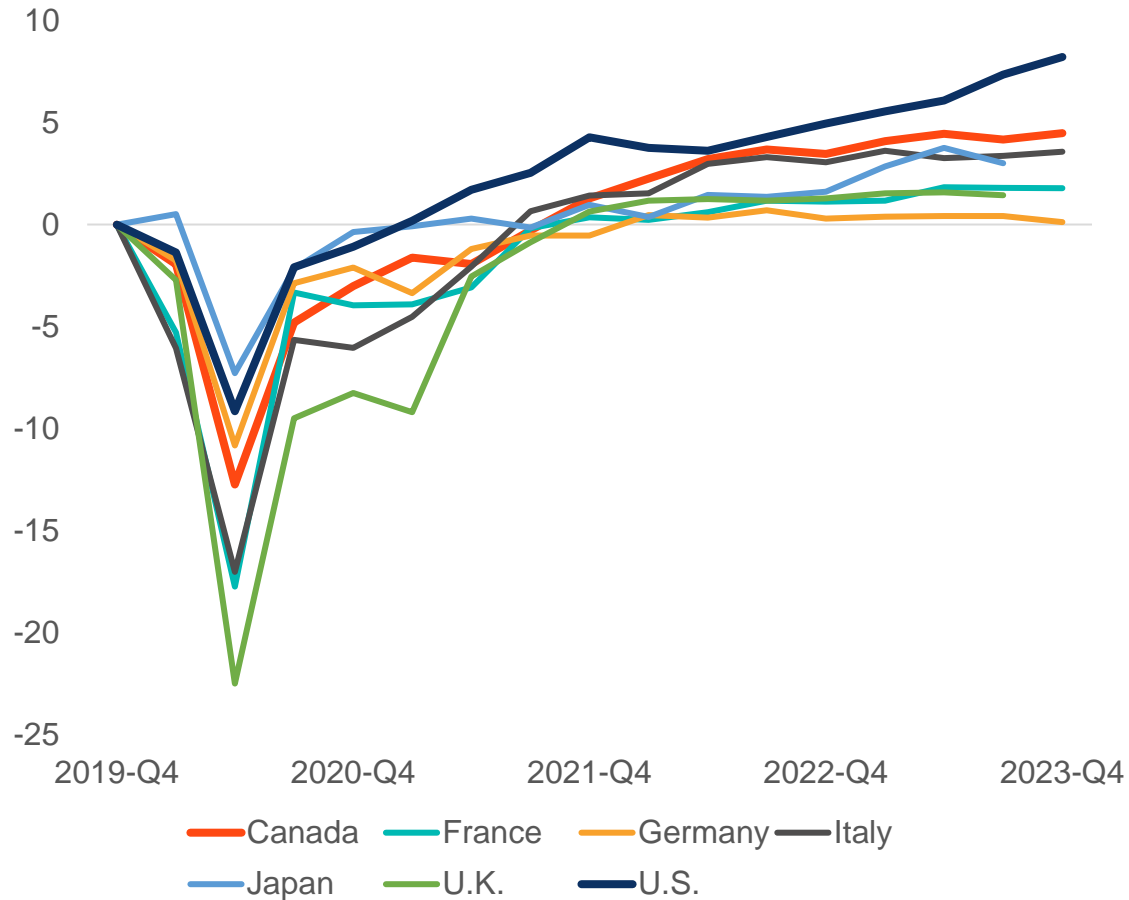




U.S. exceptionalism

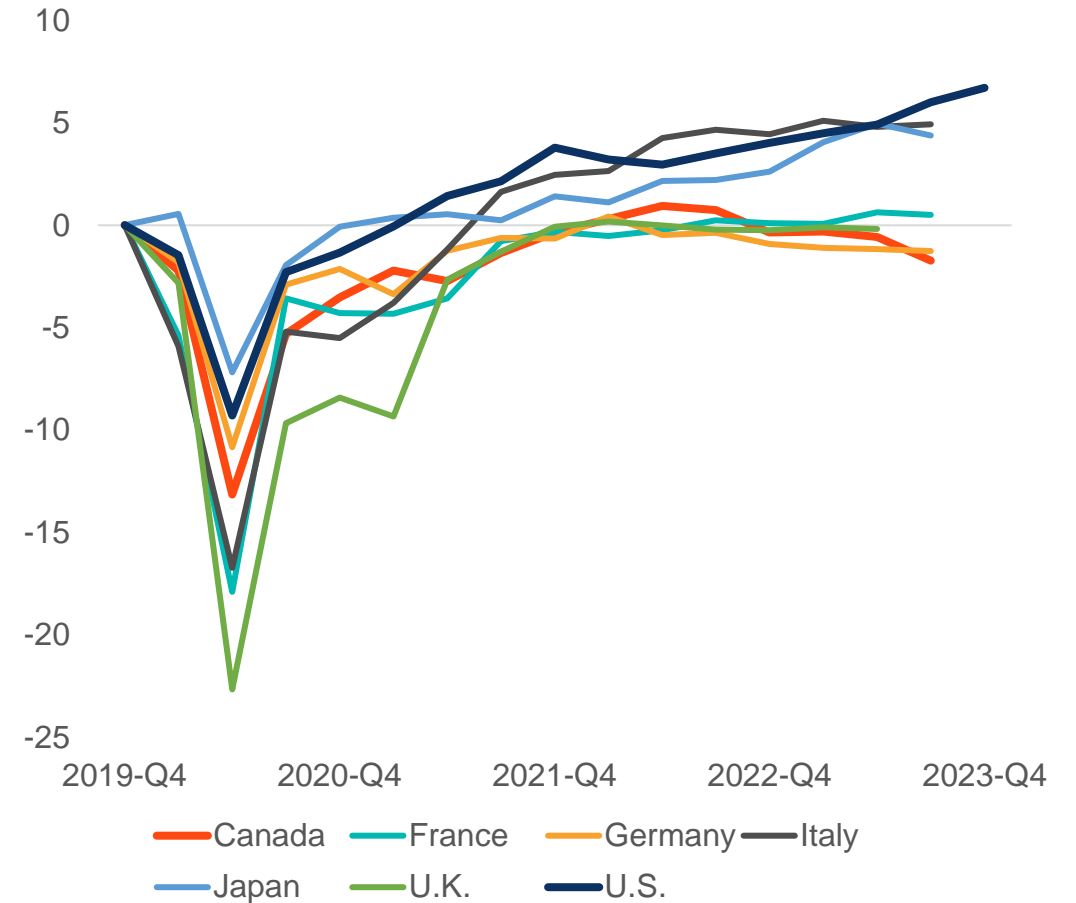
Real GDP growth, G7 countries

Cumulative percent change since 2019 Q4



Real GDP growth per capita, G7 countries

Cumulative percent change since 2019 Q4



Source: BDL calculations using OECD data.



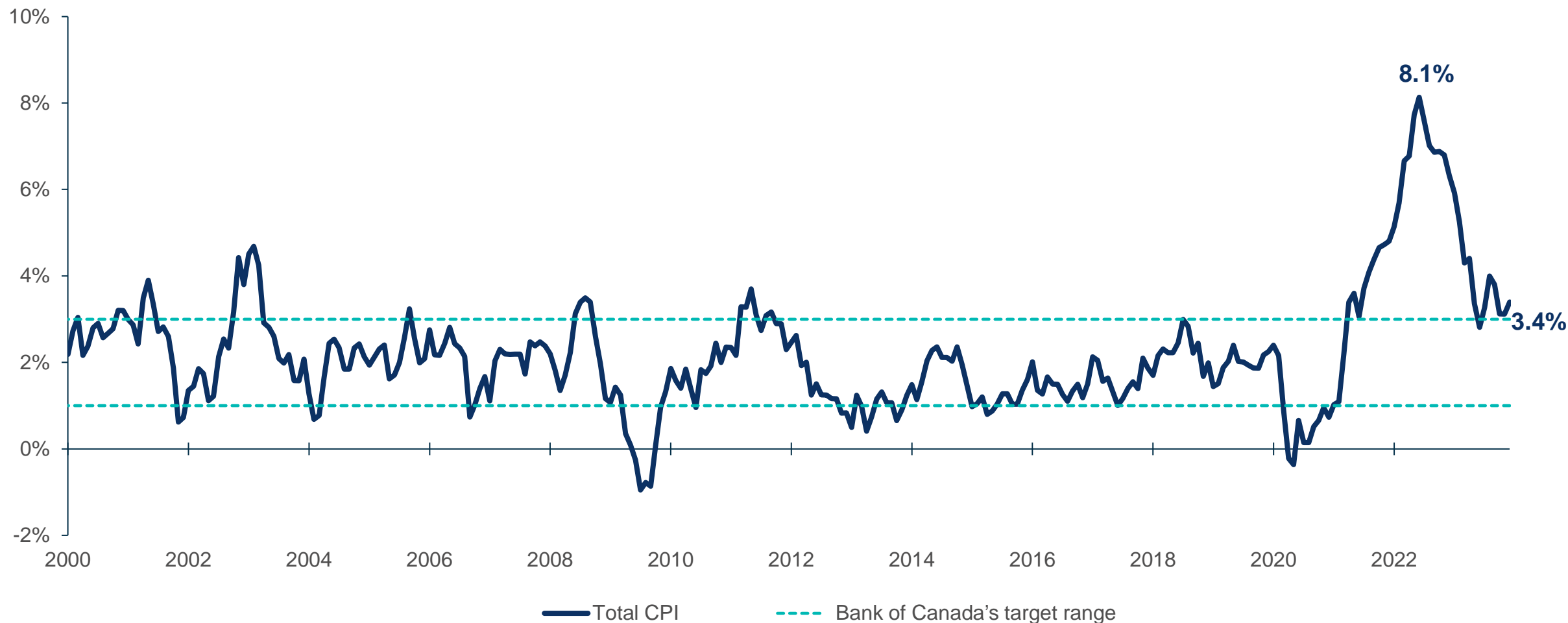
Canada's economy



Inflation in Canada has also slowed...

Canadian consumer price index (CPI)

% change, year-over-year

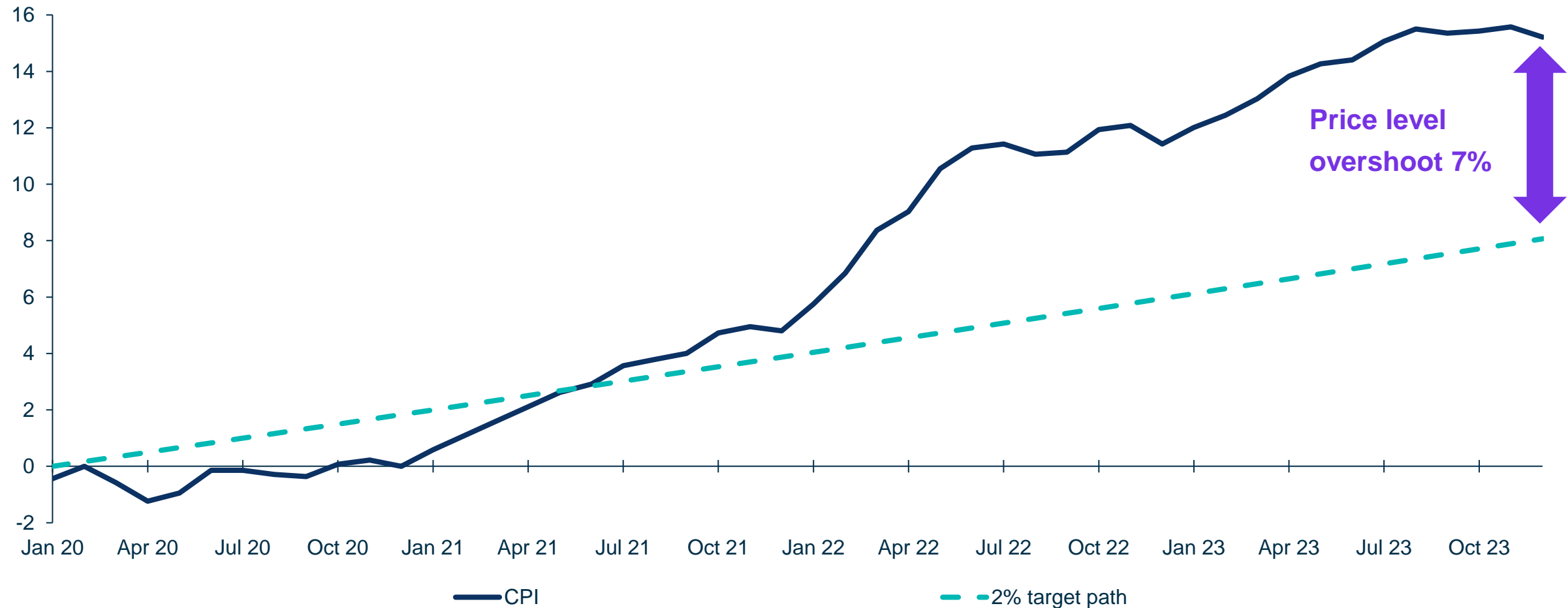


Source: Statistics Canada

...but price level overshoot = affordability challenges

Canadian consumer price index (CPI)

% change in the level of the CPI versus February 2020

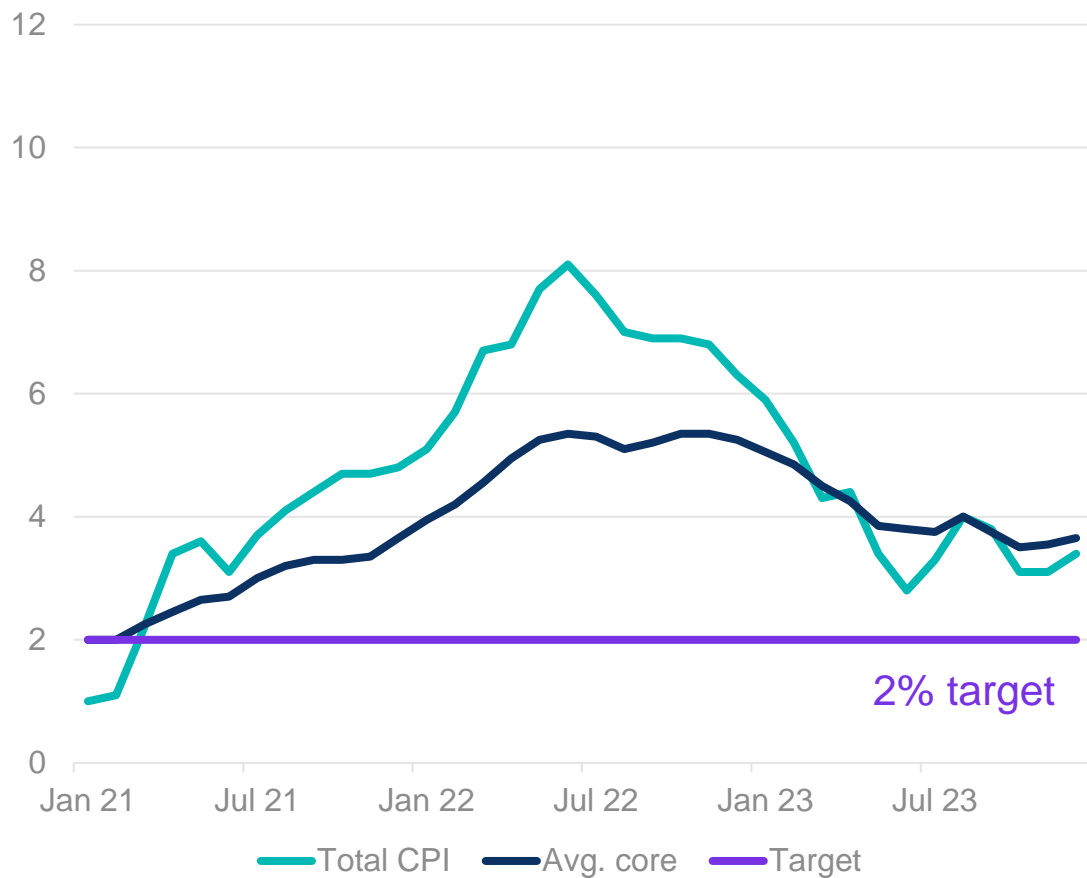


Source: Statistics Canada

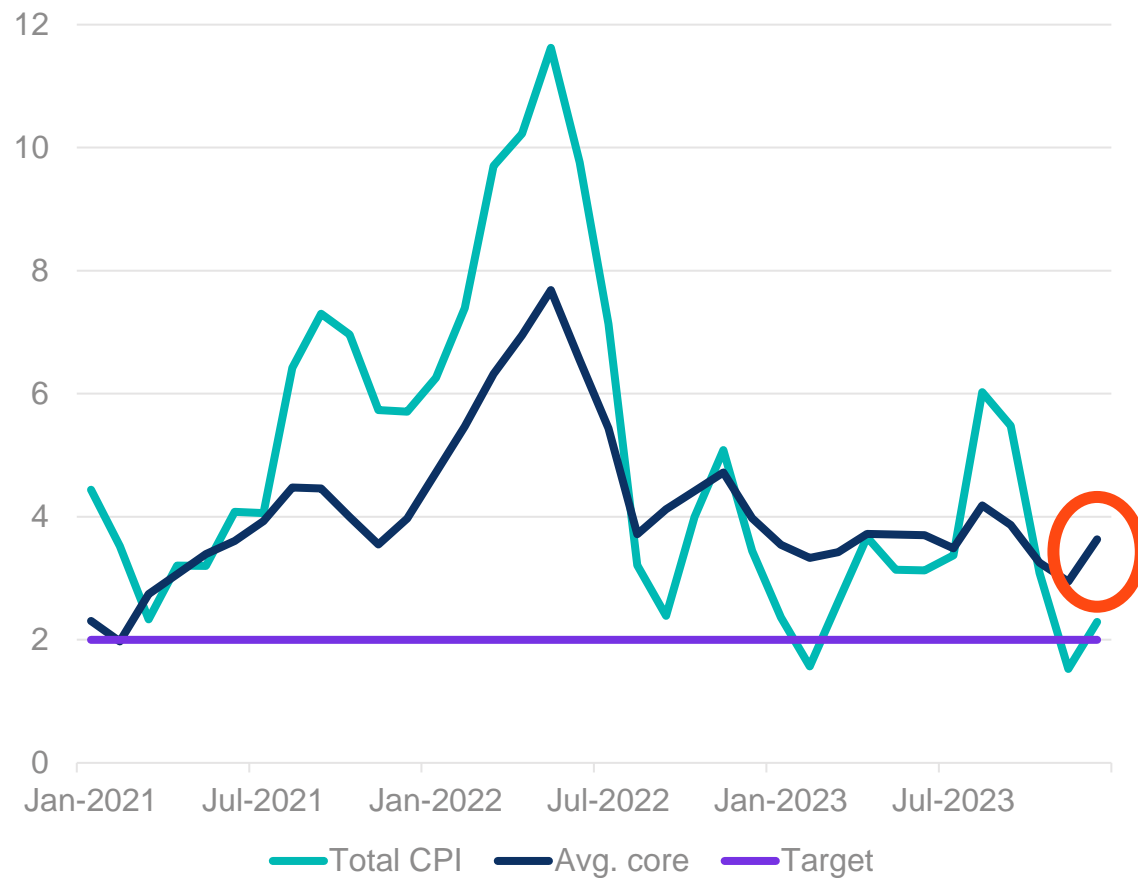


"Last mile" problem

Inflation
yr/yr % change



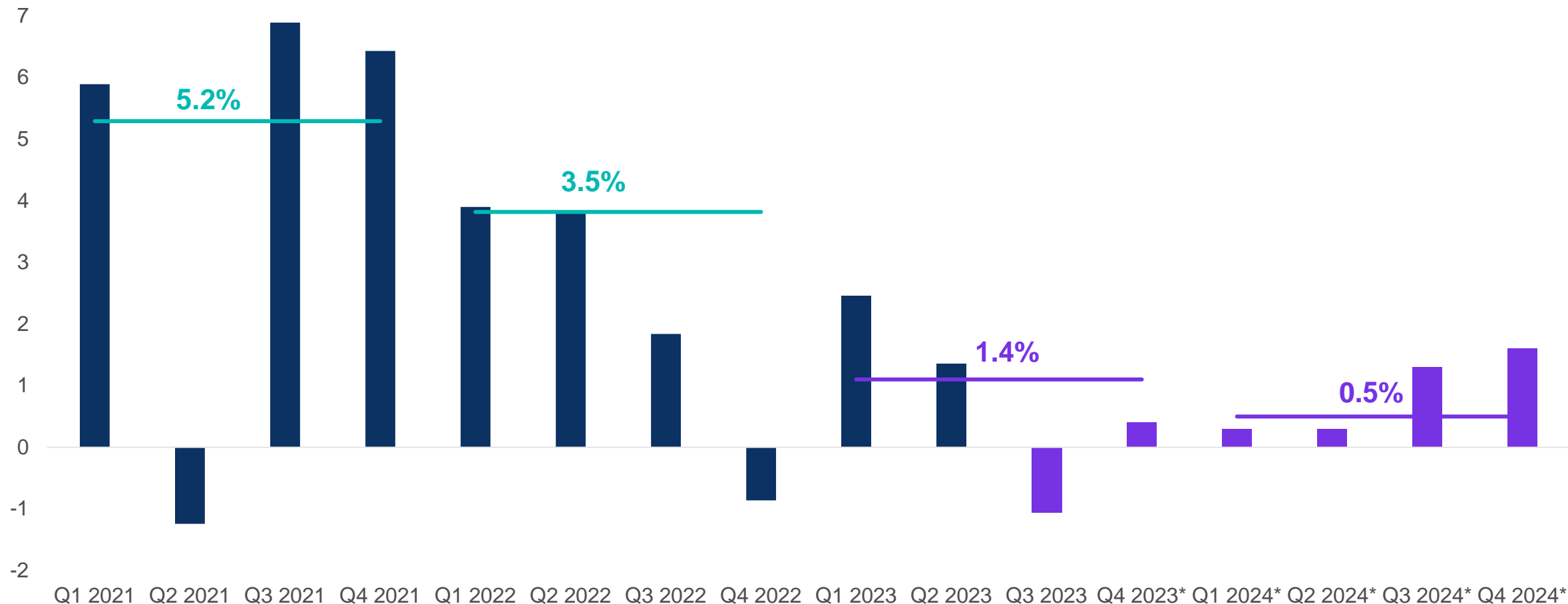
Inflation
3-month, saar



Growth slowing

Canadian real gross domestic product (GDP) growth

Chained 2012 dollars, annualized quarterly percent change

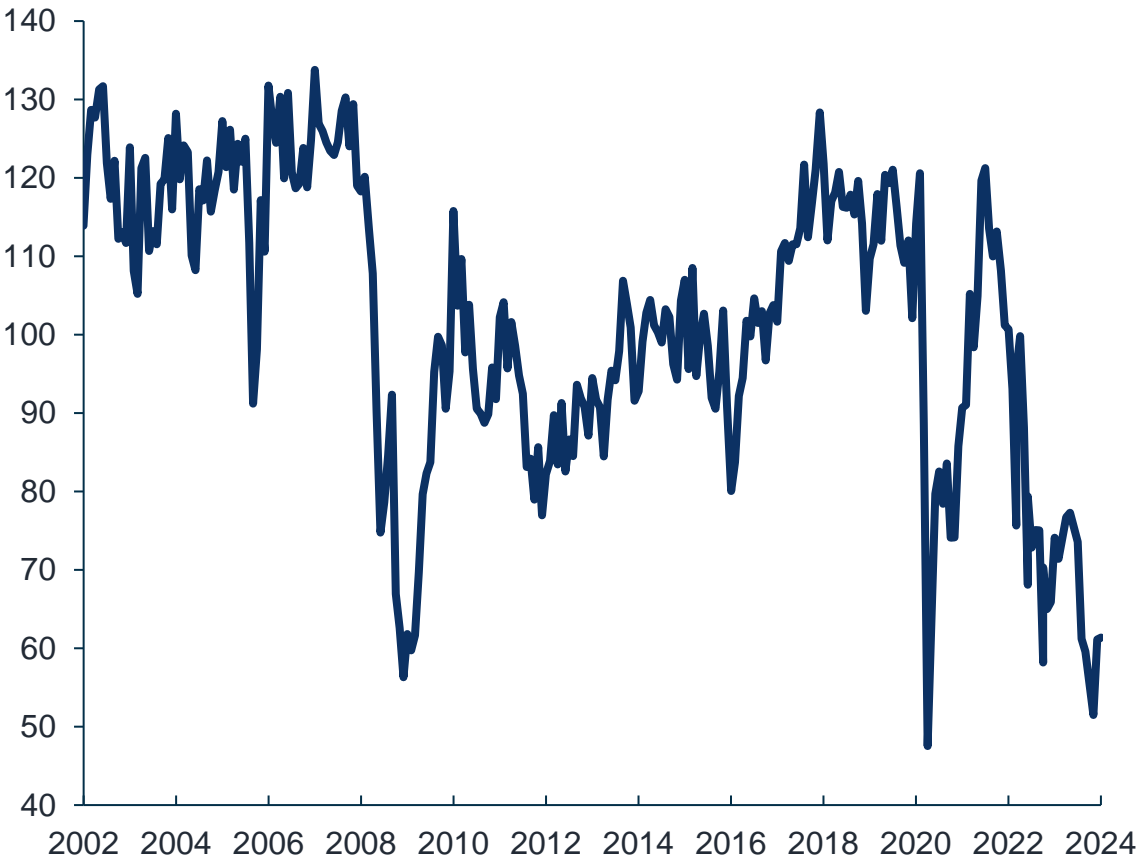


Note: * denotes current consensus forecast (Feb 2024).

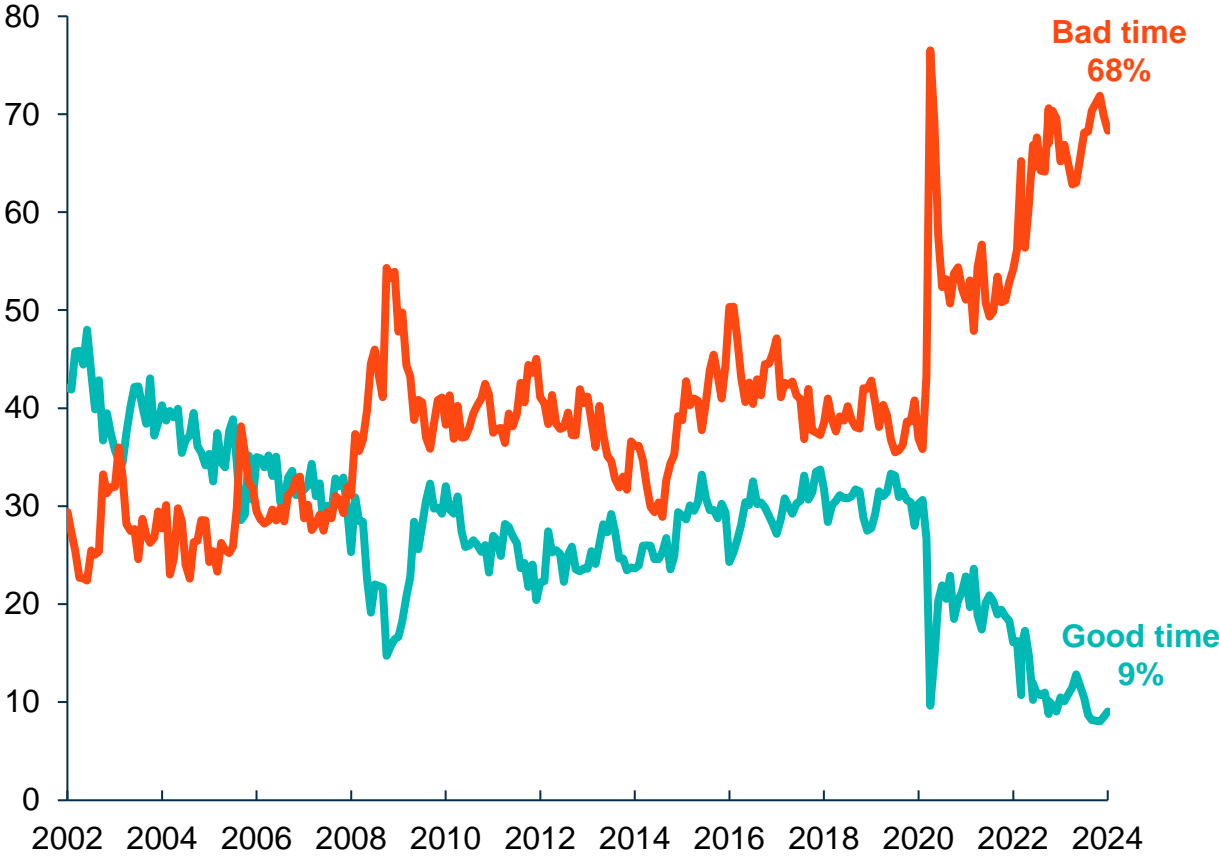
Sources: Business Data Lab analysis, based on Statistics Canada; Bloomberg.

Consumer confidence low

Canadian consumer confidence
Index, 2014=100



Canadian consumer confidence to make a major purchase
% of respondents



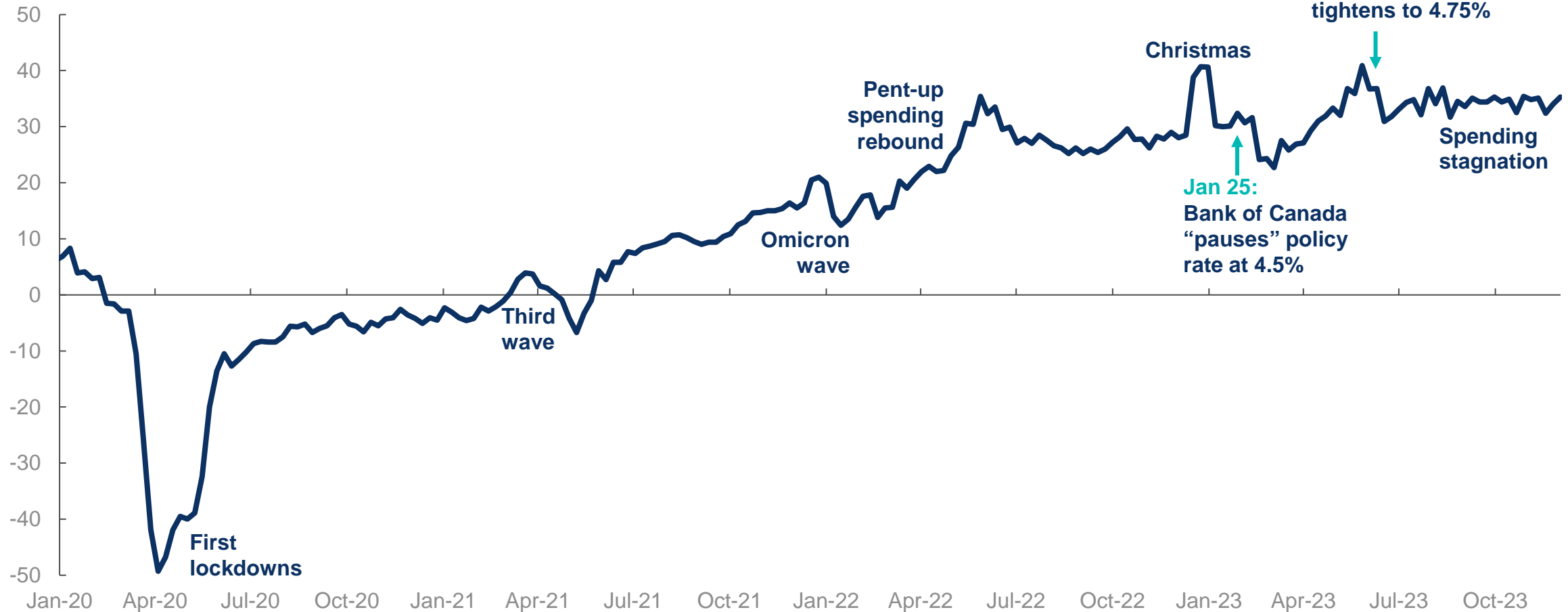
Source: Canadian Chamber of Commerce Business Data Lab calculations using Conference Board of Canada data.

Canadian Chamber of Commerce | Business Data Lab

Stagnant spending

Local Spending Tracker, Canada

Nominal spending, % change relative to February 2020



Note: Nominal data, seasonally adjusted, 3-week centered moving average.
Source: BDL Local Spending Tracker using Moneris data.

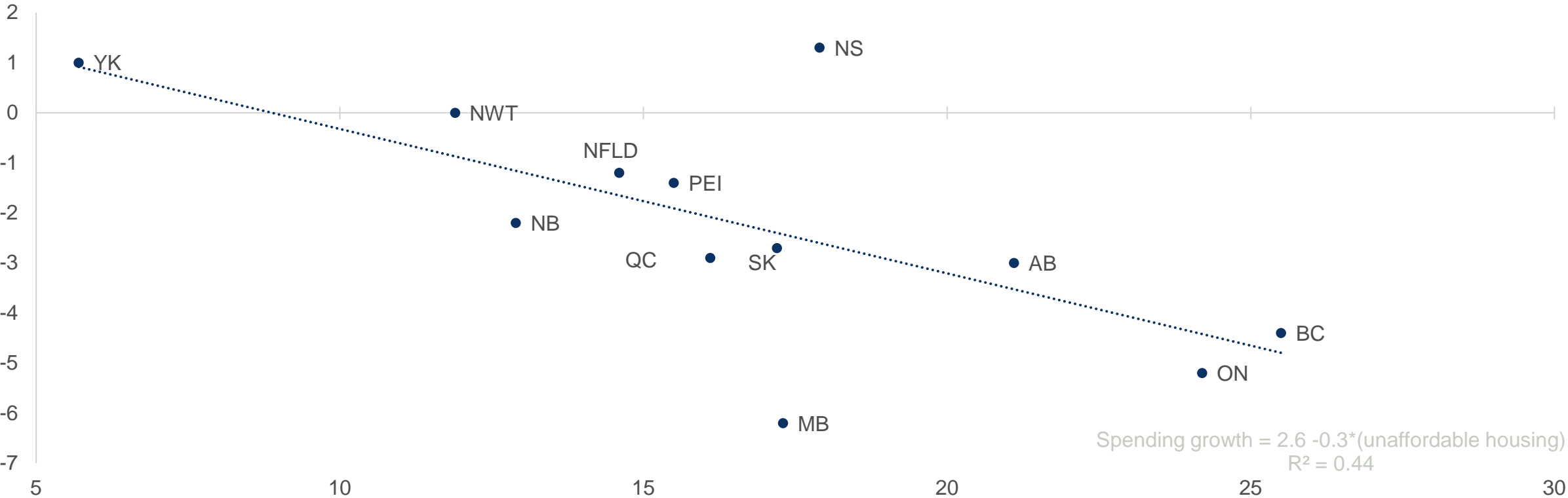
Canadian Chamber of Commerce | Business Data Lab



Consumers in more unaffordable housing markets cutting back more

Real consumer spending growth per person, October 2023

% change year-over-year



Unaffordable housing, provinces and territories

% of households spending more than 30% of their income on shelter, 2021



Source: Business Data Lab analysis, based on Statistics Canada census and Moneris data.

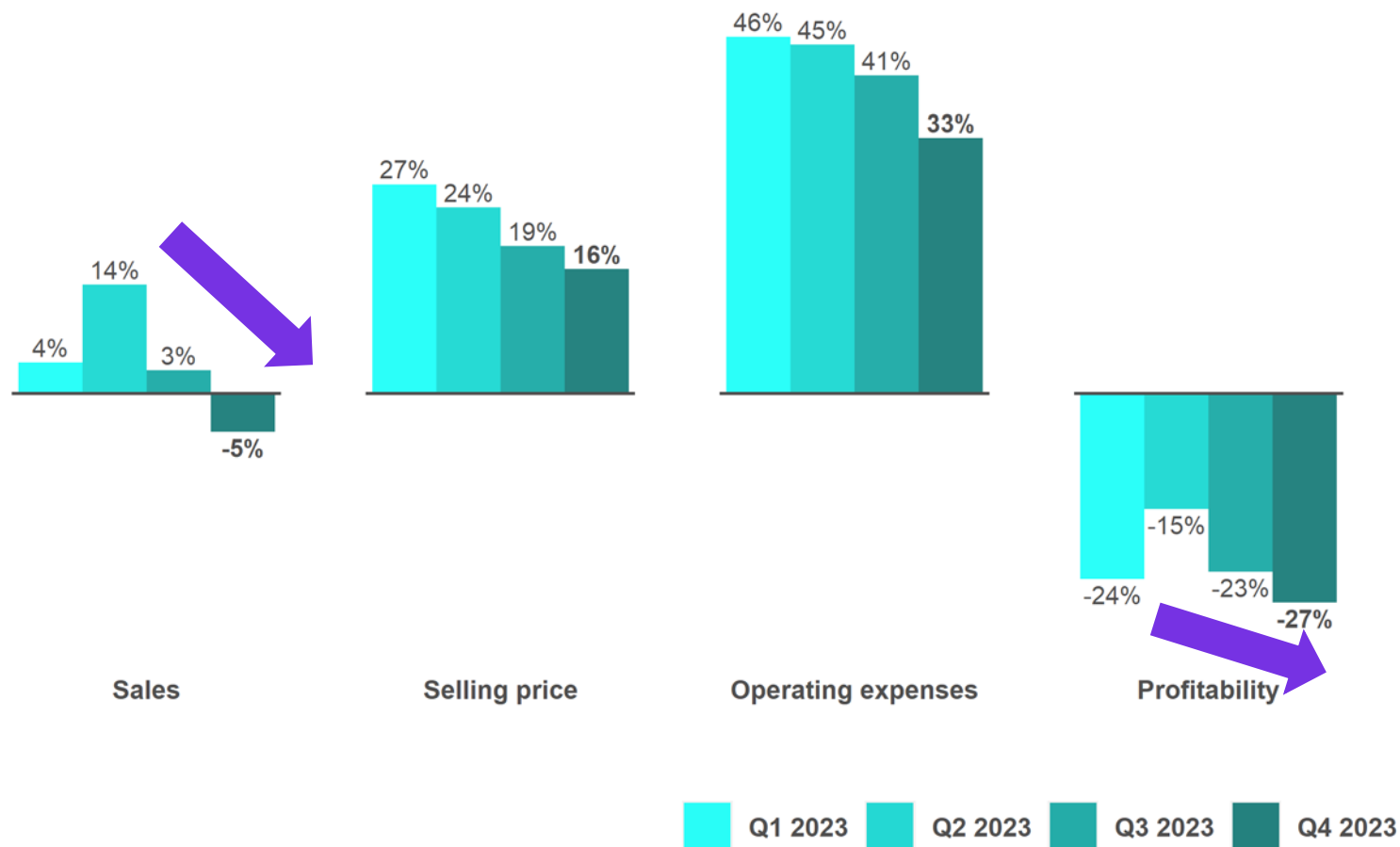
Canadian Chamber of Commerce | Business Data Lab



Businesses expect weak near-term sales, profits

Expected changes for your business, next three months

Balance of opinion*

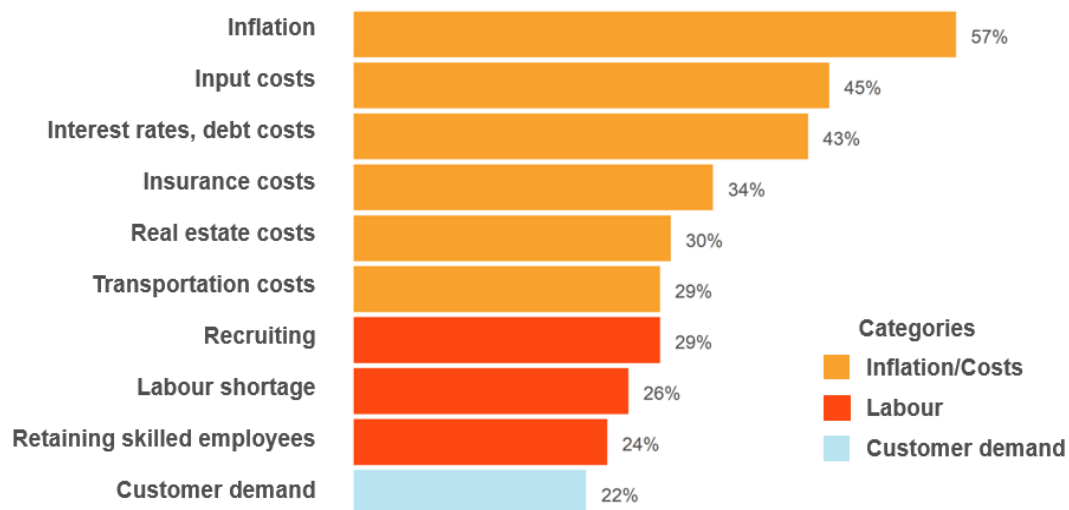


* % of respondents that answered "increase" less % that answered "decrease," by metric.

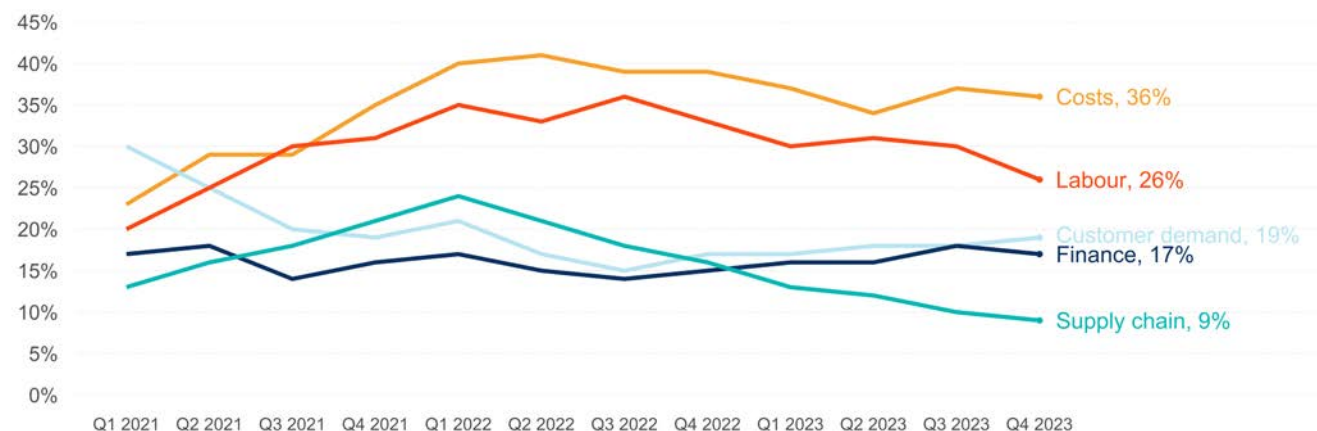
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.

Concerns about broad-based cost pressures

Top 10 business obstacles expected, next three months
% of respondents, 2023 Q4



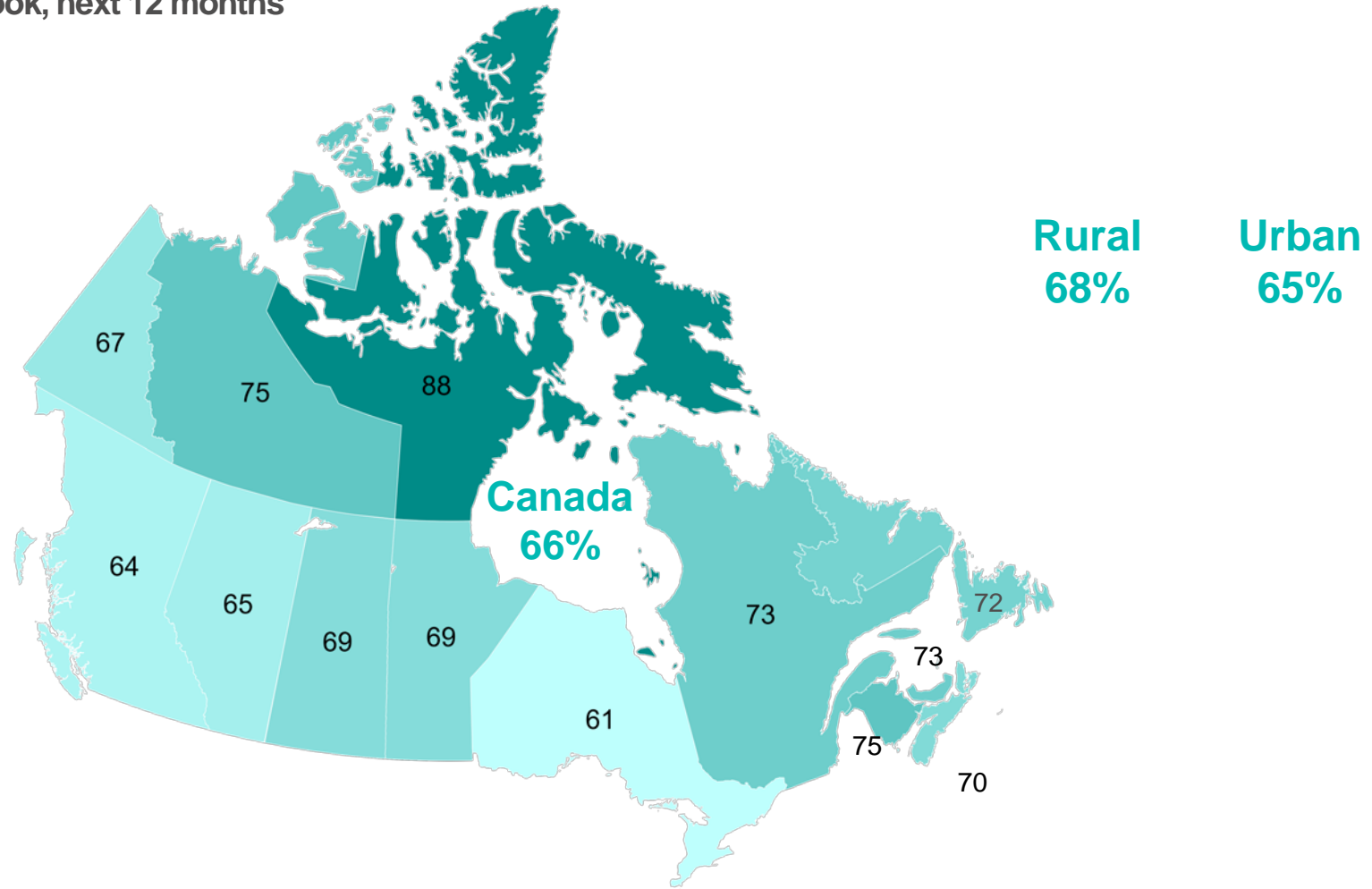
Business obstacles expected, next three months
% of respondents, grouped by category*



* Average response within categories, based on consistent options over surveys.
Source: Business Data Lab analysis, based on Statistics Canada, Canadian Survey on Business Conditions.

Business optimism lowest in ON, BC, AB

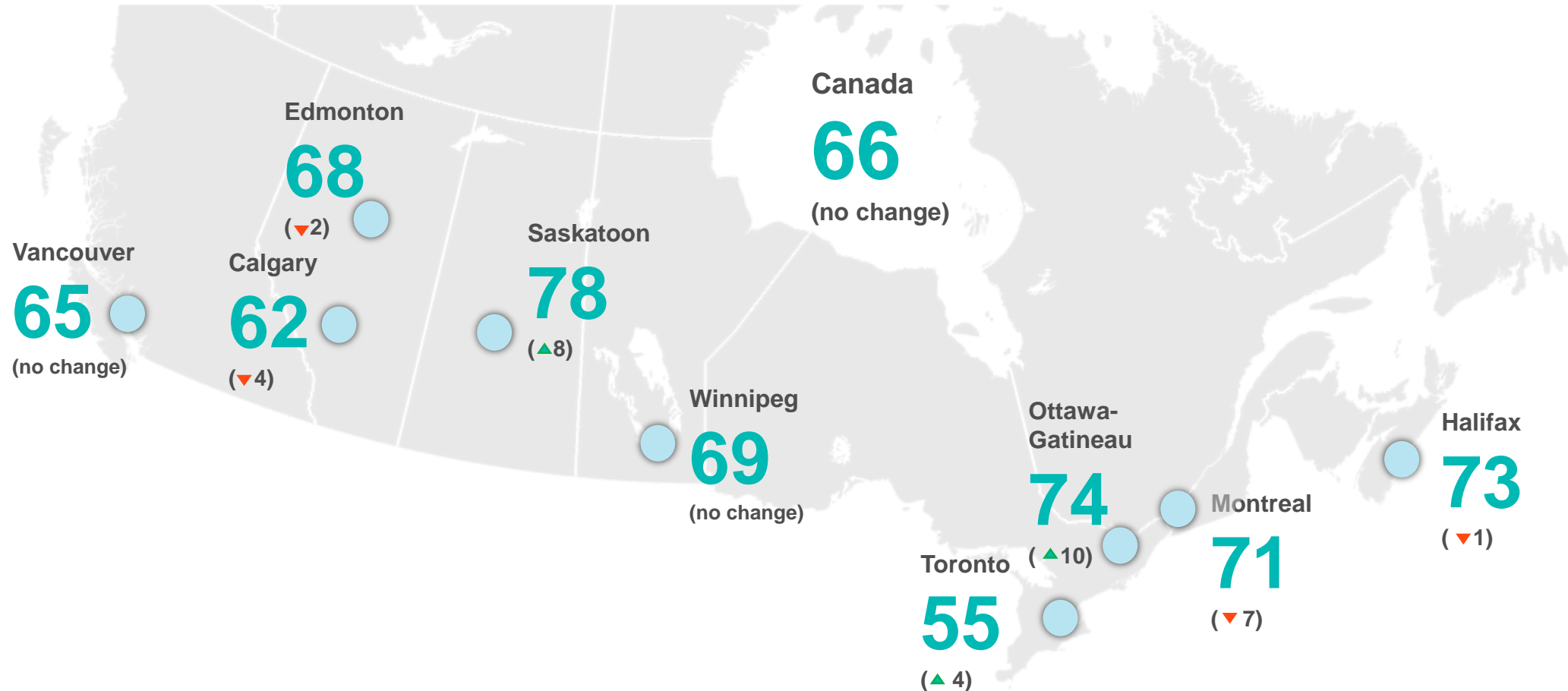
Businesses with an optimistic outlook, next 12 months
% of respondents



Weakness in Toronto, Vancouver, Calgary

Businesses with an optimistic outlook, next 12 months

% of respondents, for by major cities, change relative to last survey in parenthesis

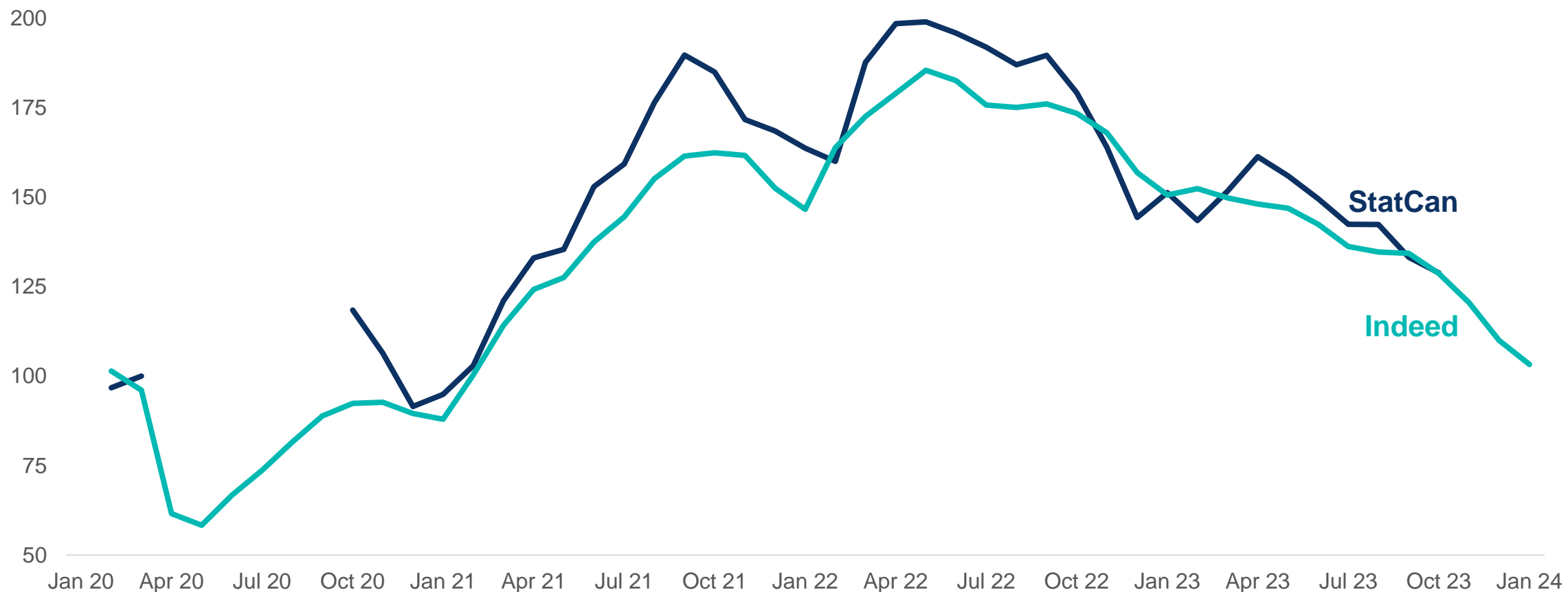




Labour demand falling...

Job vacancies and online job postings

Indexed to Feb 2020, monthly



Sources: Indeed Hiring Labs; Statistics Canada Job Vacancy and Wage Survey.

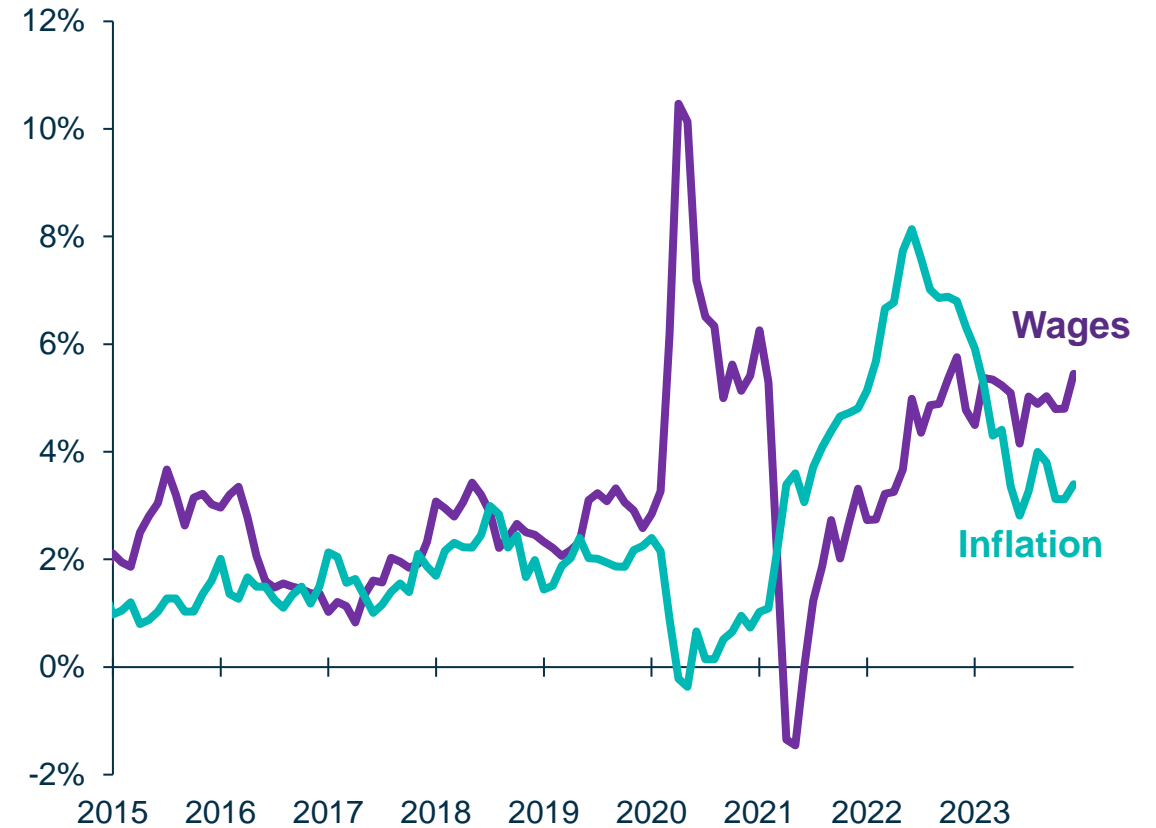


Labour market easing, but wage pressure continues

Unemployment rate
%



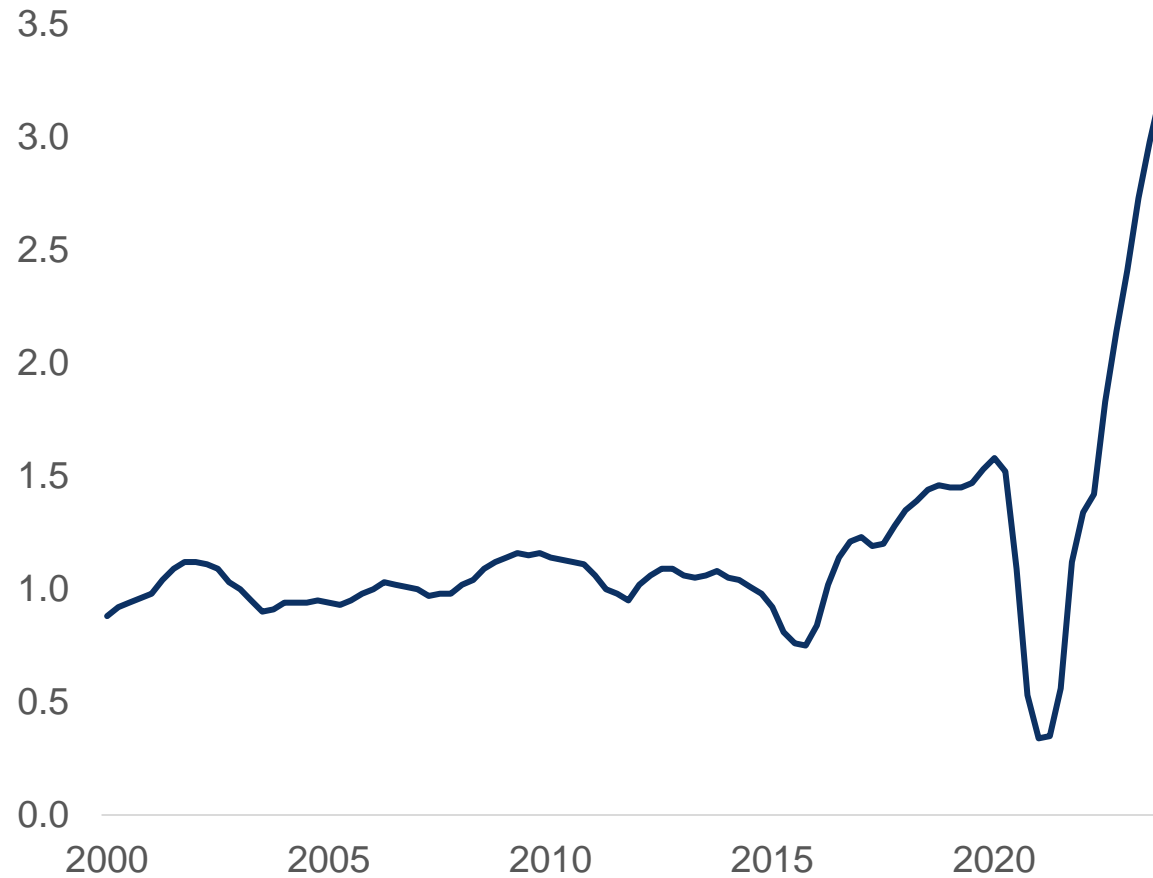
Wage and inflation
% change, year-over-year



Historically strong immigration to Canada

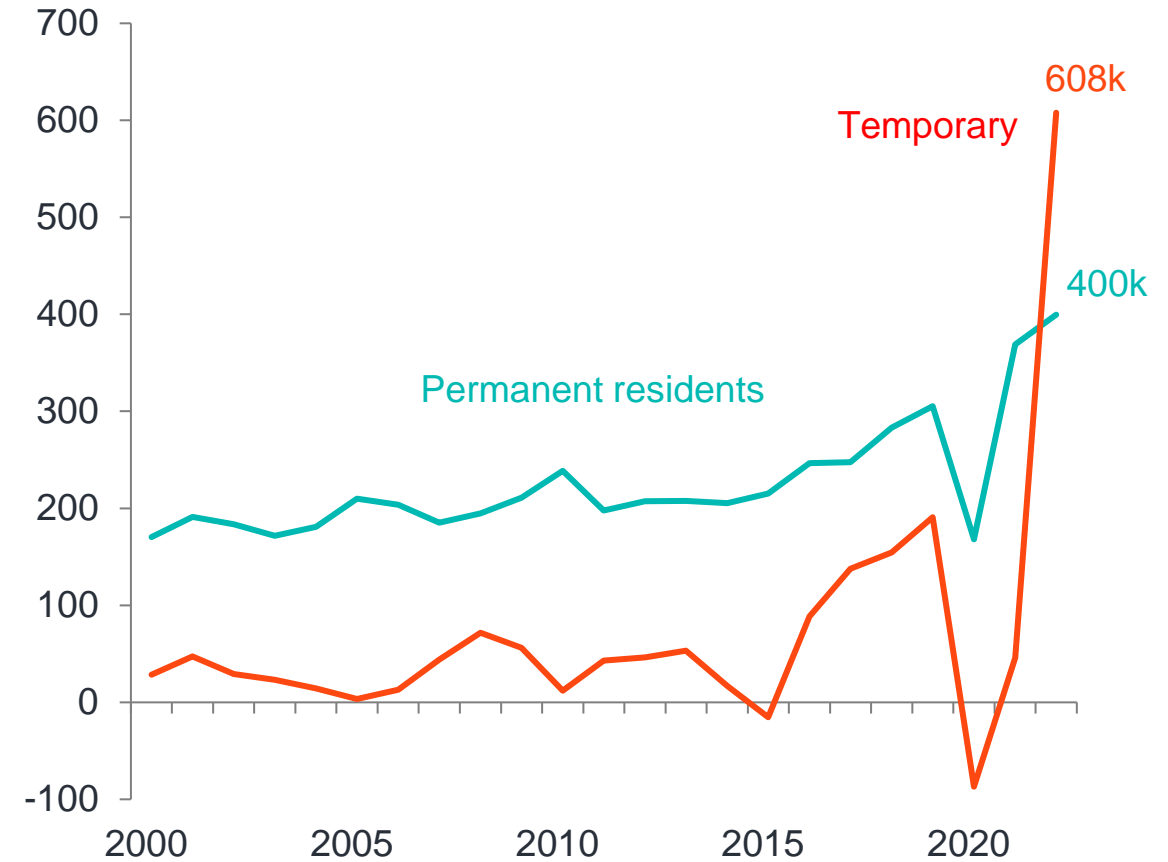
Population Growth

% change, quarterly data



Net Annual Immigration to Canada

Thousands

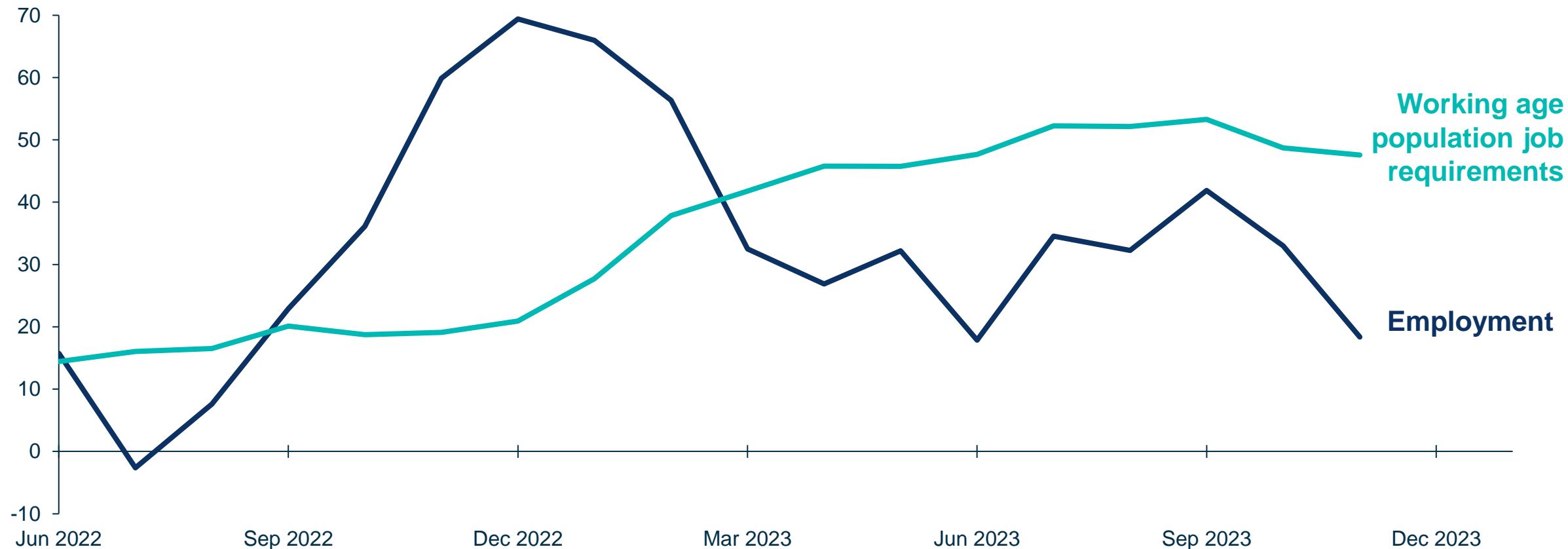




...job growth not keeping pace with population

Canadian employment and working age population growth

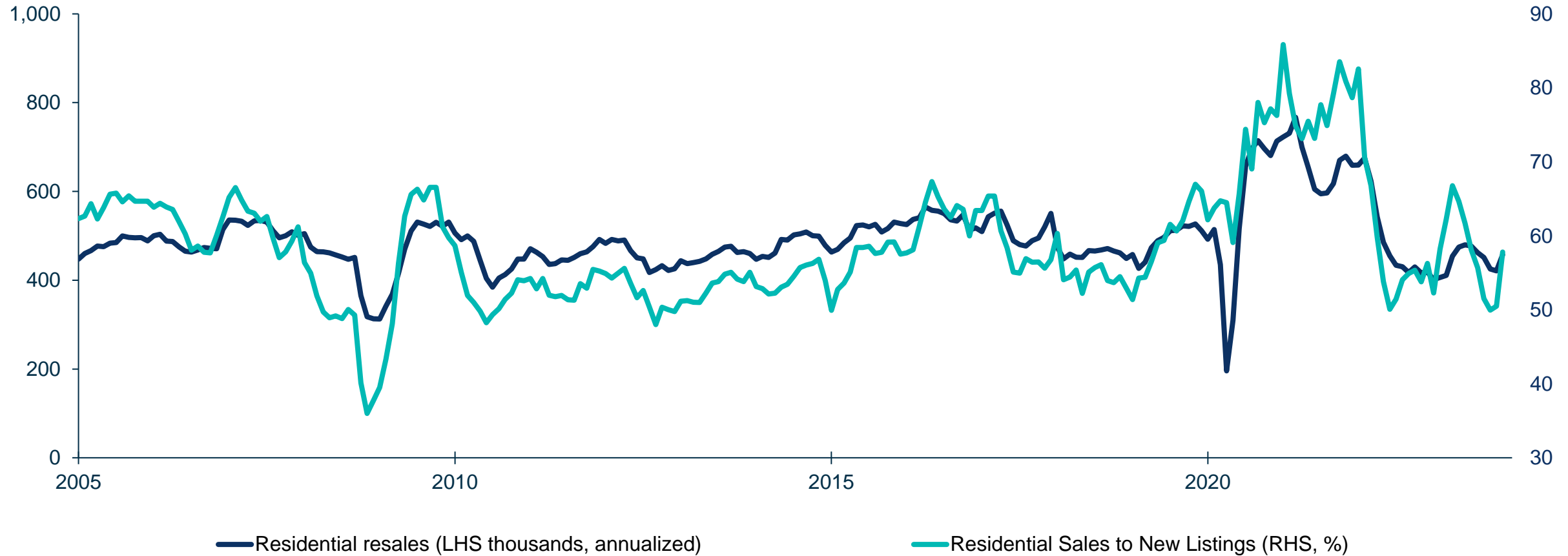
Monthly net change, 3-month centered moving average





Housing cooled after rate hikes, could heat up with rate cuts

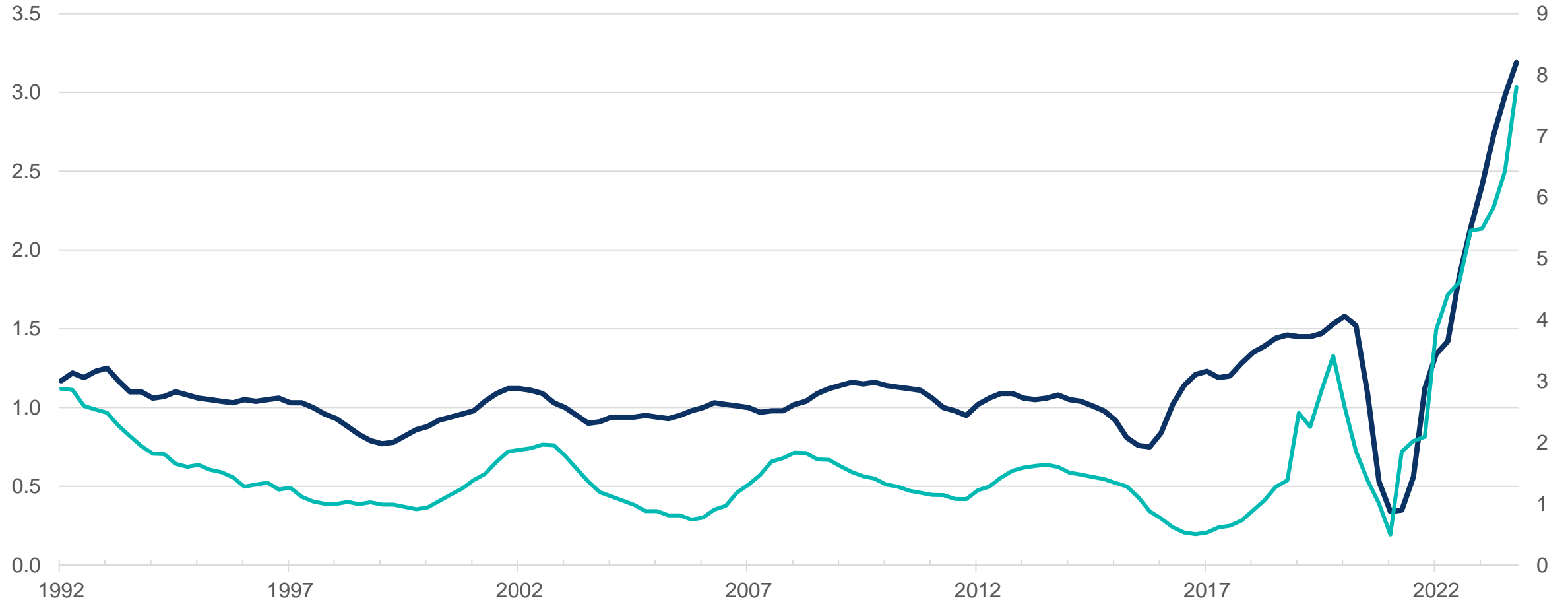
Resales, sales-to-new listings, Canada



Population surge pushing up rents

Population growth
% year-over-year

Rent price growth
% year-over-year



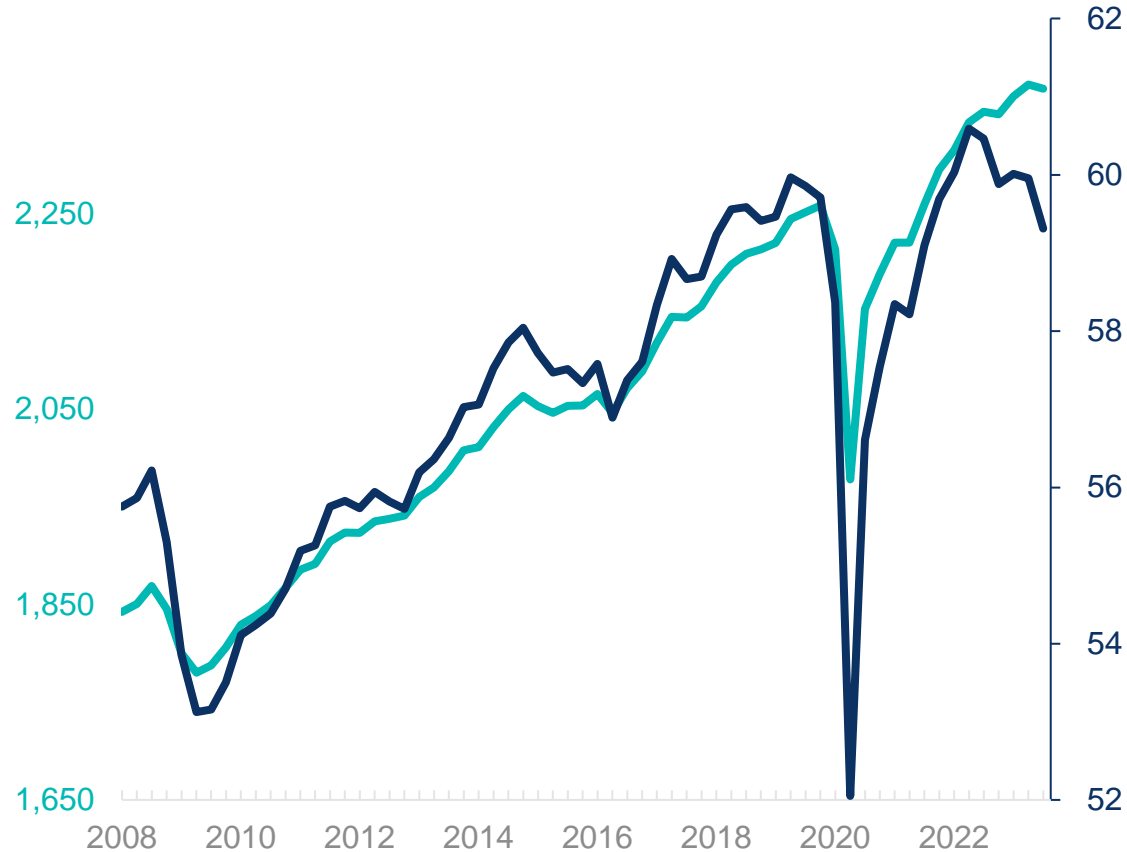
Source: Bank of Canada Monetary Policy Report (January 2024).



Canada's economy growing in nominal terms, but real GDP per person same as in 2018 and \$29,000 below U.S.

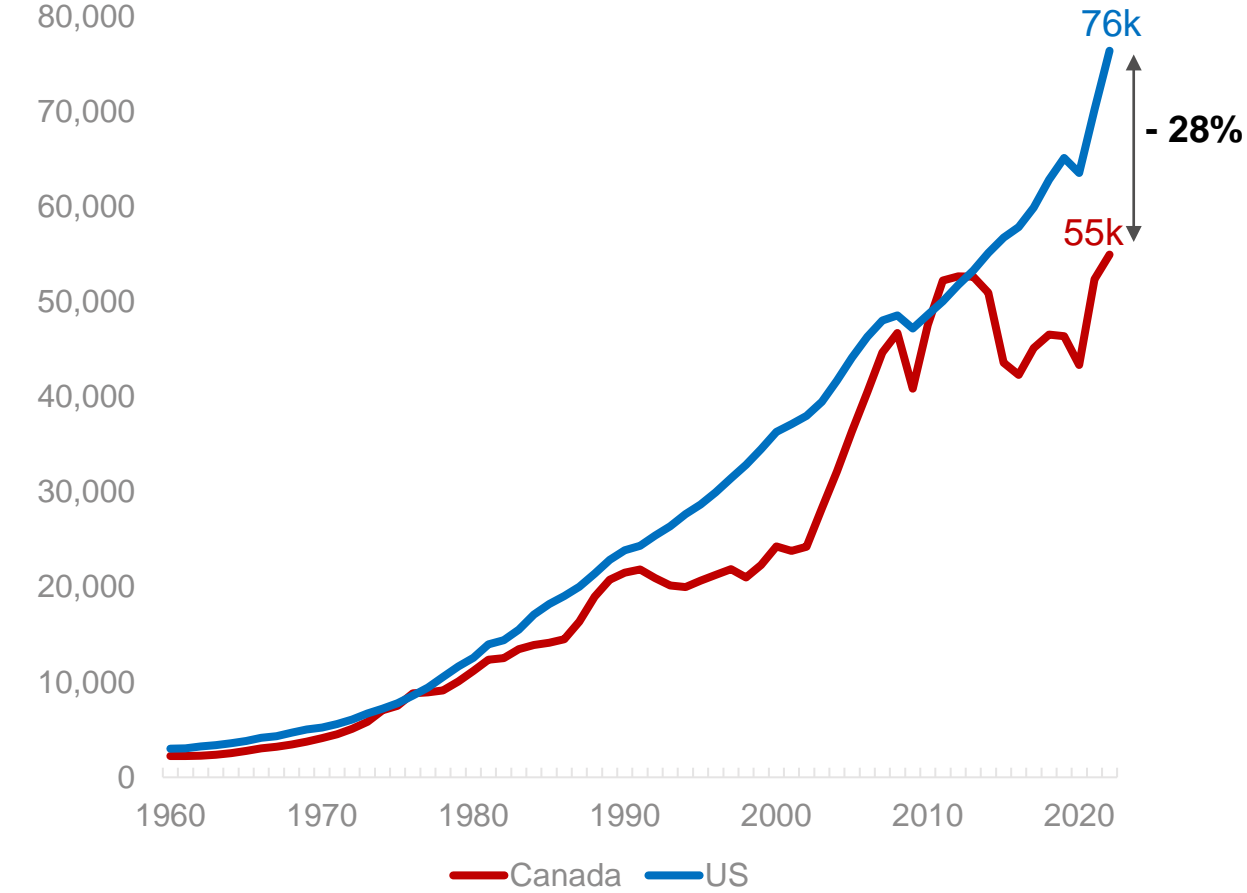
Canadian GDP

Billions of constant 2012 Canadian dollars



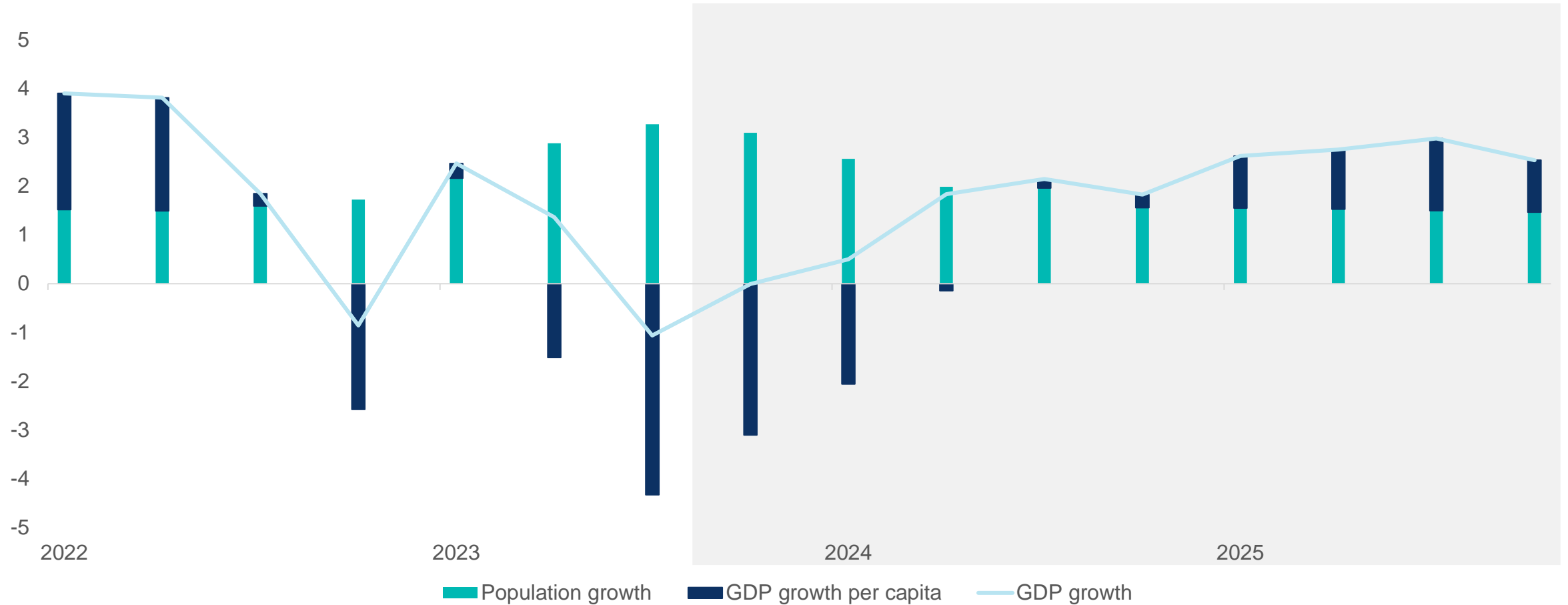
Real GDP per person

Current US dollars



Real GDP per capita to fall further over next year

Contributions to real GDP growth
quarterly, % change annualized



Note: Shaded area indicates forecast.
Source: Bank of Canada, Monetary Policy Report, January 2024.



Government should pursue low-cost options to attract investment and stimulate growth

Policy constraints



Monetary
(inflation)

Fiscal
(debt)

Ease business burden

- Faster big project approvals; add “economic competitiveness” mandate
- Reduce interprovincial trade barriers
- Tax reform (simpler, fairer)

Ensure reliable supply chains

- Long-term trade-enhancing infrastructure investments
- New labour dispute resolution tools

Facilitate net-zero transition

Attract and retain talent

- Strategic, skills-based immigration aligned with business/regional needs
- Foreign credential recognition

Things to watch in 2024

Bad news base case: Weak choppy growth ahead (<1%), consumers pulling back discretionary spend; unemployment rising (~6.5%); slow disinflation (~2.5% by year's end).

- Weakness concentrated in ON, BC, AB
- Affordability/cost concerns persist: About prices (too high) AND incomes (too low)
→ growth focus, encourage investment

Good news: Rates to fall this year (if SR core <3% for 3 months), but end of cheap money

- Business: Insolvencies creeping up, mostly COVID catch-up so far
- Labour: If layoffs don't spike, we should get through a slow patch

→ 2024 should end better than it started

Local Spending Tracker

5th of 21 cities

Timeseries

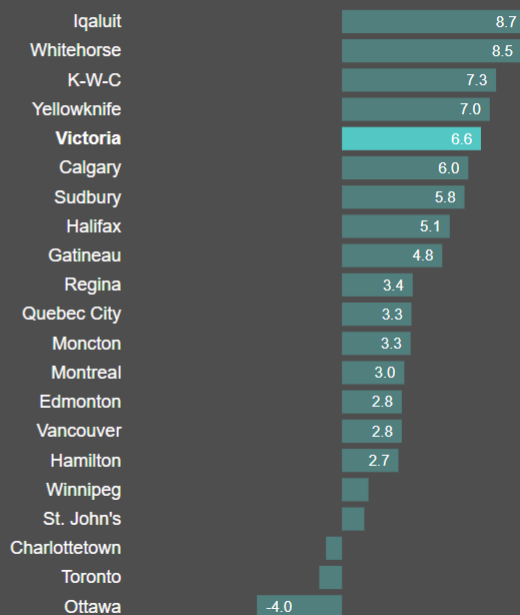
Year-over-year, % change

● Victoria
● Canada



Latest Rankings

Year-over-year, % change as of December 2023
Select a region below to see the timeseries.



Business Conditions Terminal

Active Businesses ⓘ

Oct 2023

11.2K

Active businesses

▼ 0.2%
from prior year

Openings ⓘ

Oct 2023

451

Opening businesses

▼ 2.0%
from prior year

Closings ⓘ

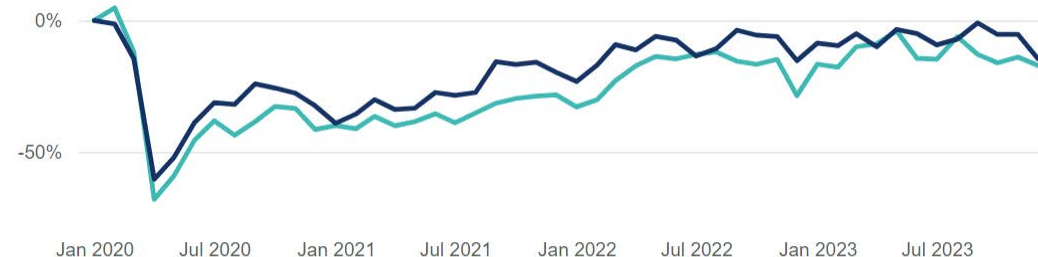
Oct 2023

467

Closing businesses

▼ 5.7%
from prior year

Workplace Mobility Tracker



● Victoria, British Columbia (Downtown)

● Canada

Compare to

Canada

244.5K

Labour force



234.4K

Total employed



▲ **0.5%**
from prior month

▲ **8.6%**
from prior year

10.2K

Total unemployed



63.8%

Employment rate



4.2%

Unemployment rate



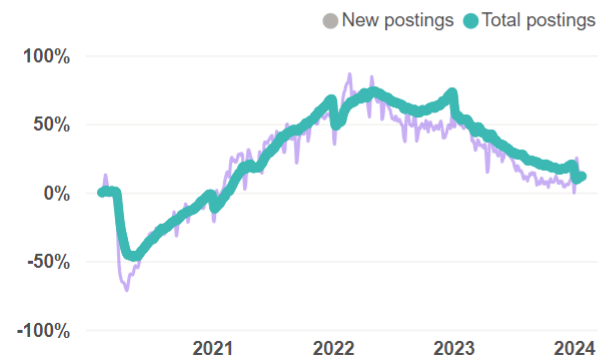
▲ **0.1%**
percentage points from prior month

▲ **0.9%**
percentage points from prior year

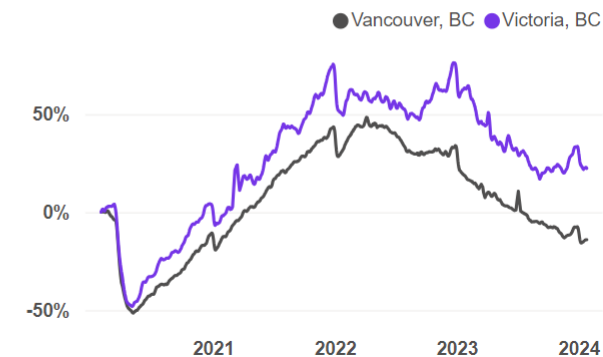
Job Vacancies

Change relative to Feb 1, 2020: Daily, Jan 26, 2024

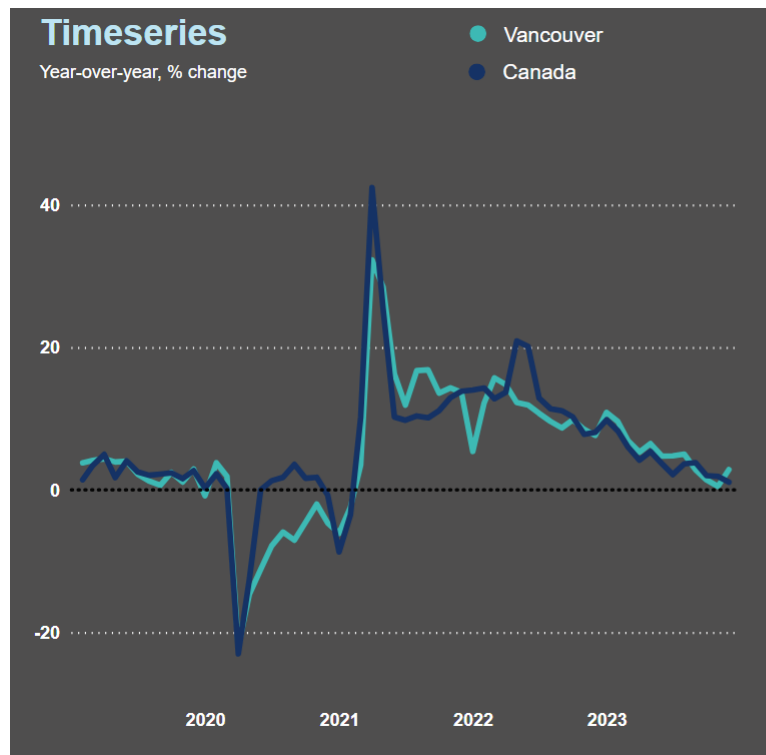
Total Canadian job postings on Indeed Hiring Lab



Provincial and city total job postings



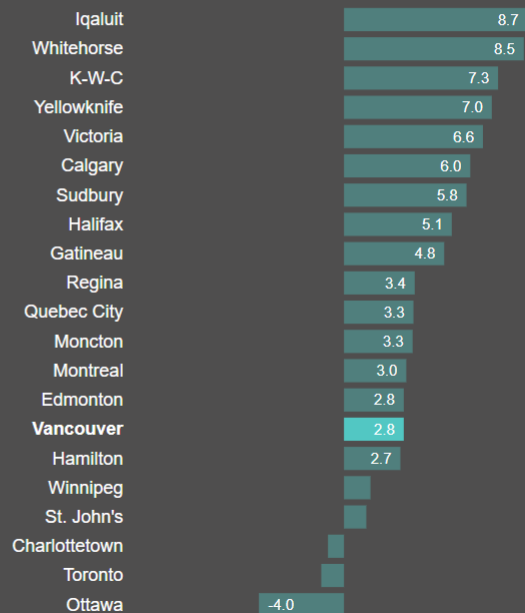
Local Spending Tracker



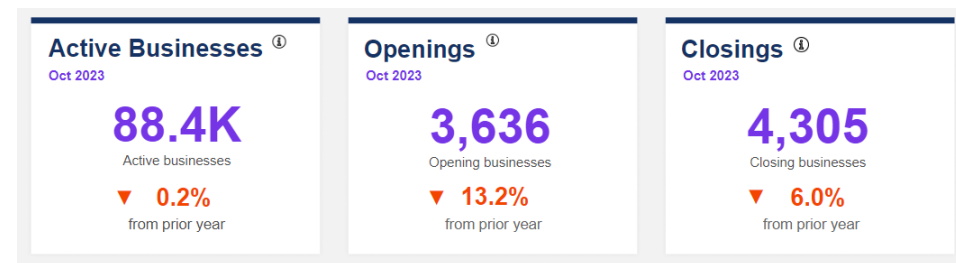
15th of 21 cities

Latest Rankings

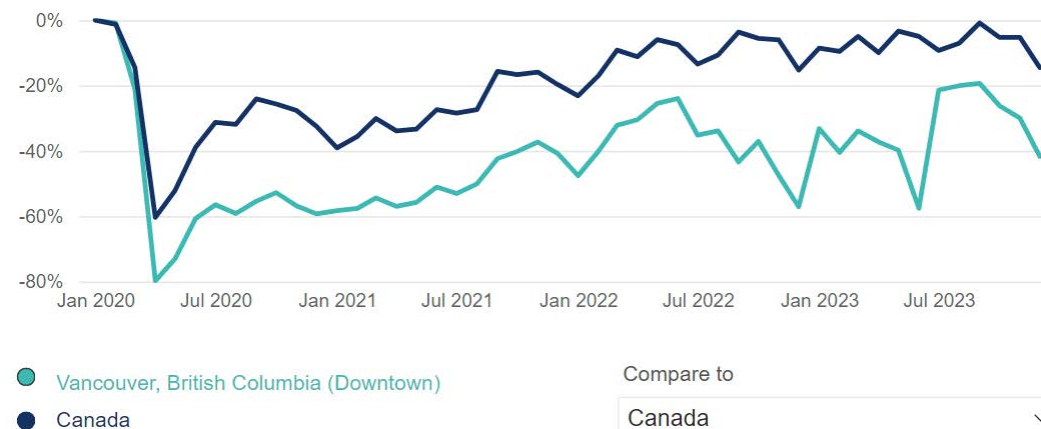
Year-over-year, % change as of December 2023
Select a region below to see the timeseries.



Business Conditions Terminal



Workplace Mobility Tracker



Labour, All Industries: 3-Month Moving Average

Monthly, Dec 2023

Vancouver, British Columbia

1.7M

Labour force

1.6M

Total employed

▲ **0.3%**

from prior month

▲ **4.1%**

from prior year

101.5K

Total unemployed

65.1%

Employment rate

5.9%

Unemployment rate

▲ **0.0%**

percentage points from prior month

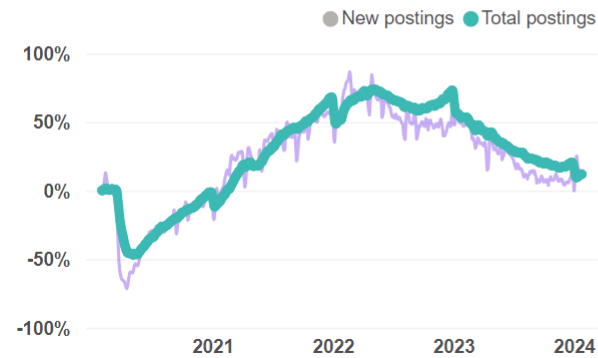
▲ **1.2%**

percentage points from prior year

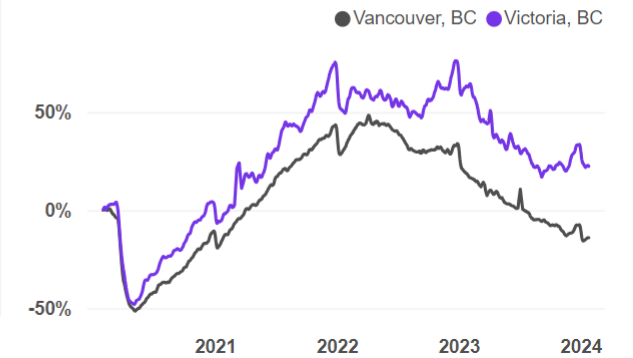
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Provincial and city total job postings





Gain More Insight with free tools from the Canadian Chamber of Commerce Business Data Lab

Business Conditions Terminal

A premier analytics platform for monitoring business conditions and trends



Local Spending Tracker

Track consumer spending patterns across Canada



CSBC Reports

In-depth analysis of Canadian business conditions



Survey Insights Generator

Interactive tool to explore and customize CSBC data



Workplace Mobility Dashboard

Track workplace mobility trends across Canada





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