



# Canada in the midst of a soft landing

Pierre Cl  roux

Chief Economist and Vice President, Research, BDC

# Agenda



1. Canada's economic outlook
2. Ontario's economic outlook
3. Key trends shaping the future for Canadian businesses

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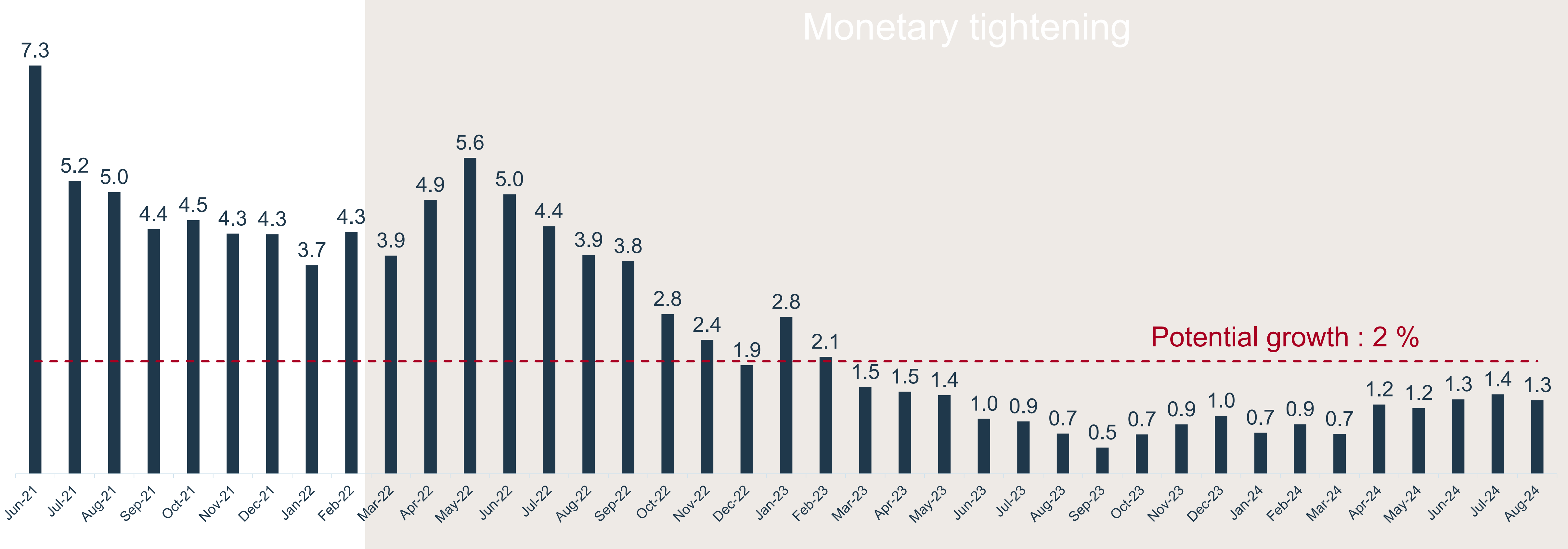


# Canada's economic outlook

# The Canadian economy has slowed down



## Real GDP growth, monthly, (%), Canada

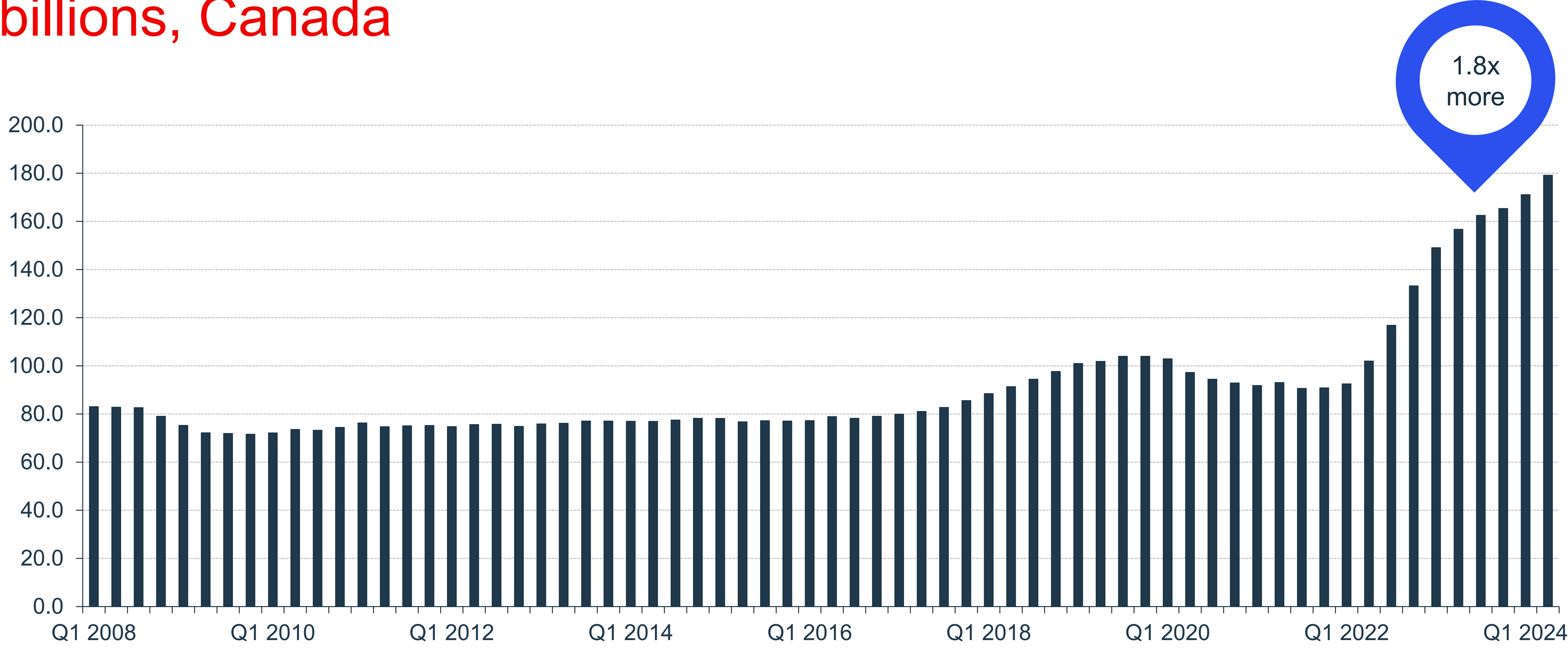


Sources: Statistics Canada via Haver Analytics, BDC.

# Canadians pay \$77 billions more on interest since 2023



Interest rate payments, quarterly, seasonally adjusted data, in \$ billions, Canada

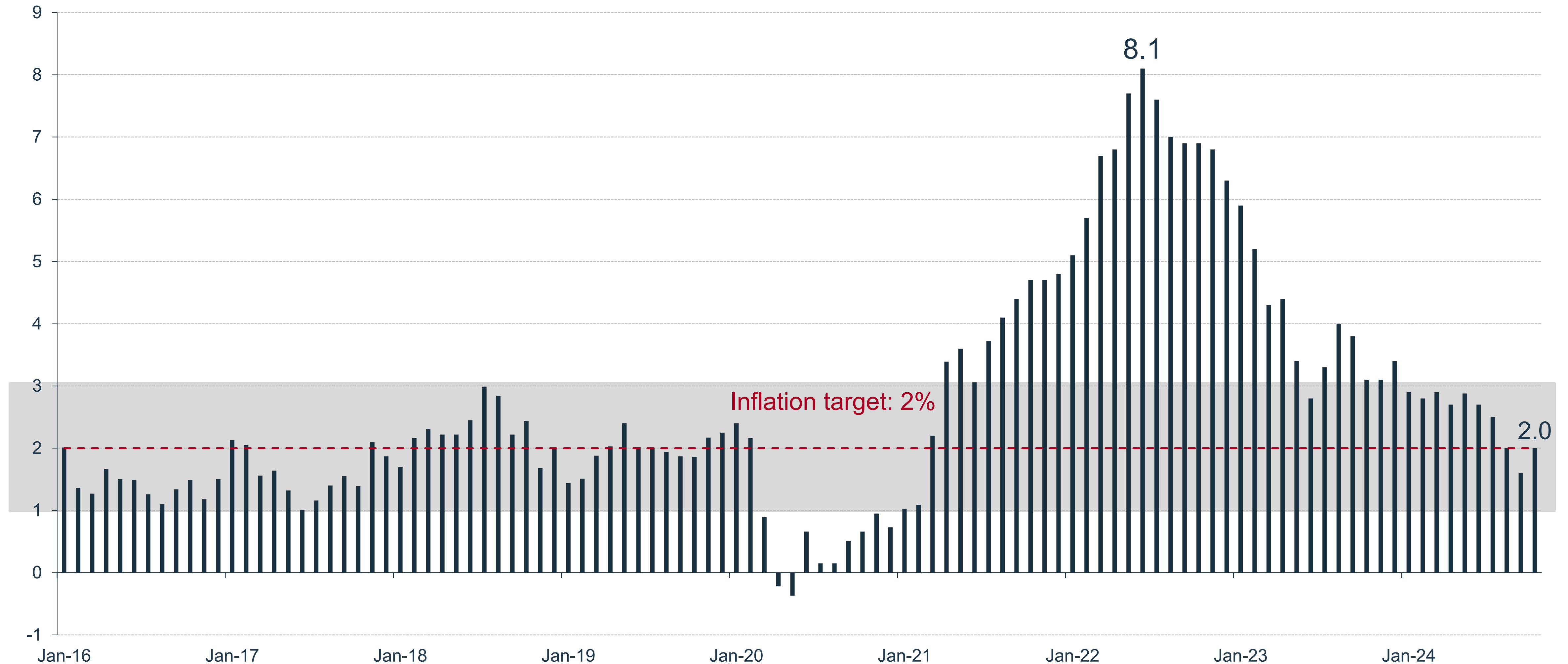


Sources: Statistics Canada, BDC.

# Inflation is well in-hand



## Consumer price index, year-over-year growth (%), Canada

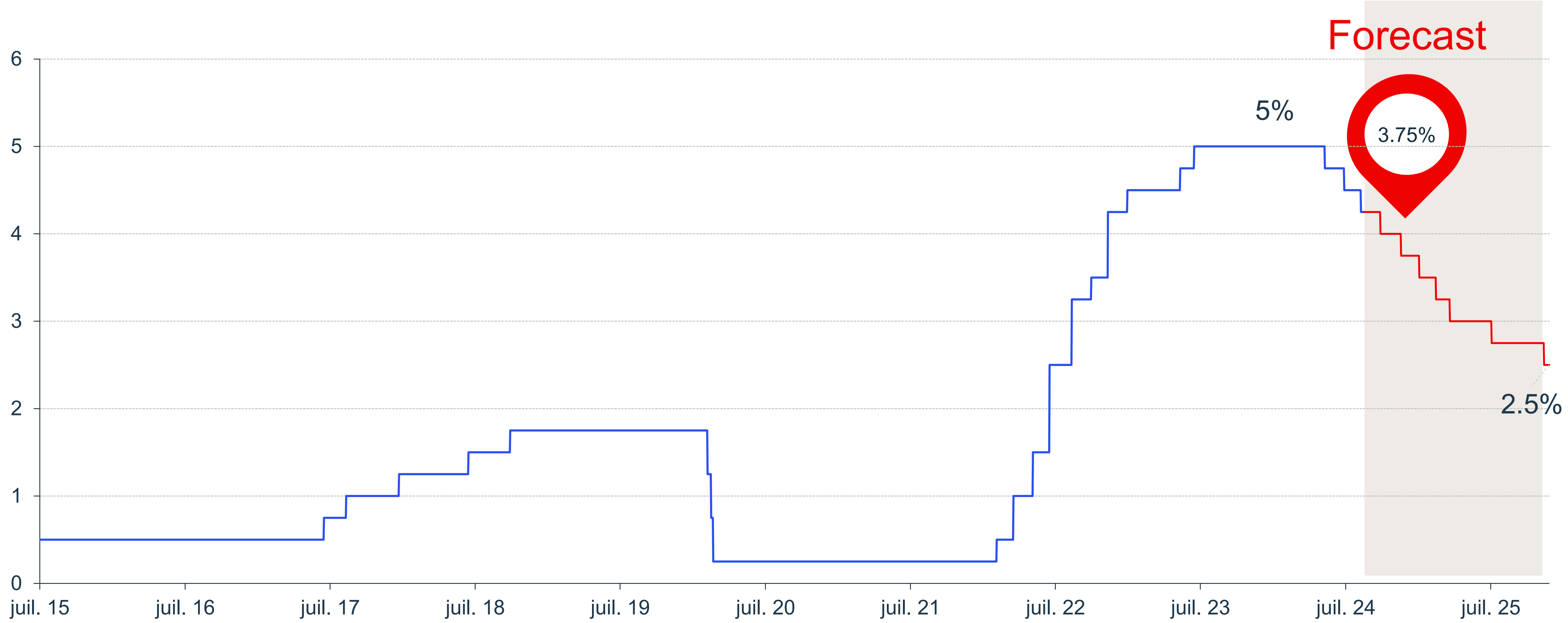


Sources: Statistics Canada via Haver Analytics, BDC.

# The pace of the cuts should accelerate



## Policy rate (%), Canada

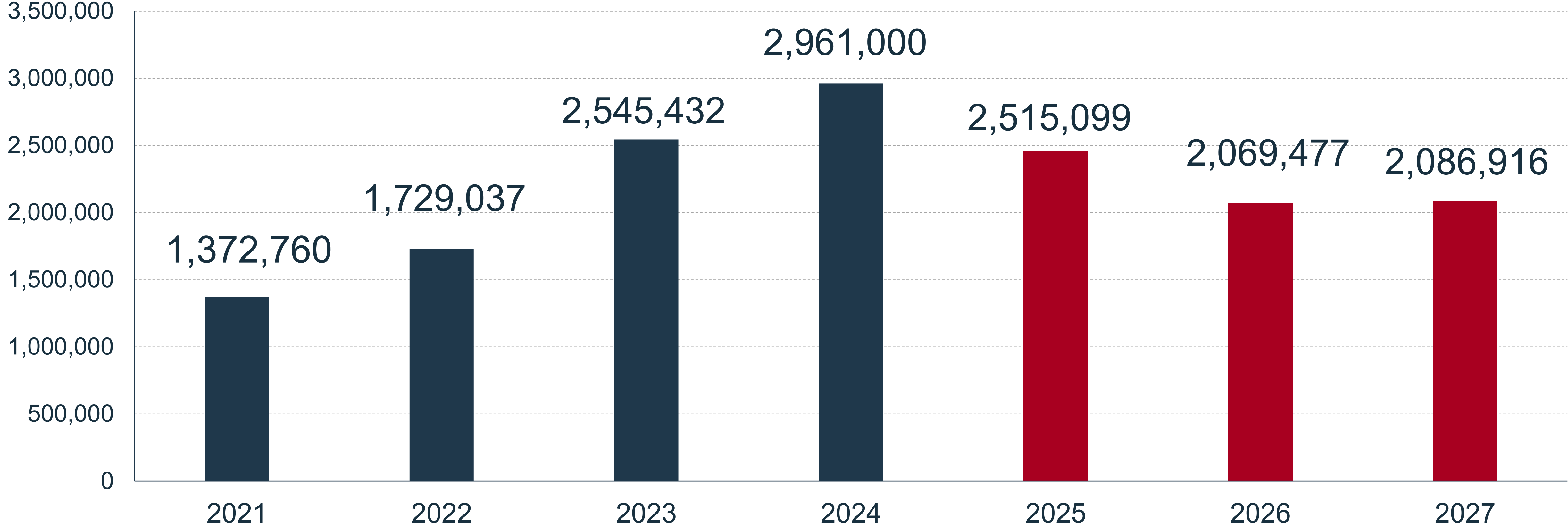


Sources: Bank of Canada, BDC.

# New target for immigration

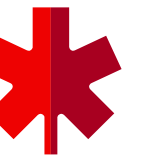


## Population of Non-permanent Residents

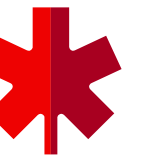


Source: Statistics Canada and Immigration, Refugees and Citizenship Canada, October 16, 2024. 2024, 2025, 2026 and 2027 are estimates.

# Trump's agenda



- **Tax Cuts:** Extension of tax cuts from the 2017 Tax Cuts and Jobs Act.
- **Tariffs:**
  - 60% on Chinese imports.
  - 10-20% on imports from all countries.
- **Regulatory Rollbacks:**
  - Rollbacks especially on energy and manufacturing.
  - Freeze on climate-related regulations.
- **Social Security and Benefits:**
  - Elimination of taxes on tips and Social Security benefits for workers in service industries.

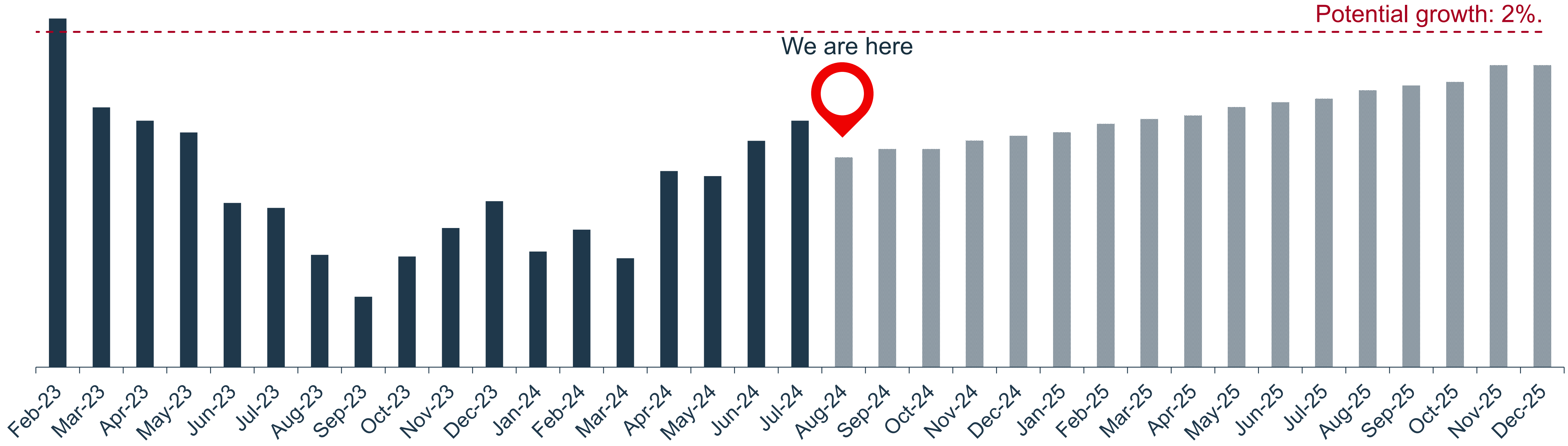


What should  
we expect  
in the next 12  
months?

# Lower rates will boost the economy, but recovery will be slow



## Real GDP growth, monthly, (%), Canada

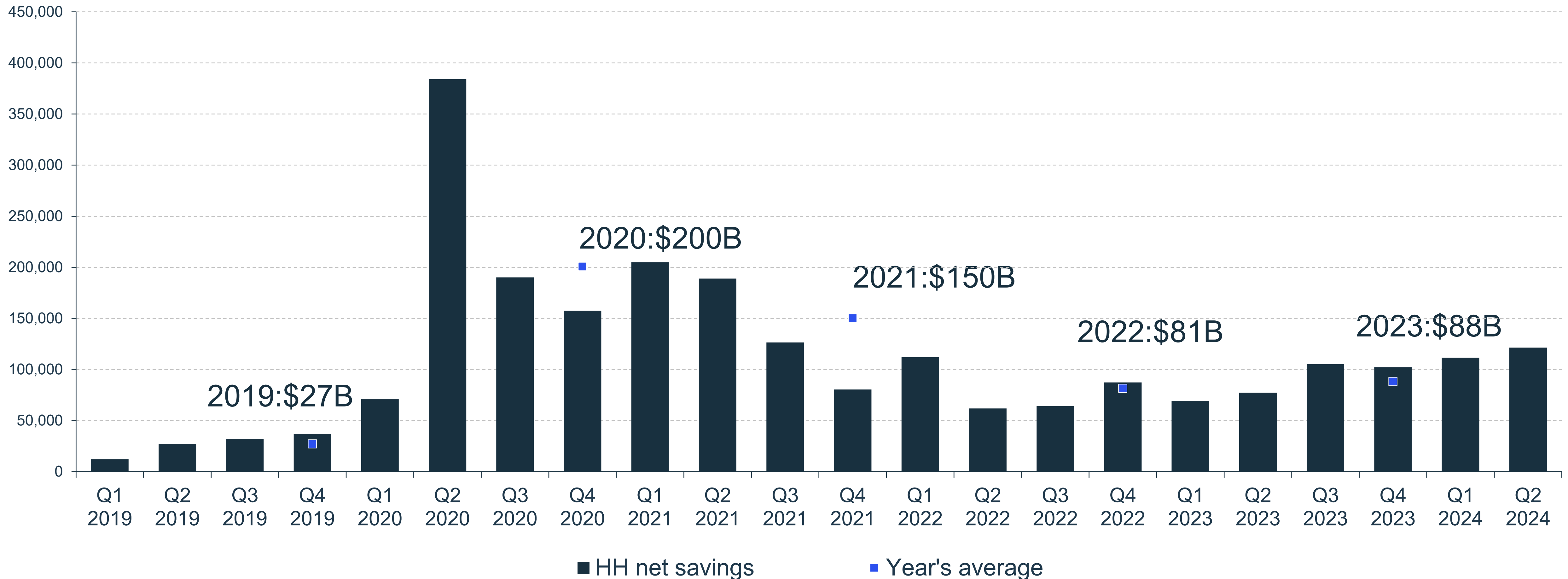


Sources: Statistics Canada, BDC.

# Households' savings remain relatively high



Households' net savings, seasonally adjusted at annual rates, in \$billions

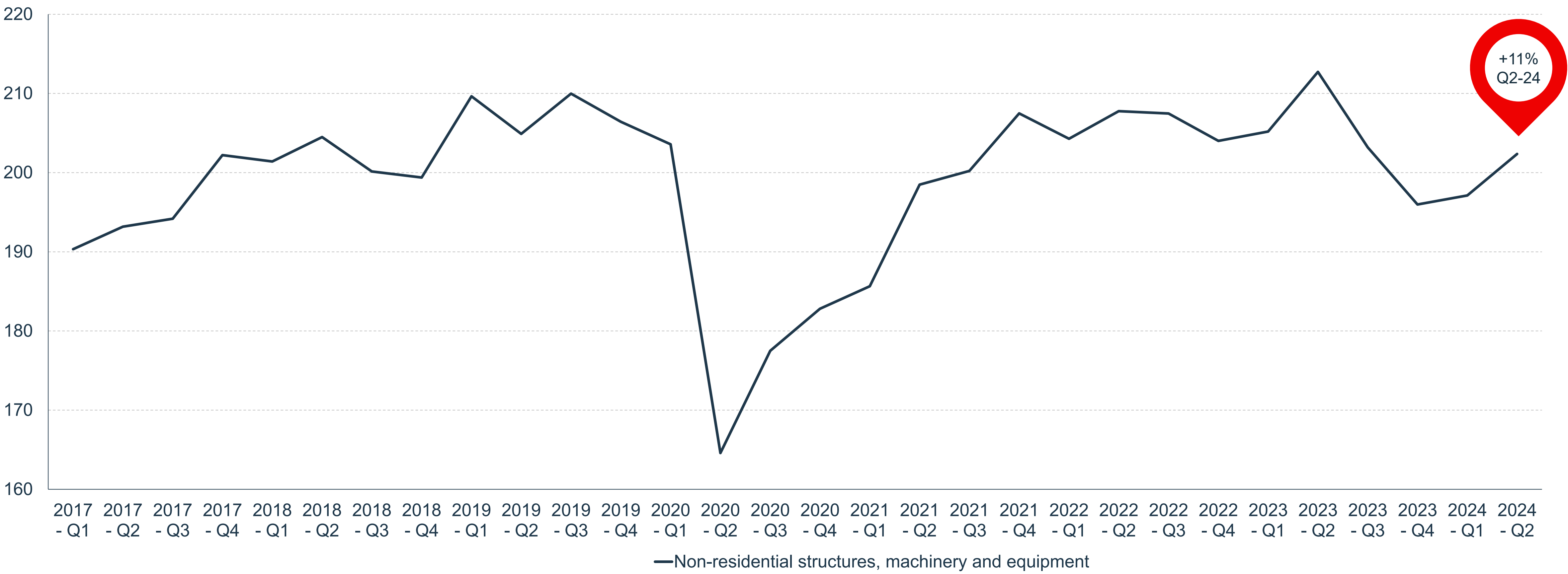


Sources: Statistics Canada, BDC.

# Business investment is expected to recover in 2025



## Business investments, in billions chained (2017) dollars, quarterly

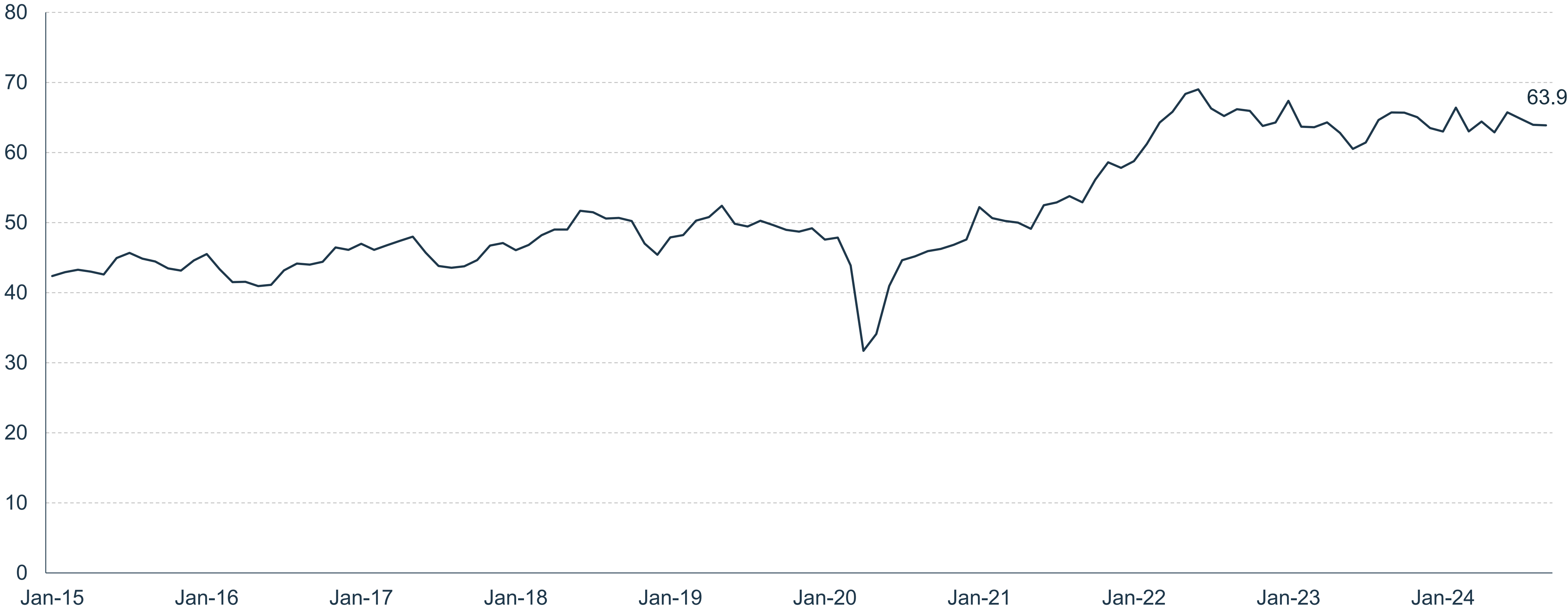


Sources: Statistics Canada, BDC.

# Export will remain solid



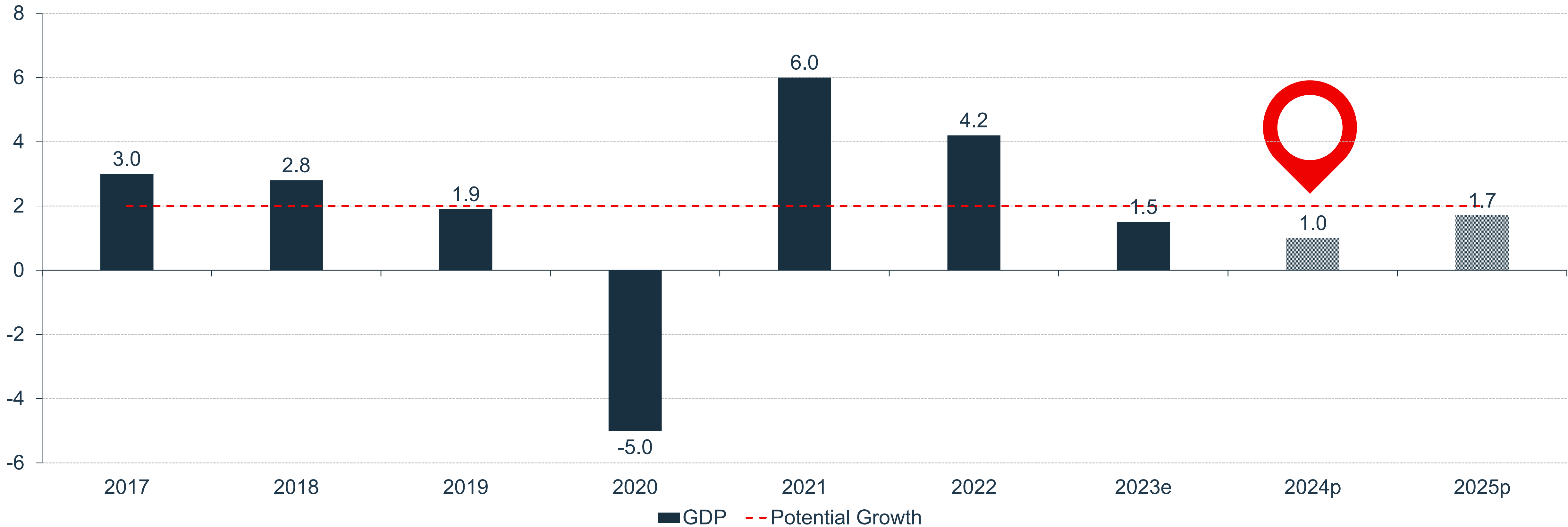
## Exports, seasonally adjusted data, in \$ billions



Source : via Haver Analytics, BDC.

# Canada's economy to advance only slightly this year... \*

## Canadian annual real GDP growth (%)

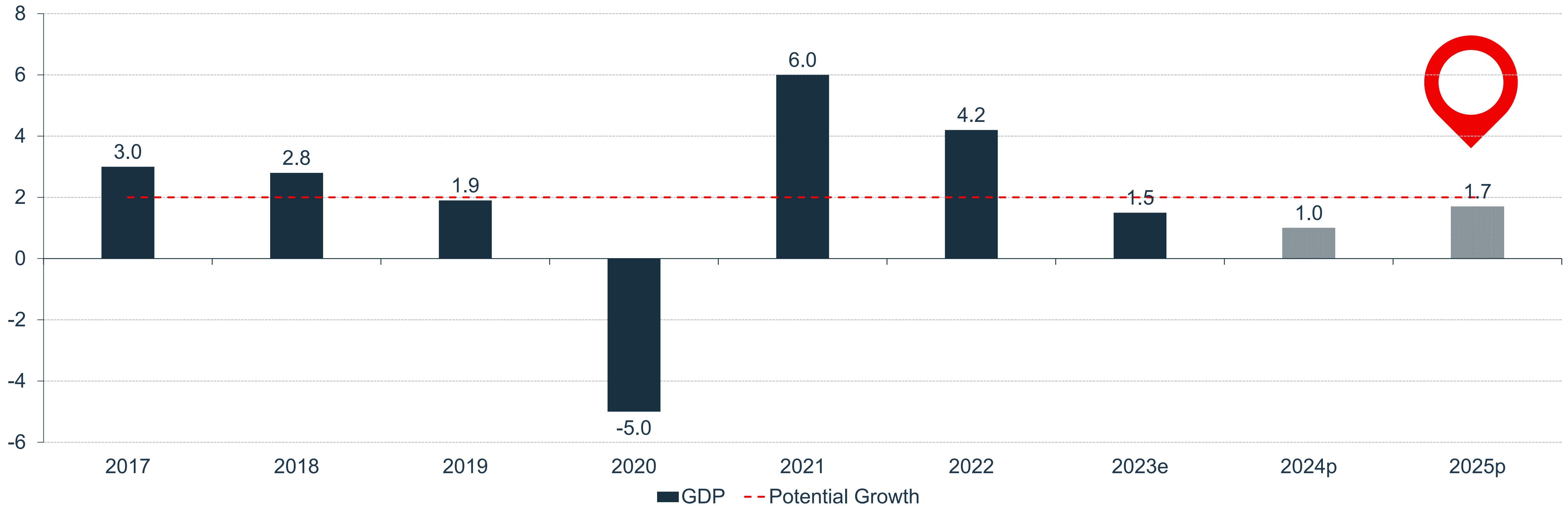


Sources: Statistics Canada, BDC.  
e:estimated, f: forecast

# ...before recovering in 2025



## Canadian annual real GDP growth (%)



Sources: Statistics Canada, BDC.  
e: estimated, f: forecast

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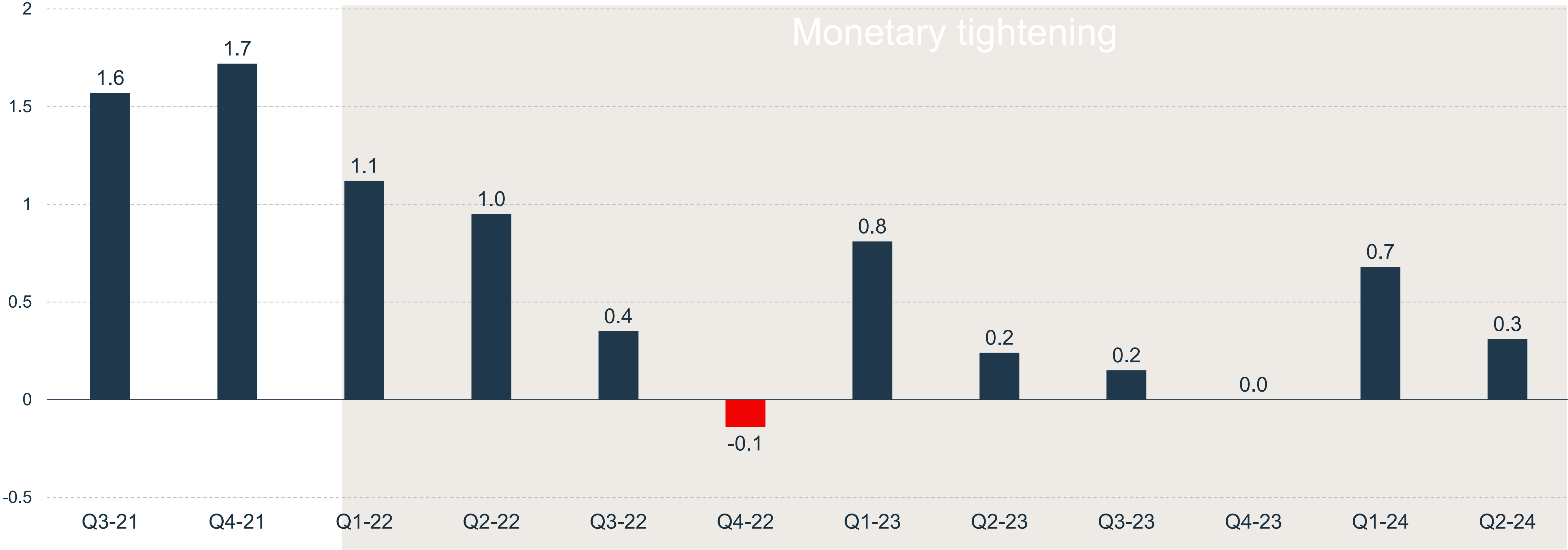


# Ontario's economic outlook

# Ontario's economic activity continues to grow



## Real GDP growth, quarterly, (%)

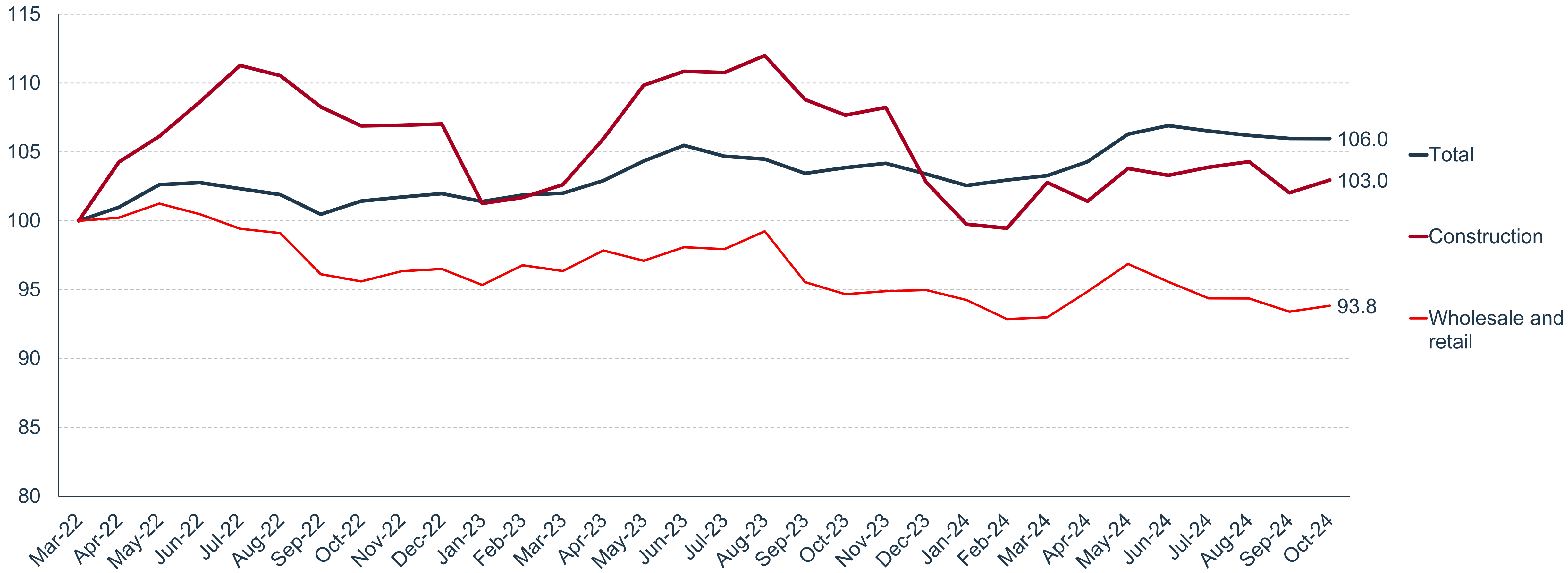


Source: Statistics Canada, BDC.

# Employment increased in general but underperformed in the retail sector and construction



Job growth, total employment and by retail, construction sector, march2022=100

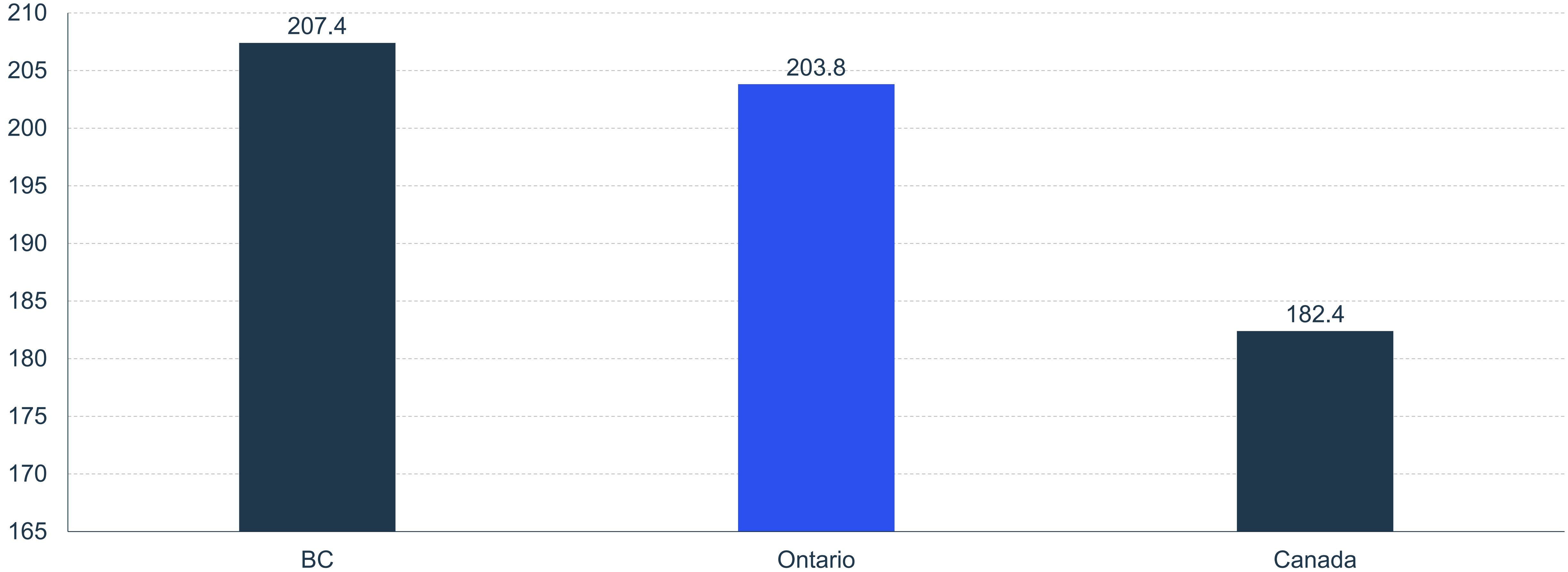


Source: Statistics Canada, BDC.

# Households in Ontario are highly indebted



Debt to disposable income ratio, Q2 2024, (%)

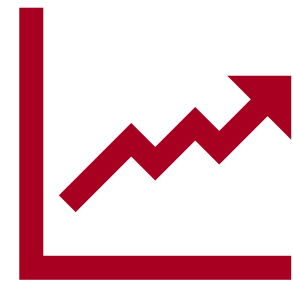
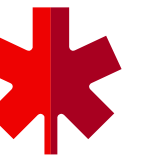


Sources: Statistics Canada, BDC.

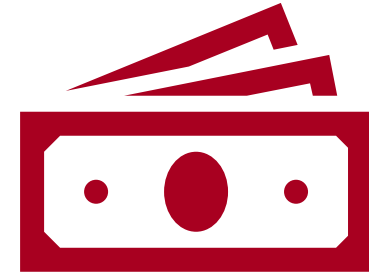


# Four factors will support Ontario's economy

# Four factors will support Ontario's economy this year



Lower interest  
rates



Disposable  
income remain  
elevated



Major  
investment in  
the automotive  
sector

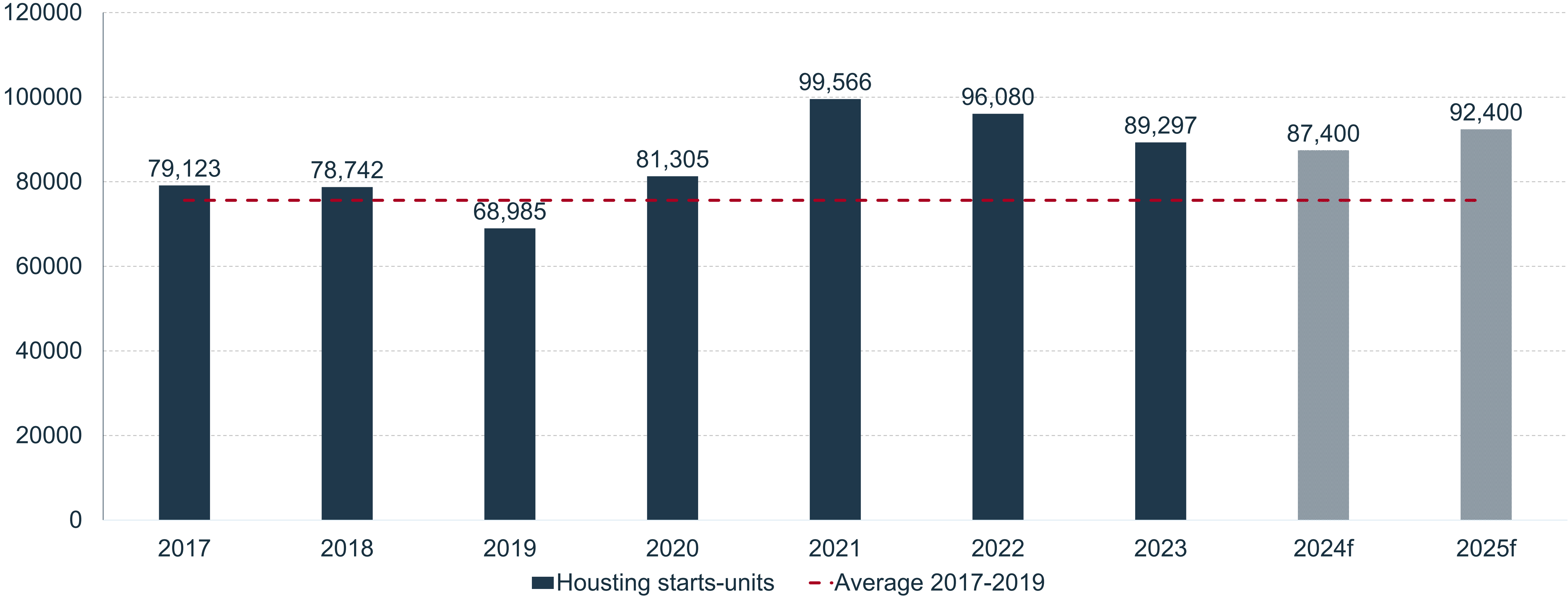


Increasing  
government  
spending

# Housing starts remain above pre-pandemic levels



## Housing starts, units, Ontario

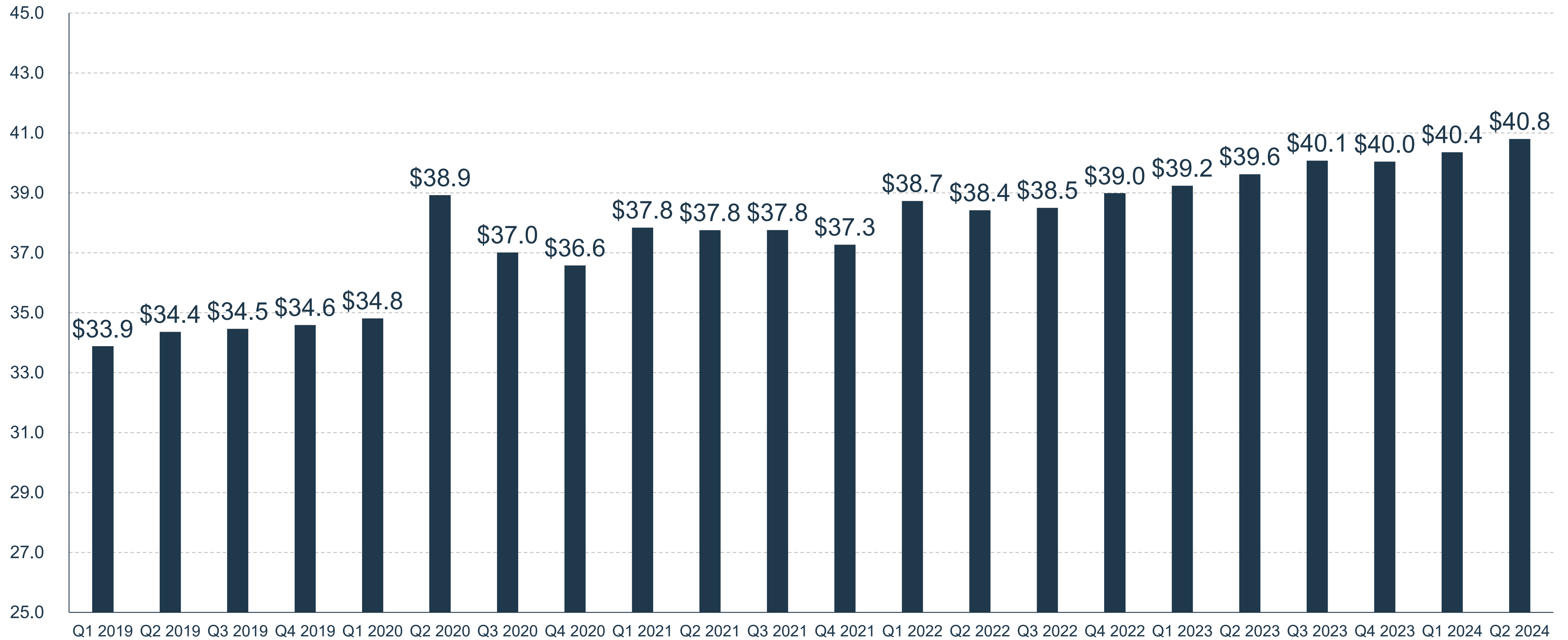


Source: Statistics Canada, BDC.  
f:forecast, consensus

# Households' disposable income remains high



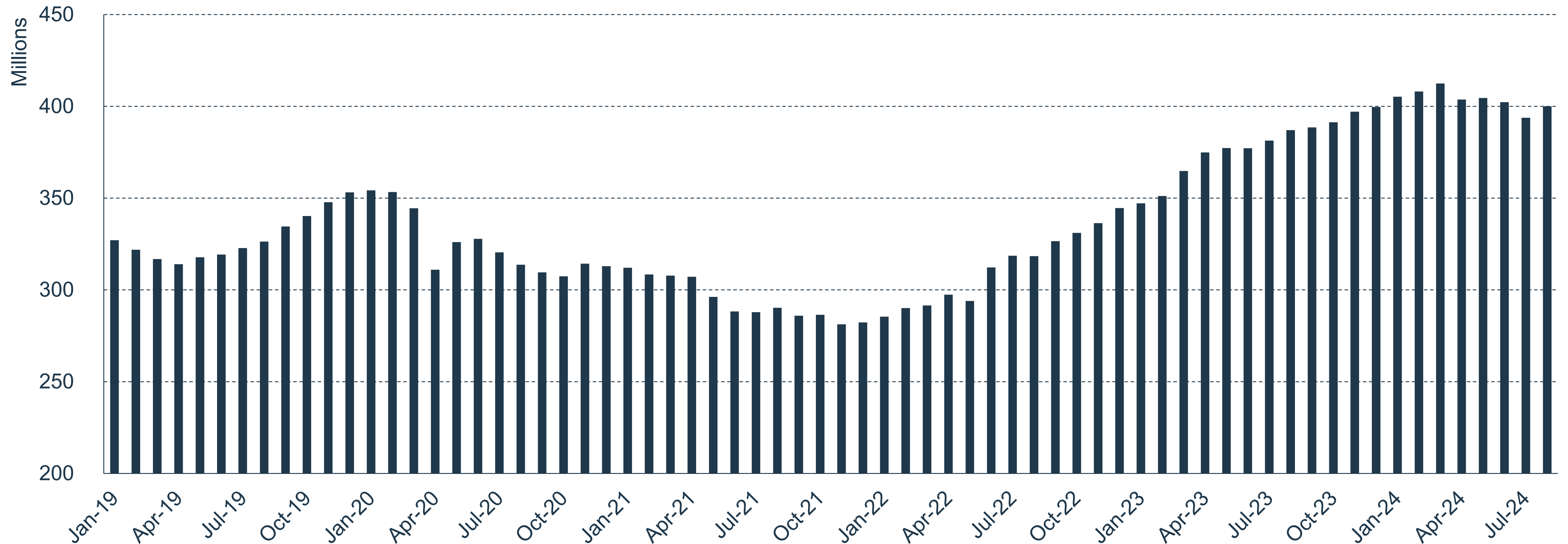
Households' disposable income per capita in Ontario , in \$ thousands



# New green automotive projects will bring support to the construction sector



Investment in industrial construction, in constant dollars, seasonally adjusted, Ontario



Source: Statistics Canada, BDC.



# Large scale investments will boost the economy

\$15 billion: Honda EV Value Chain

\$7 billion: Volkswagen's battery Plant in St. Thomas

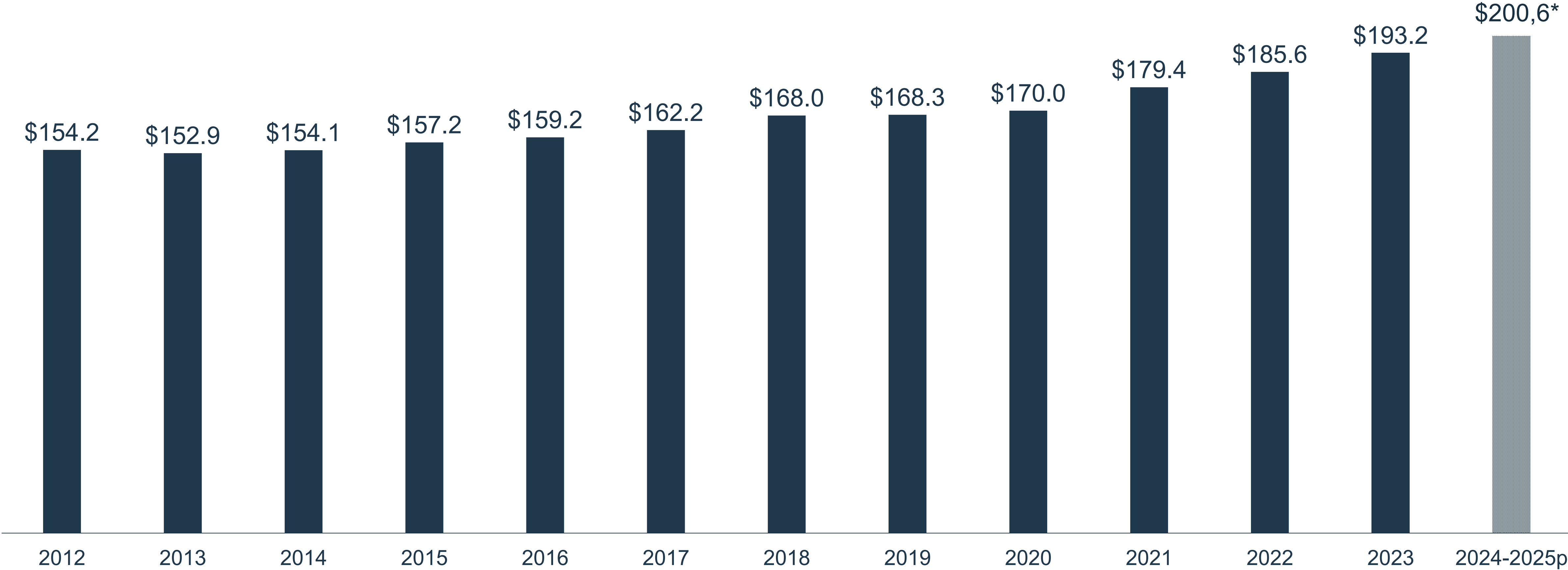
\$5 billion: Stellantis' battery factory in Windsor

\$2 billion: Refurbishing nuclear energy plant

# The government will continue to support the economy



Government current expenditures, in 2017 chained \$billions and medium-term outlook for 2024-2025



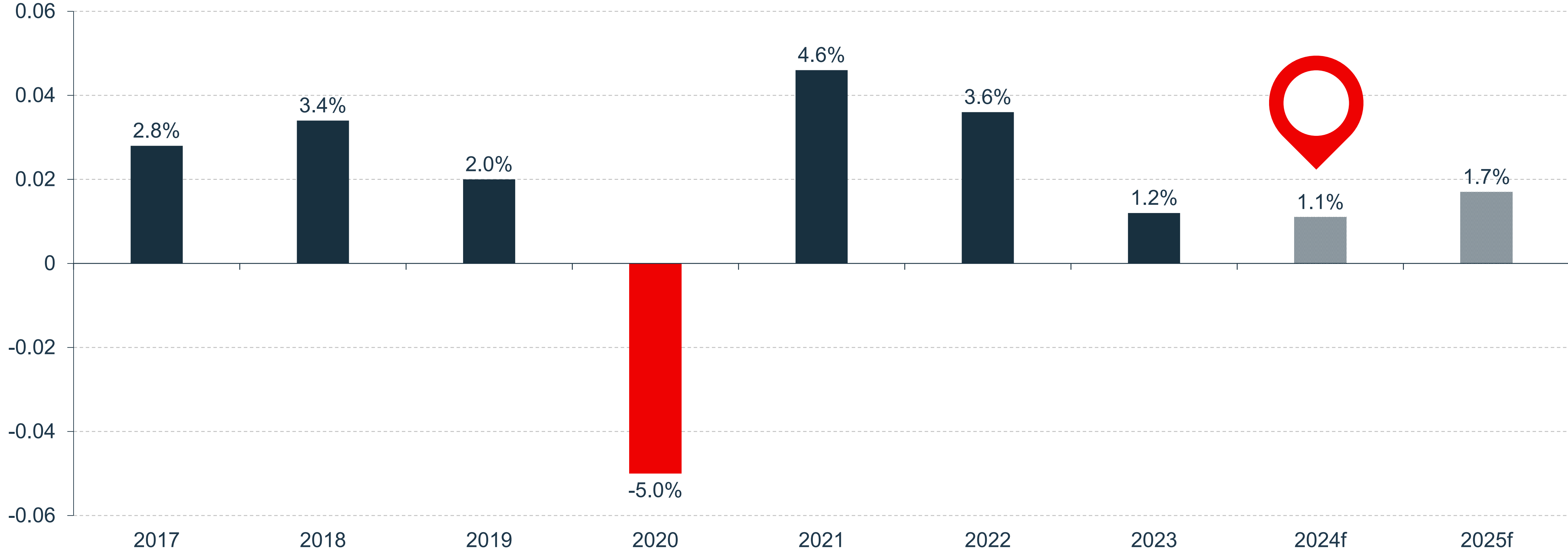
Source: Ontario Government and 2024 Budget, BDC.

\* excluding interest on debt, in current \$

# Growth will be modest this year



## Ontario's annual real GDP growth, (%)

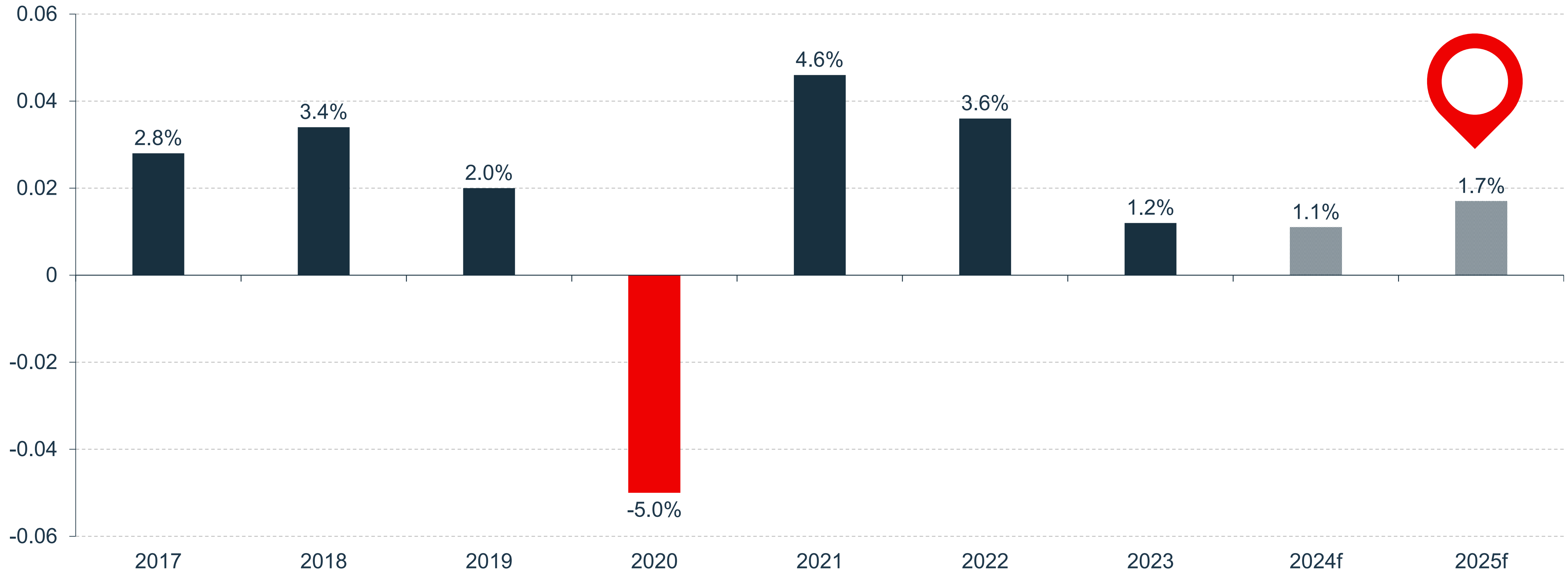


Source: Statistics Canada, Ontario Government, BDC.  
f: forecast

# ..before picking up in 2025



## Ontario's annual real GDP growth, (%)



Source: Statistics Canada ,Ontario Government, BDC.  
f: forecast

3

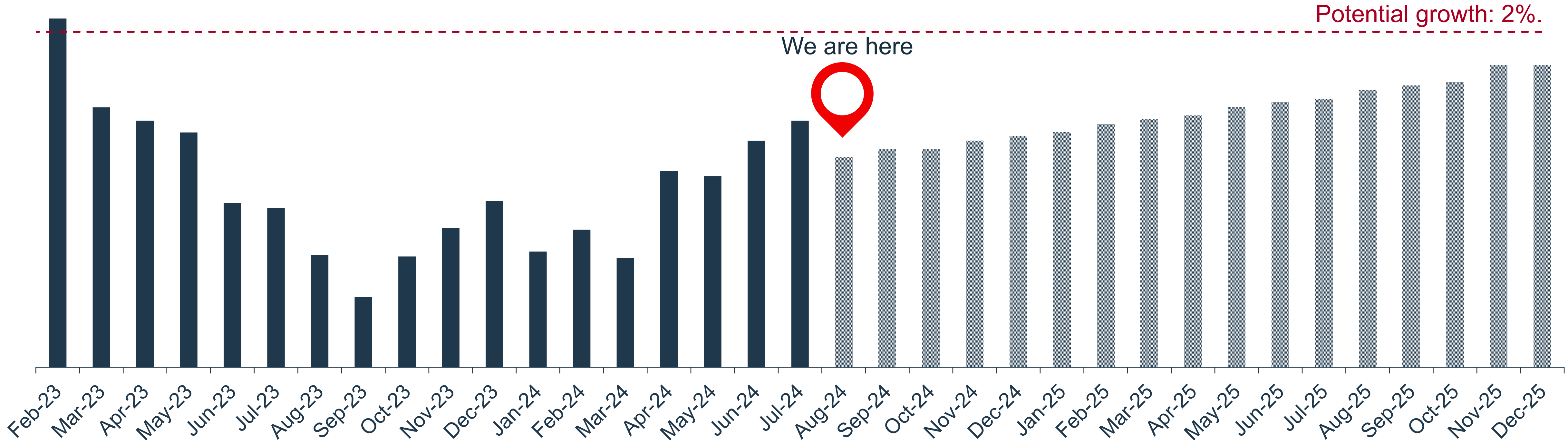


Key trends  
shaping the  
future for  
Canadian  
businesses

# Lower rates will boost the economy, but recovery will be slow



## Real GDP growth, monthly, (%), Canada



Sources: Statistics Canada, BDC.



# 3 trends influencing the growth of Canadian SMEs

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1. High costs will continue to weigh on businesses.

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  2. Labour shortages will come back.

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  3. Technology adoption is more important than ever.

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## Trend #1

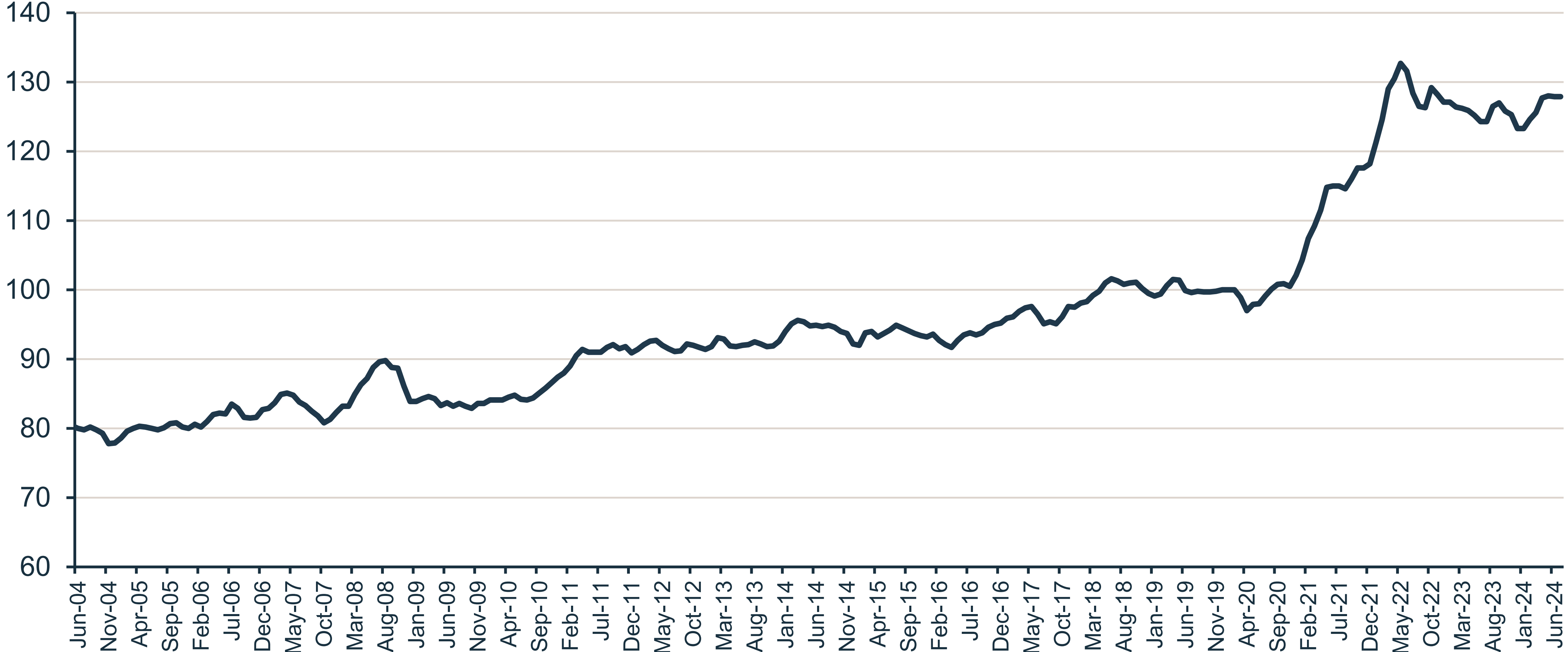


**High costs**  
will continue  
to weigh on  
businesses

# Despite slower inflation, high costs will continue to impact businesses



Industrial product price index, January 1st, 2020 =100

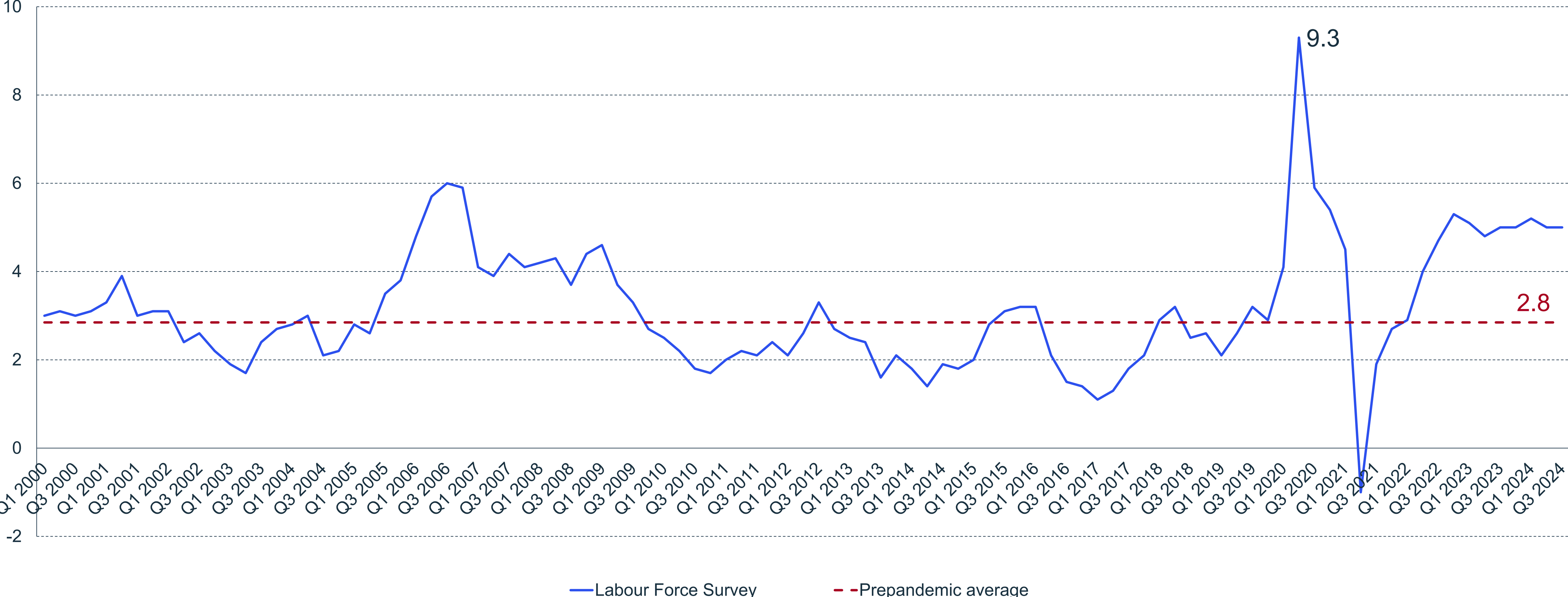


Source: Statistics Canada, Industrial Product Price Index

# Pressure on salary will continue



## Wage growth, (%)



Source: Statistics Canada, BDC.

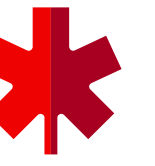


# 35%

of businesses that have implemented a chatbot said it helped them reduce costs.

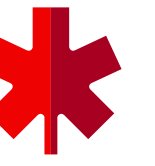
## Good time to invest in cost-saving technology

Trend #2

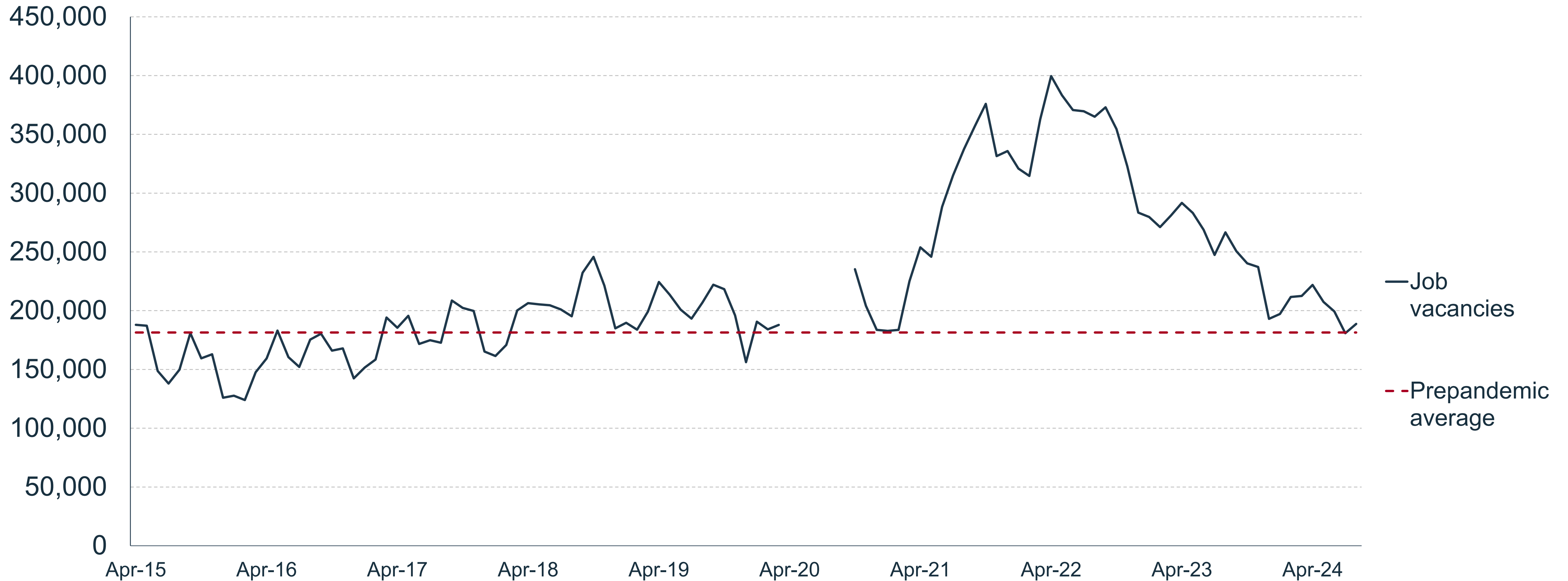


Labour  
shortages  
will come back

# In 2025, the labour market will tighten



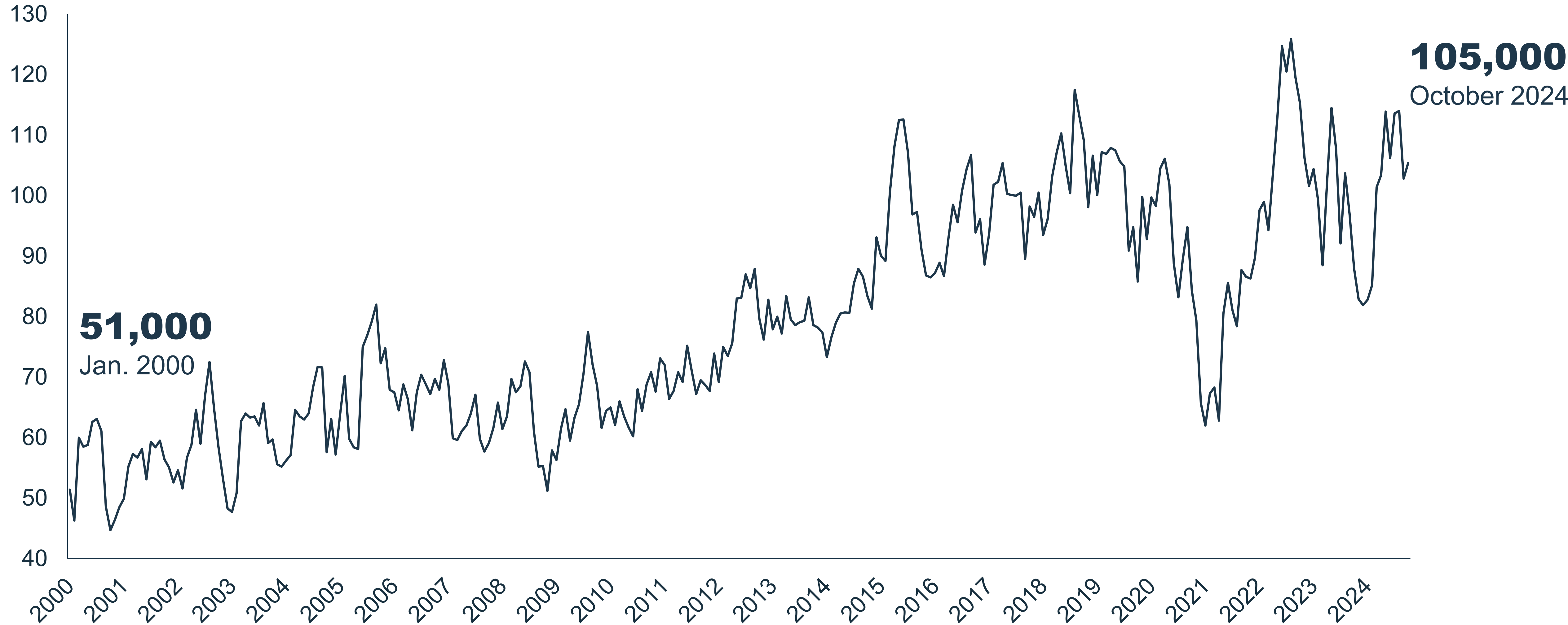
Number of job vacancies, seasonally adjusted monthly data, Ontario



# More workers to retire



Number of workers leaving work for retirement in the previous year, monthly, Ontario



# Top strategies for dealing with labour shortages



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**1.** Invest in technology and automation

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**2.** Develop a people strategy

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**3.** Expand your hiring pool

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## Trend #3

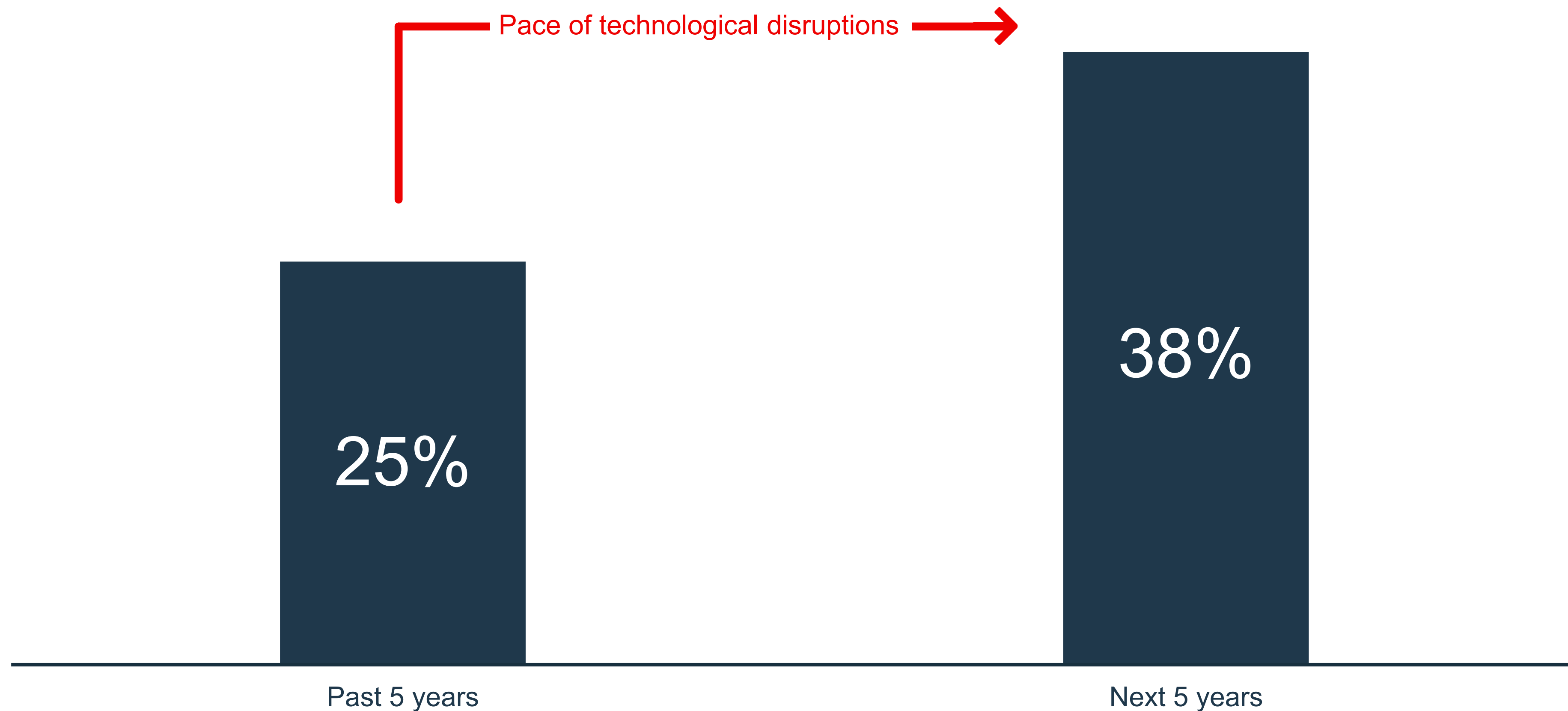


Technology  
adoption  
is more important  
than ever

# More businesses are expecting to have to adapt to new technology in the future



Percentage of businesses that experienced disruptions by new technology in the past 5 years and that expect new technology will disrupt their operations in the next 5 years





# Technology can solve multiple challenges

**66%**

of SMEs are investing in AI.

**97%**

of companies using AI report benefits.

**44%**

of companies say AI has the potential to save time and improve efficiency.

# Conclusion



- Canada's economic growth is expected to be modest in 2024. The economy will avoid a recession.
- Further rate cuts will stimulate the economy and credit conditions will improve. The economy will recover in 2025.
- Ontario's economy will continue to be held back by high interest rates but will rebound by 2025.
- Three trends will shape the future for Canadian businesses. SMEs can adopt strategies to deal with their new business environment

# Questions?



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