

# Is the economy headed for a recession?



November 2022





# Agenda

1. The Canadian economic context
2. Ontario's economic outlook
3. Labour shortages



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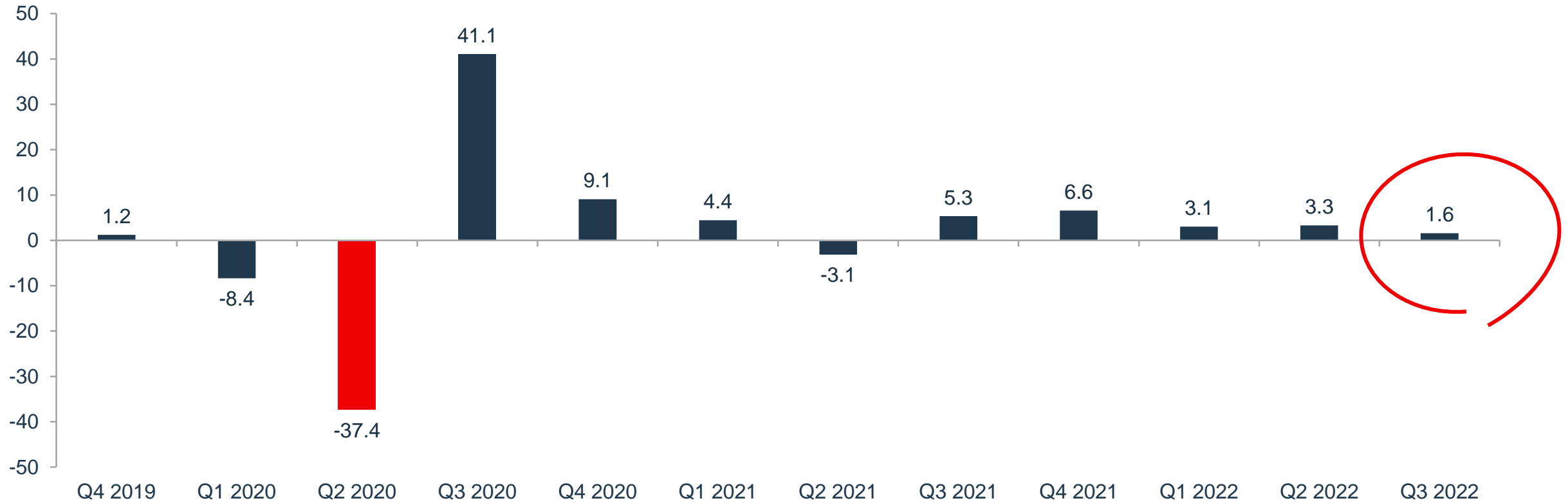


# The Canadian economic context

# But it has started to slowdown



Quarterly GDP growth, annualized, Canada, %



# Unemployment is lower than pre-pandemic levels



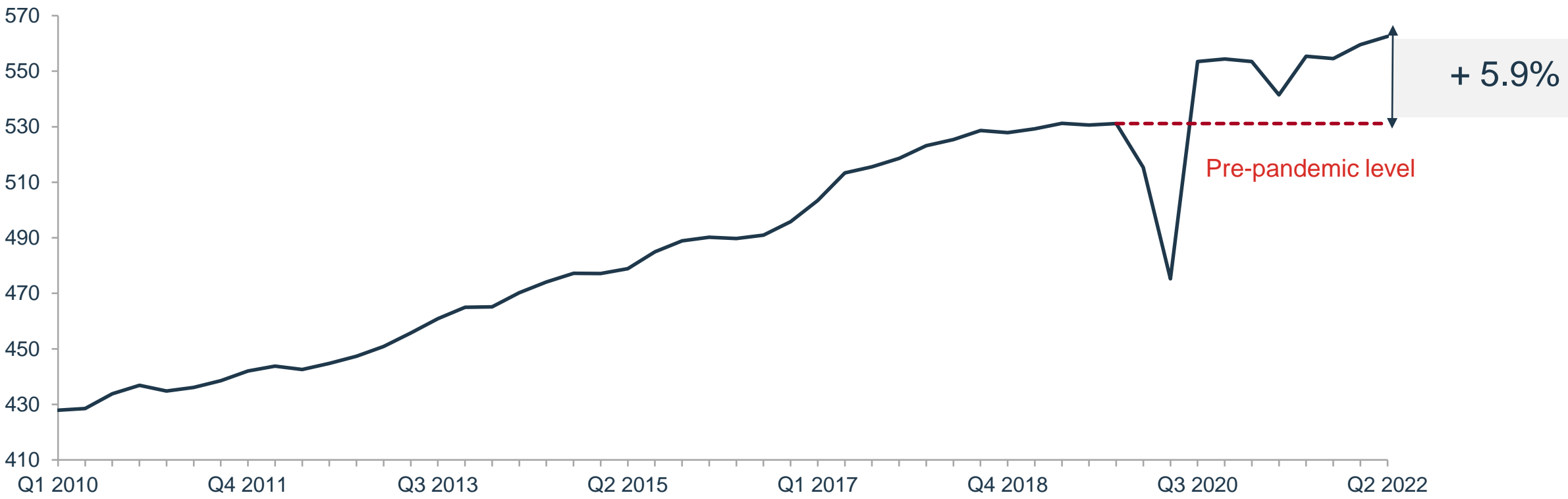
Unemployment rate, %



# Goods consumption has rebounded to above pre-pandemic levels



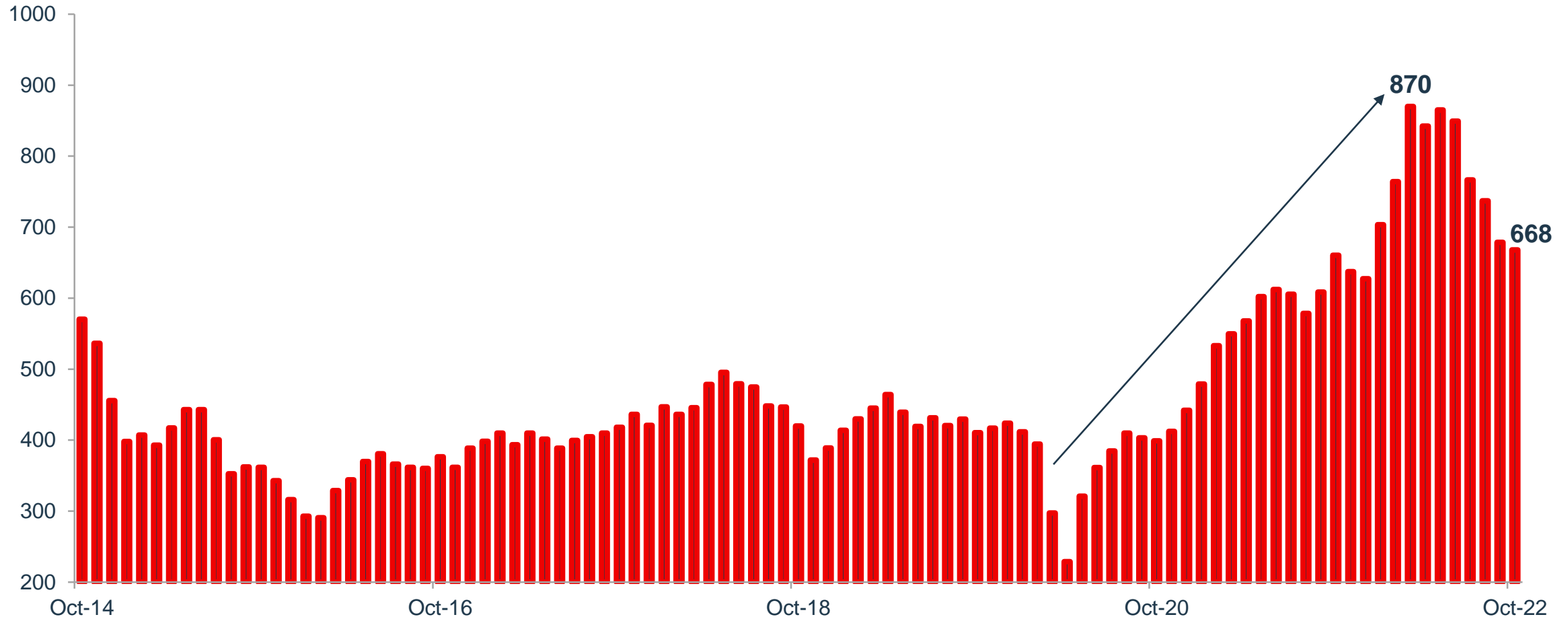
Household final consumption expenditure, goods, billion chained 2012 \$, seasonally adjusted at annual rates



# High commodity prices have benefitted Canada



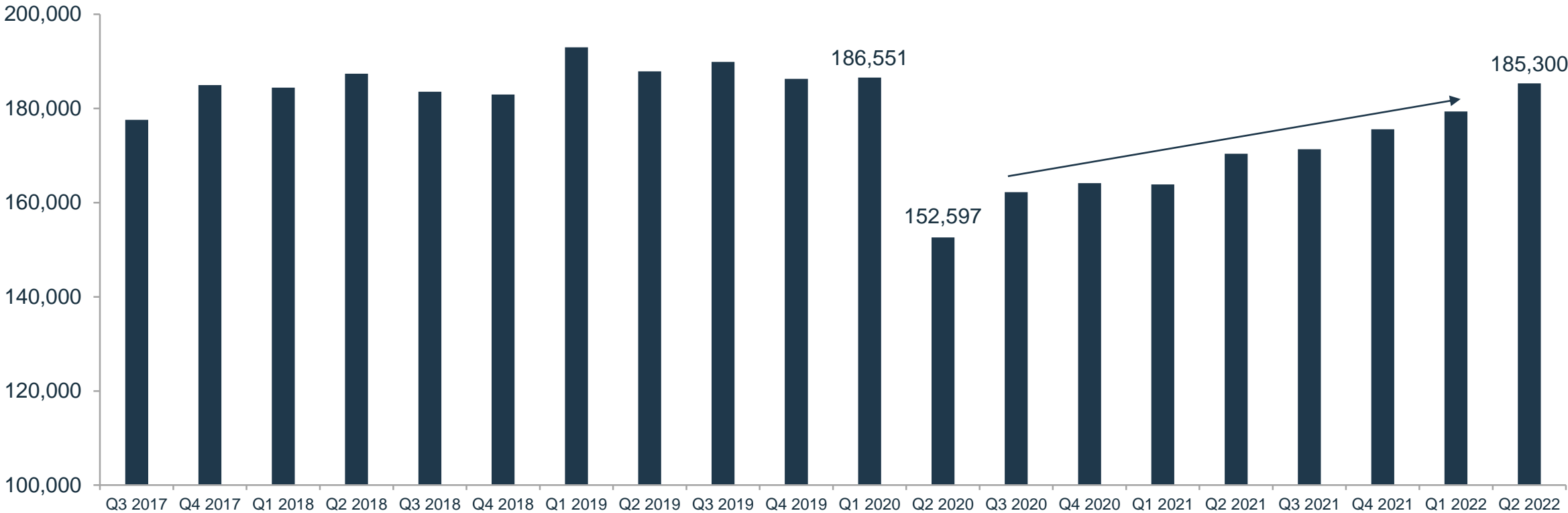
Bank of Canada Commodity Price Index, monthly



# Business investment recovered



Business investment (excluding residential investment), millions \$

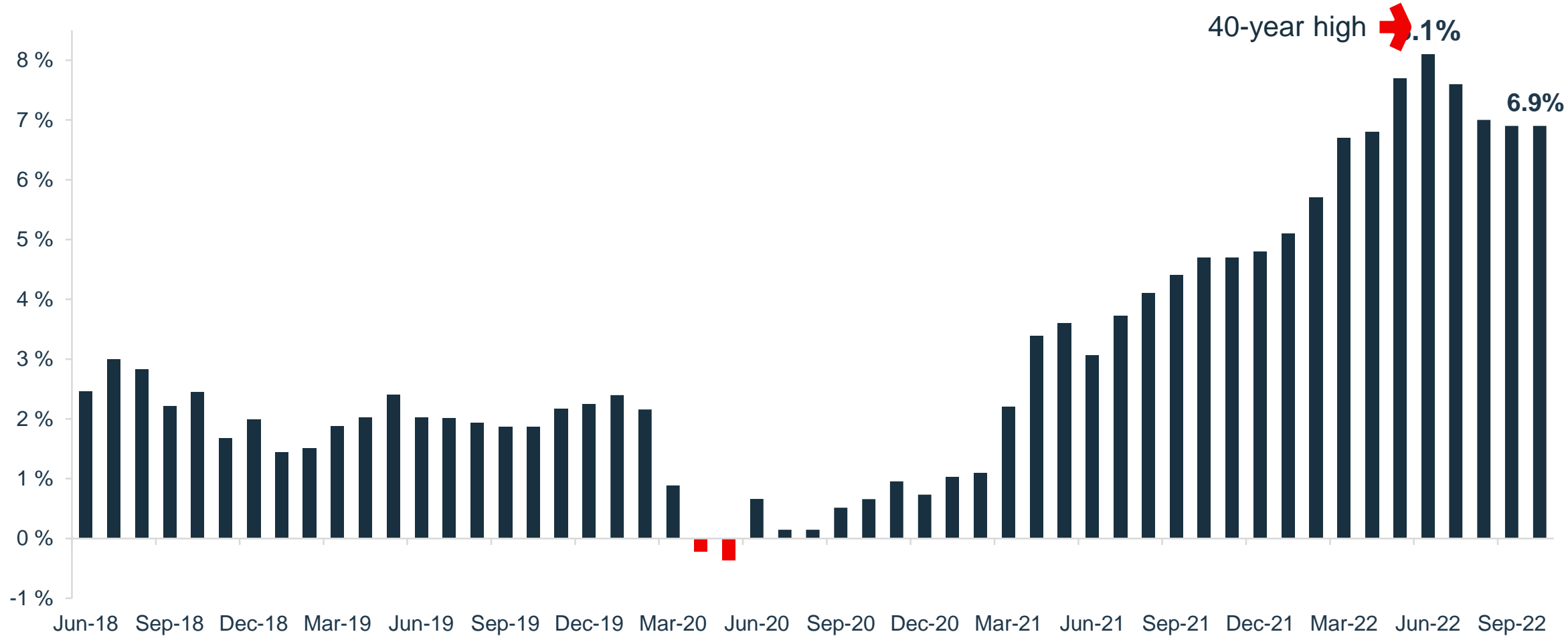


Source: Statistics Canada via Refinitiv



# An overheating economy has fueled inflation

Consumer Price Index, year-over-year growth, %

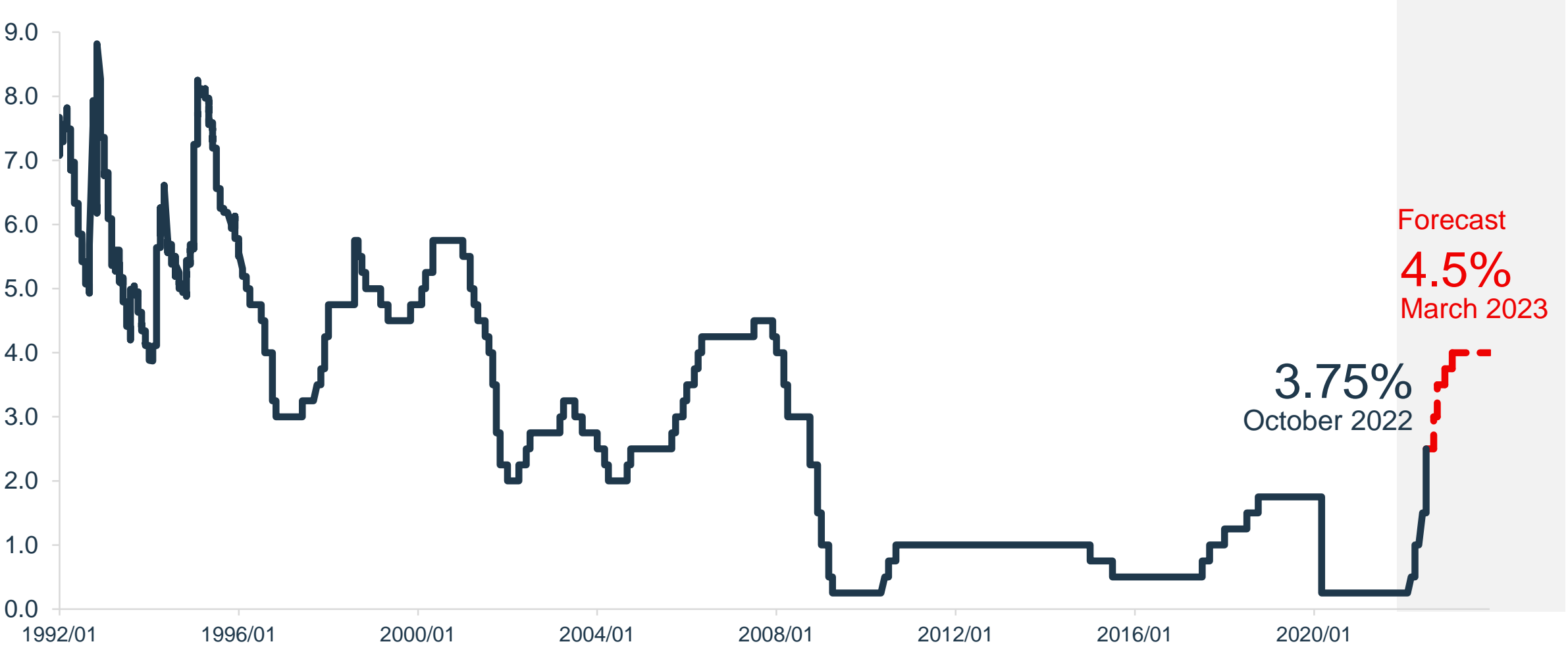


Source: Statistics Canada

# Interest rates will continue to rise in response



Policy rate, %

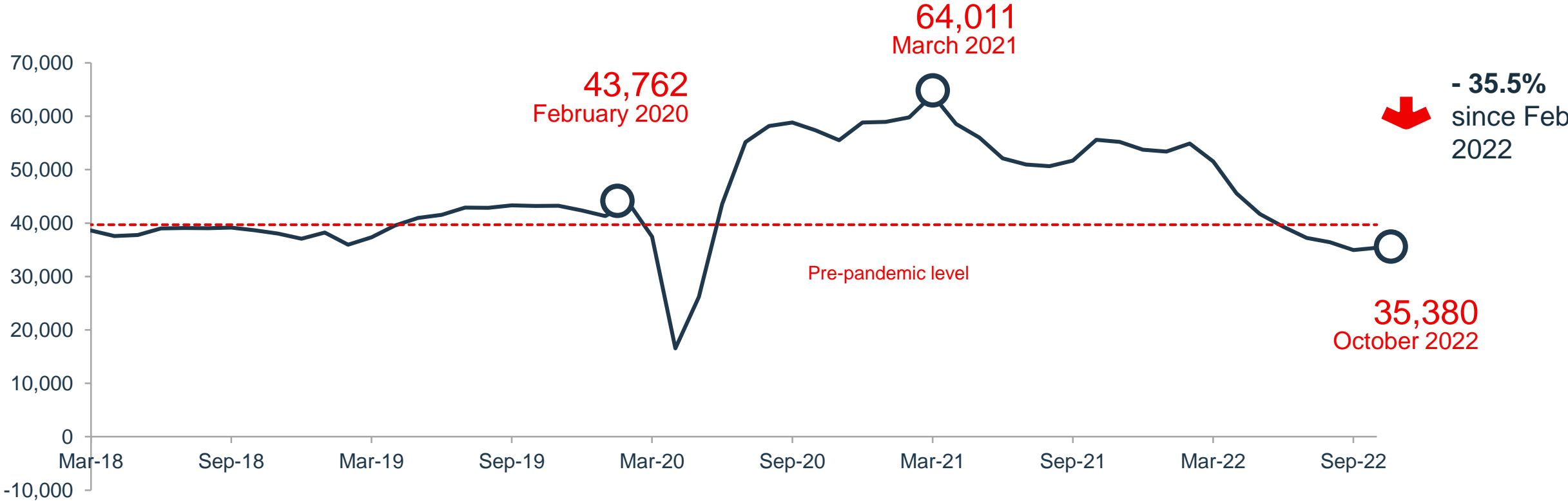


Source: Bank of Canada, BDC Economics

# Real estate will slow down



Residential sales, number of units, seasonally adjusted, Canada



Source: CREA

# Real estate will slow down



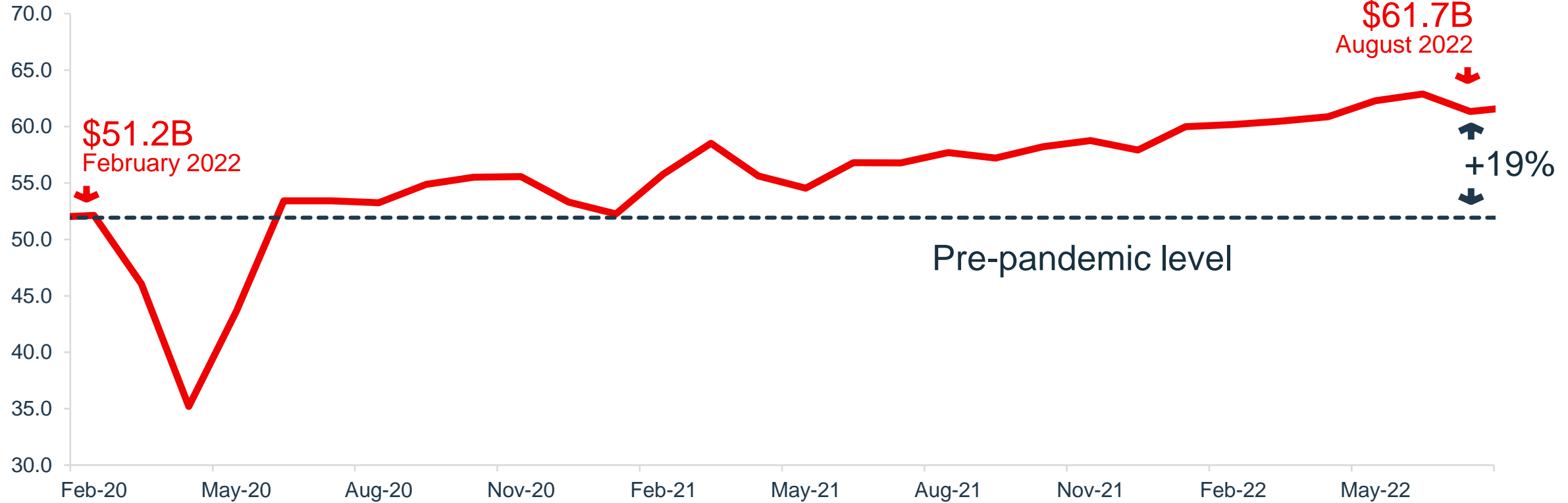
Average residential price, seasonally adjusted, Canada



# Retail sales remain strong



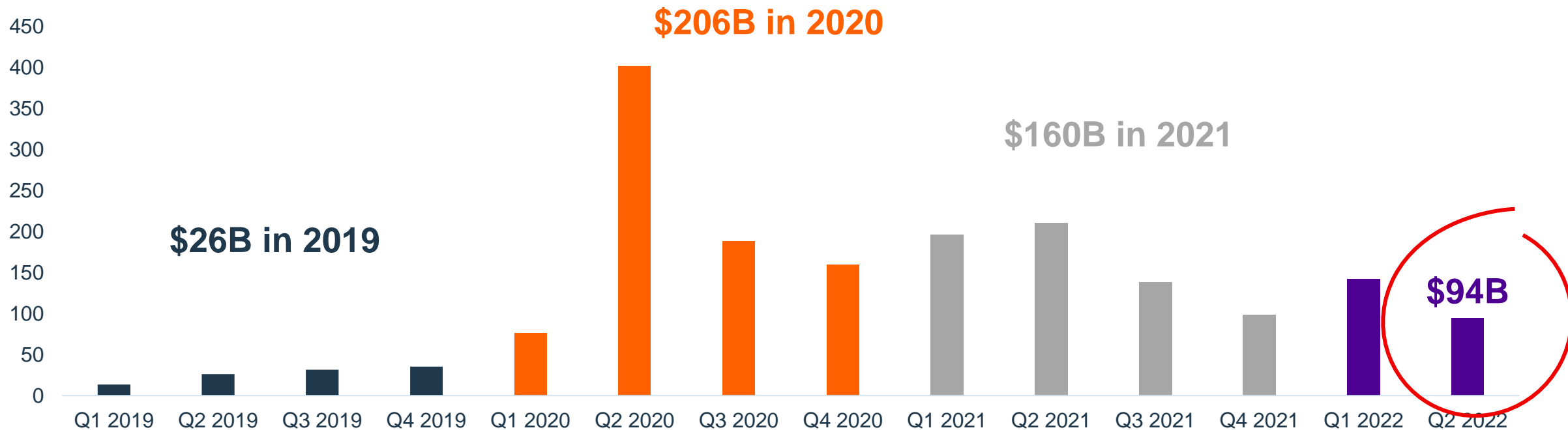
Monthly retail sales, seasonally adjusted, in billions \$





# Households are saving less since the reopening of the economy

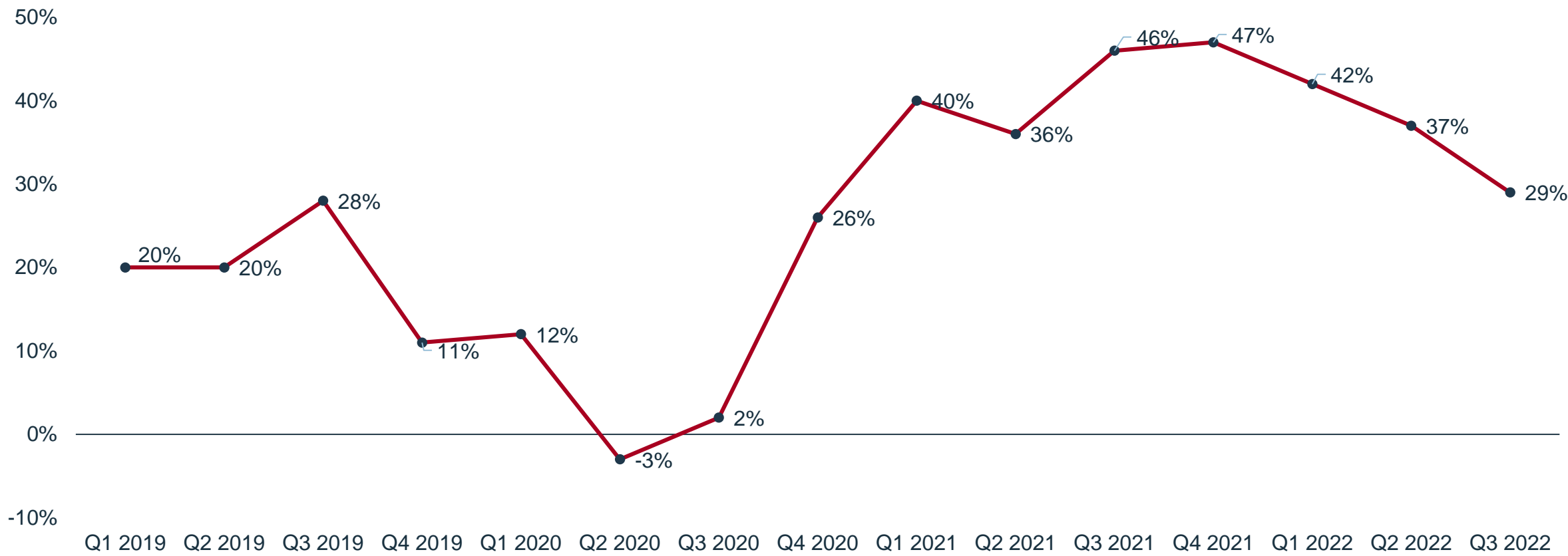
Household net savings, quarterly, seasonally adjusted, in \$ billions





# Investment intentions have started to slow down

Net % of businesses expecting an increase in their investment spending on machines & equipment



Source: BOS, Bank of Canada

# Bottom line...



So far in 2022

Next 12 months

Consumption of goods



Consumption of services



Home sales



Construction



Business investment



Government spending



**Overall**



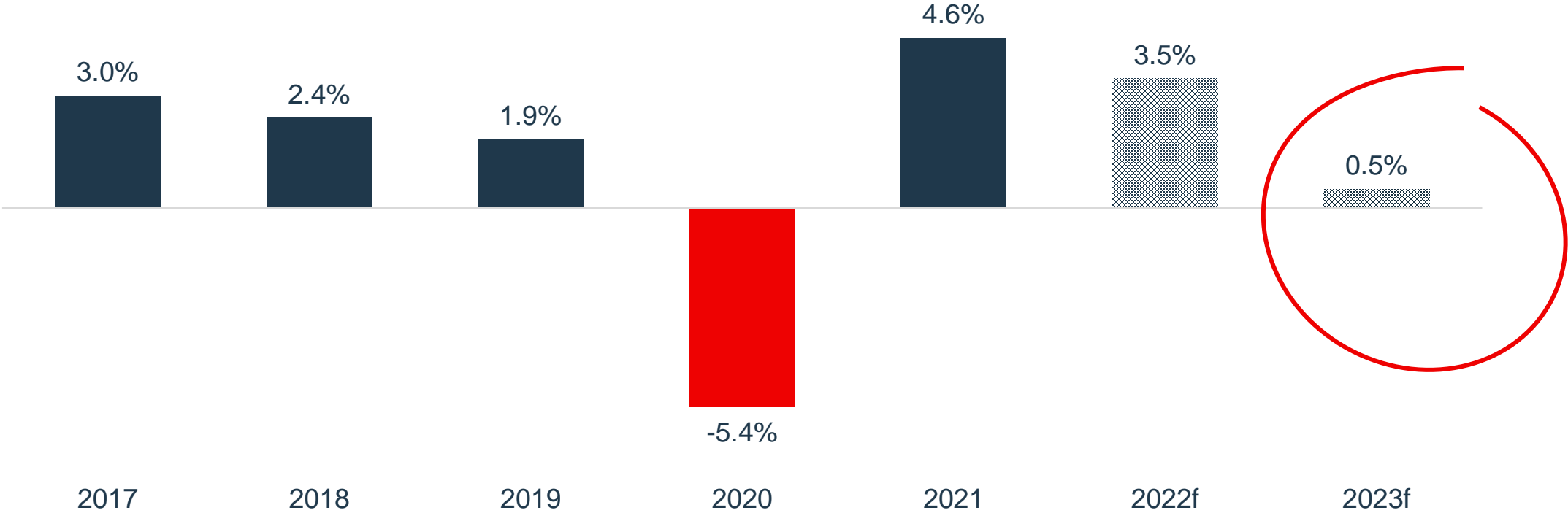


Is Canada headed  
for a recession?  
Not necessarily.

# Growth will slow down in 2023



Canadian annual real GDP growth, (%)

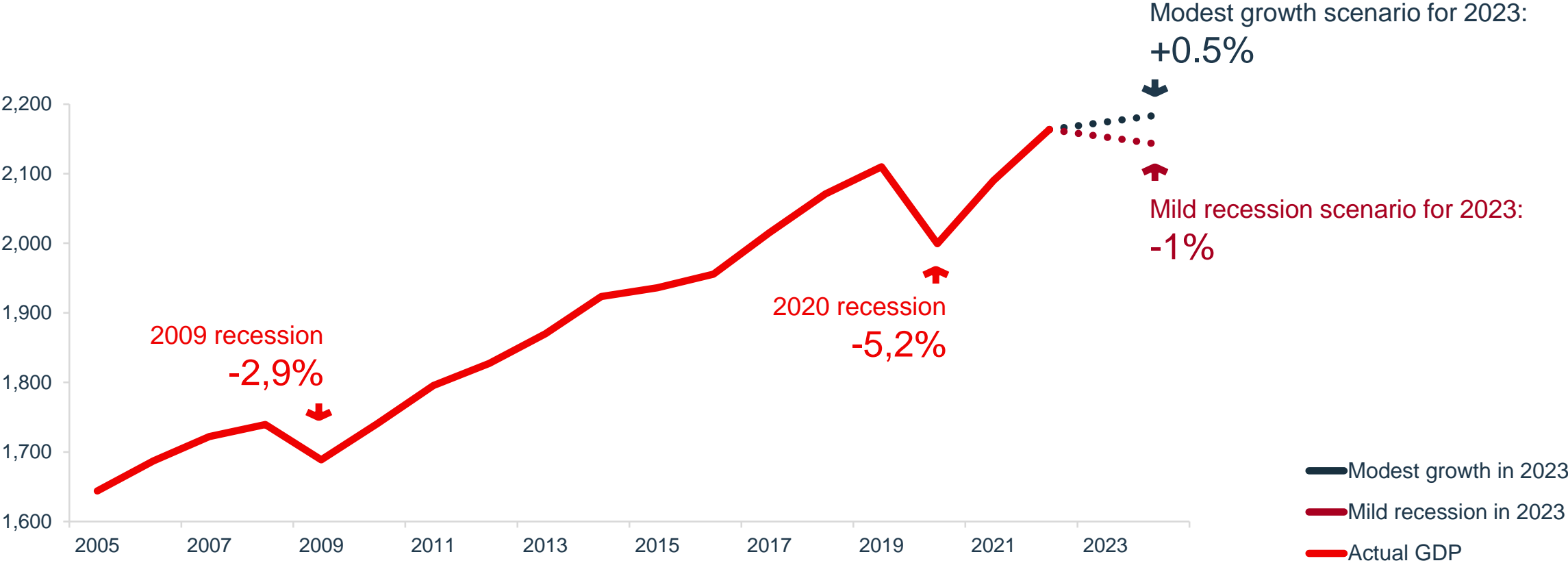


Source: Statistics Canada via Refinitiv, BDC Economics  
f: forecast

# Cause for caution, not alarm



Real GDP, billion chained 2012 \$



Source: Statistics Canada, BDC Economics forecasts



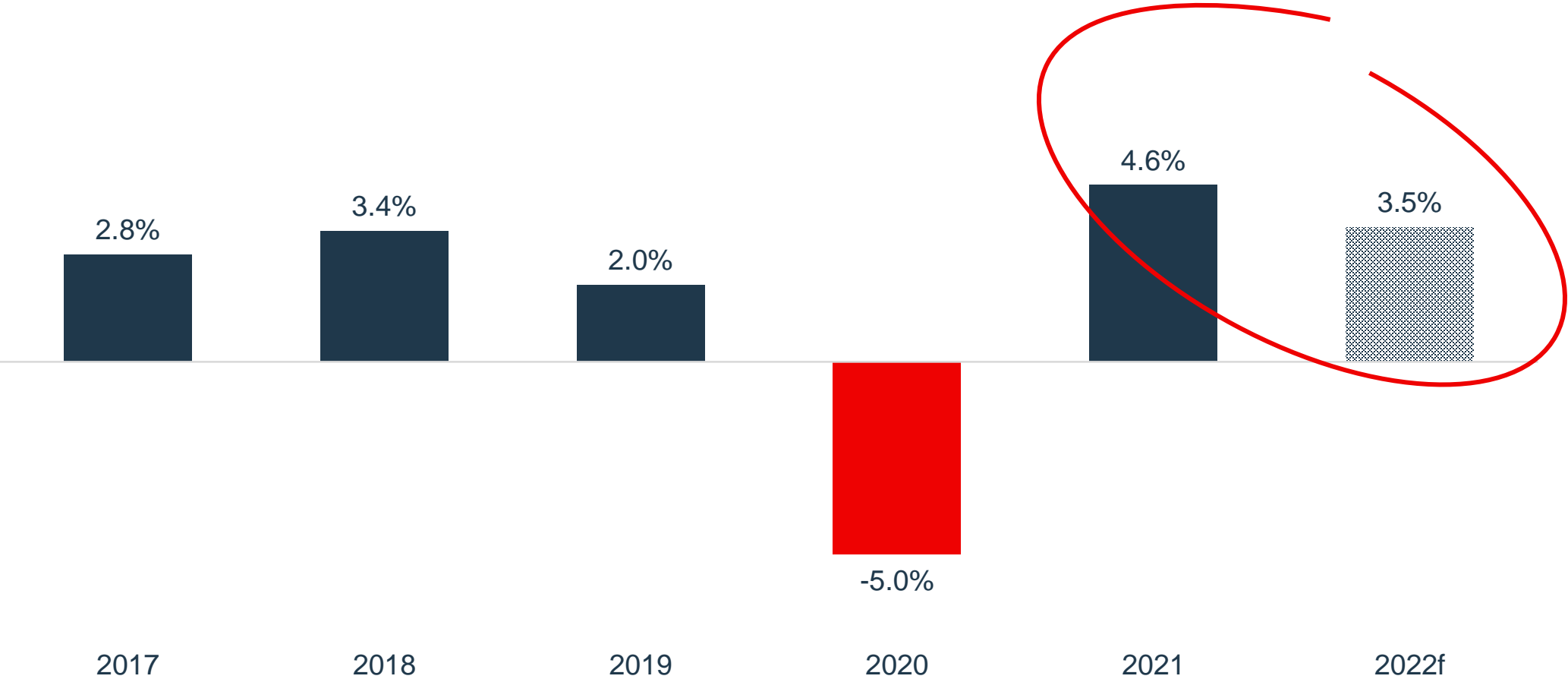
# 2

## Ontario's economic outlook

# Ontario's economy recovered swiftly from the pandemic



Ontario's annual real GDP growth, (%)

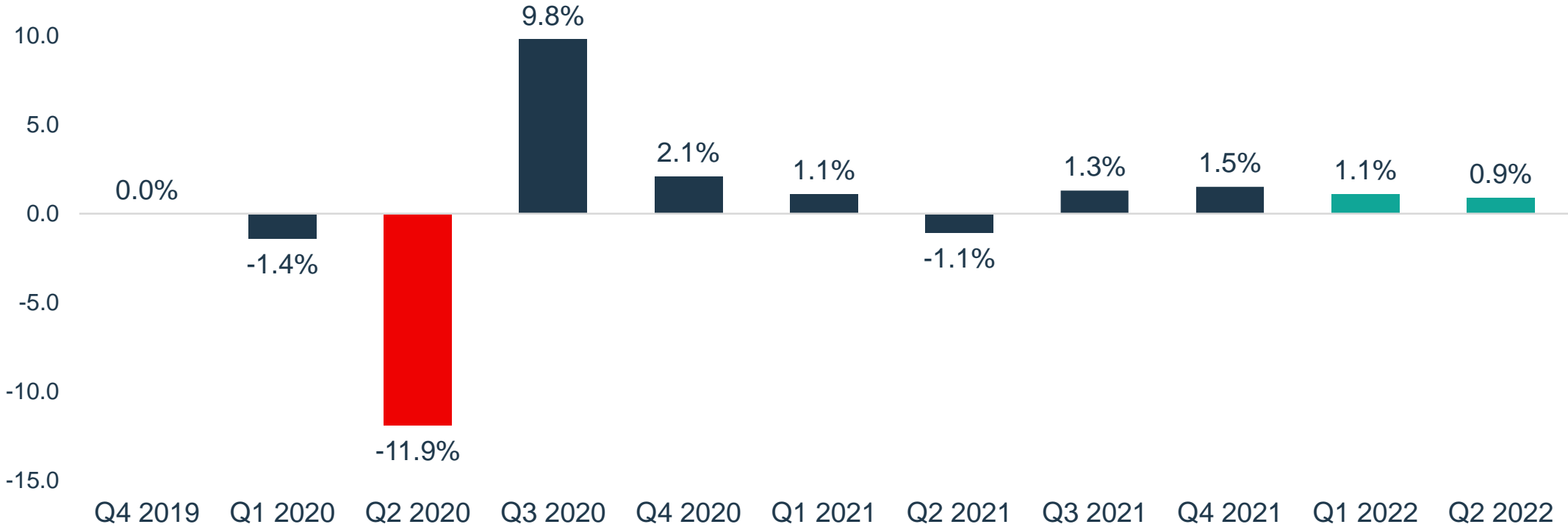


Source: Statistics Canada via Refinitiv, BDC Economics  
f: forecast

# But the economic momentum is fading



GDP change from previous quarter, at quarterly rates, (%)

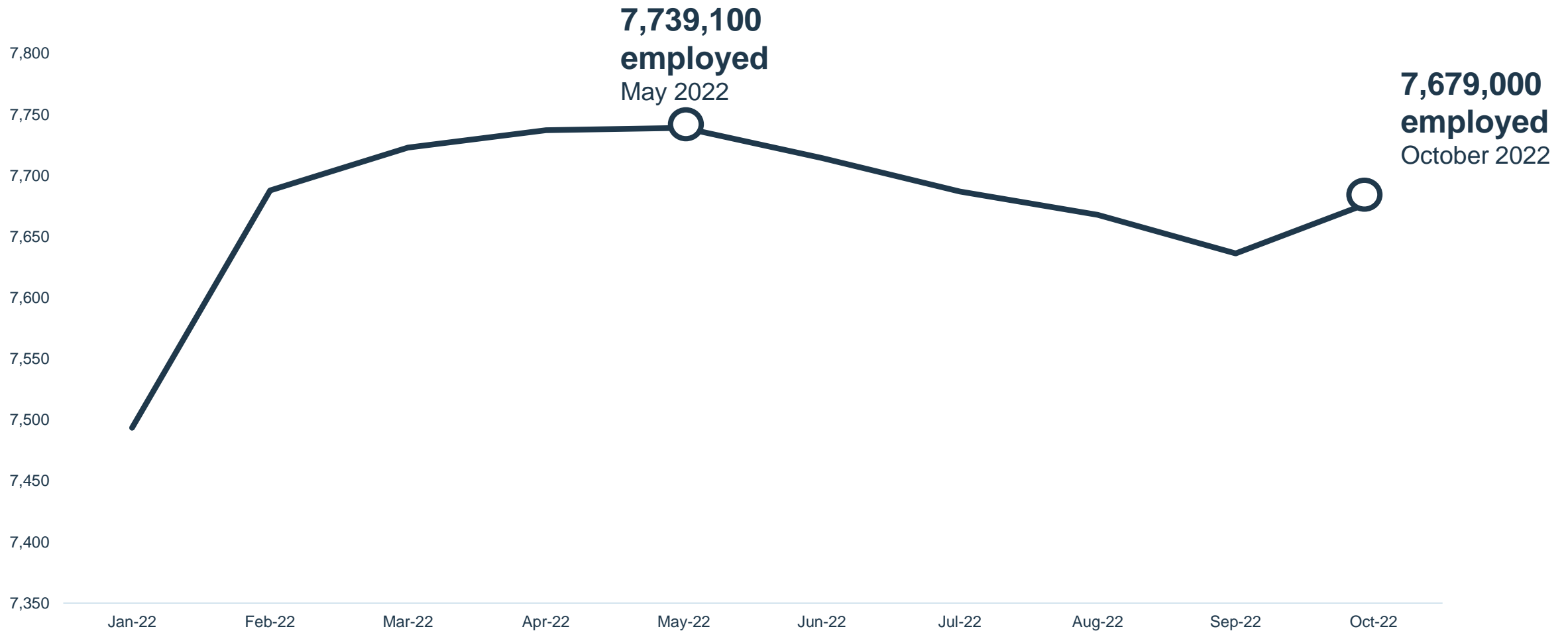


Source: Ontario government

# The Ontario economy lost 60,000 jobs since May 2022



Employment, monthly, in thousands, Ontario

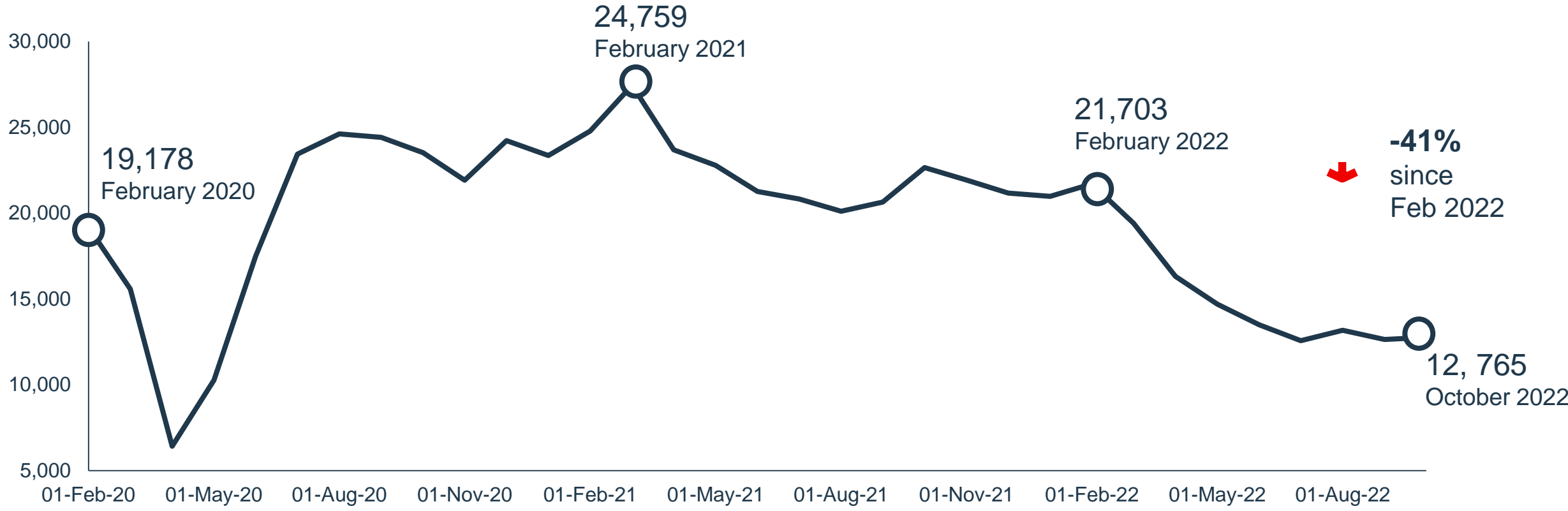


Source: Statistics Canada

# Real estate is slowing down



Residential sales, units, seasonally adjusted, Ontario

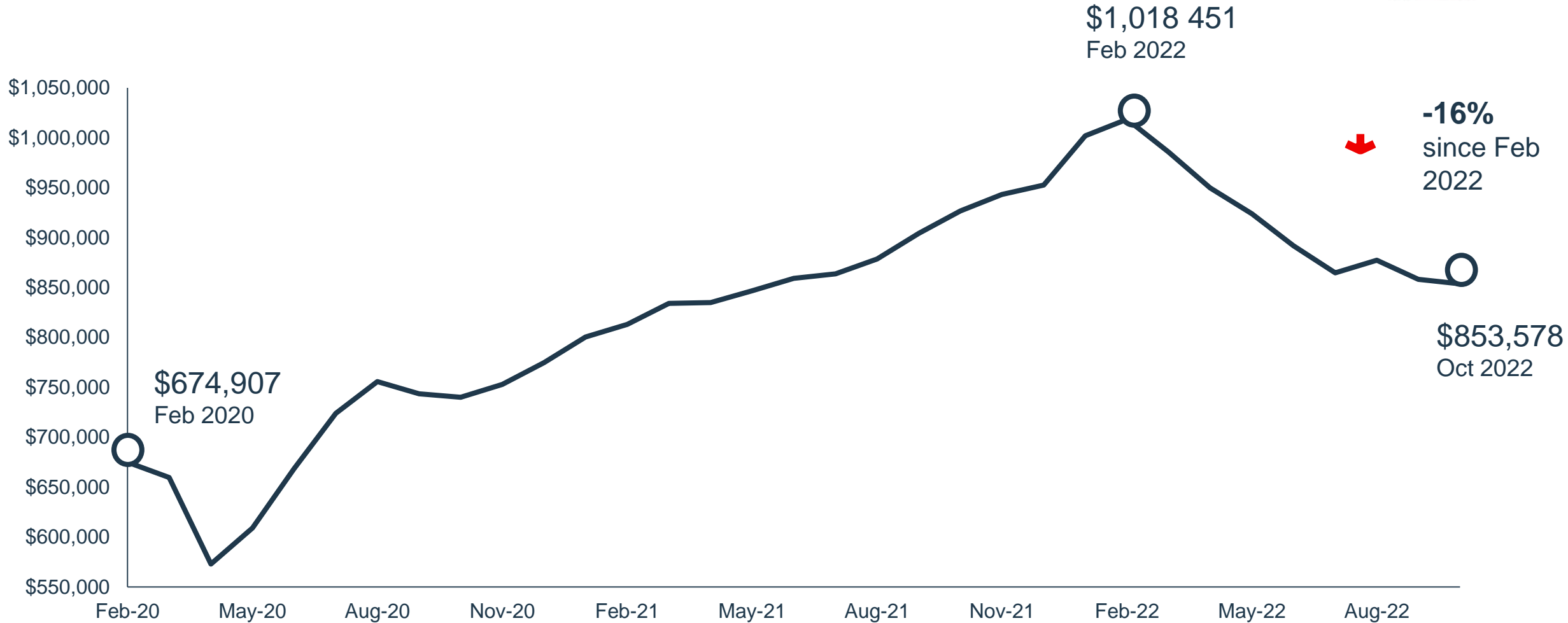


Source: CREA

# And prices have declined



Average residential price, seasonally adjusted, Ontario

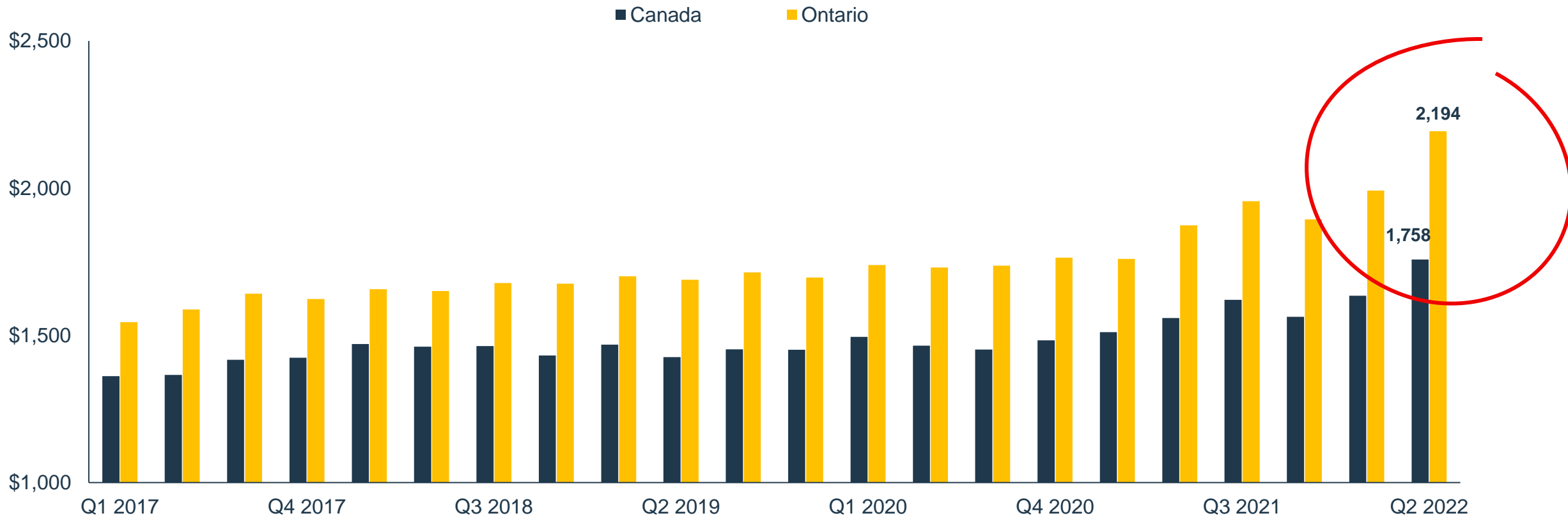


Source: CREA

# Rate hikes are more painful for Ontarians



Average scheduled monthly payments for new mortgage loans, quarterly



Source: Statistics Canada, CMHC

# Retail sales edged lower since June

Monthly retail sales, Ontario, \$billions



Source: Statistics Canada

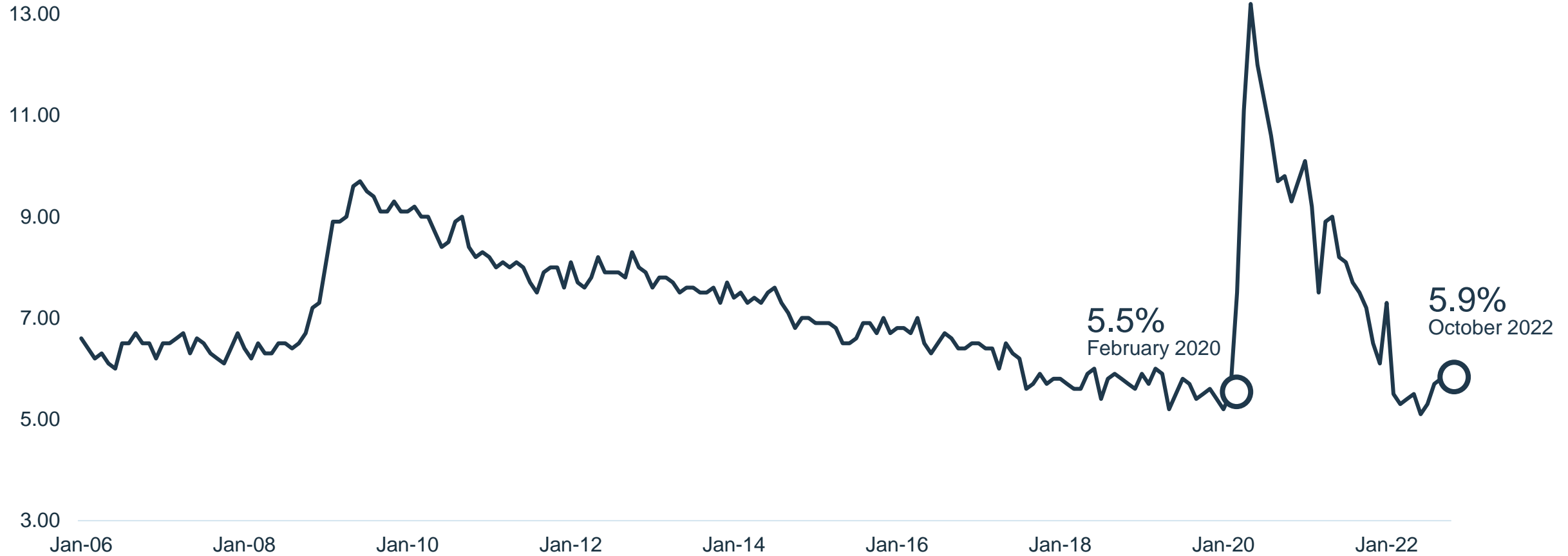


Some factors will help to  
alleviate the slowdown in  
Ontario

# Unemployment is still low in Ontario



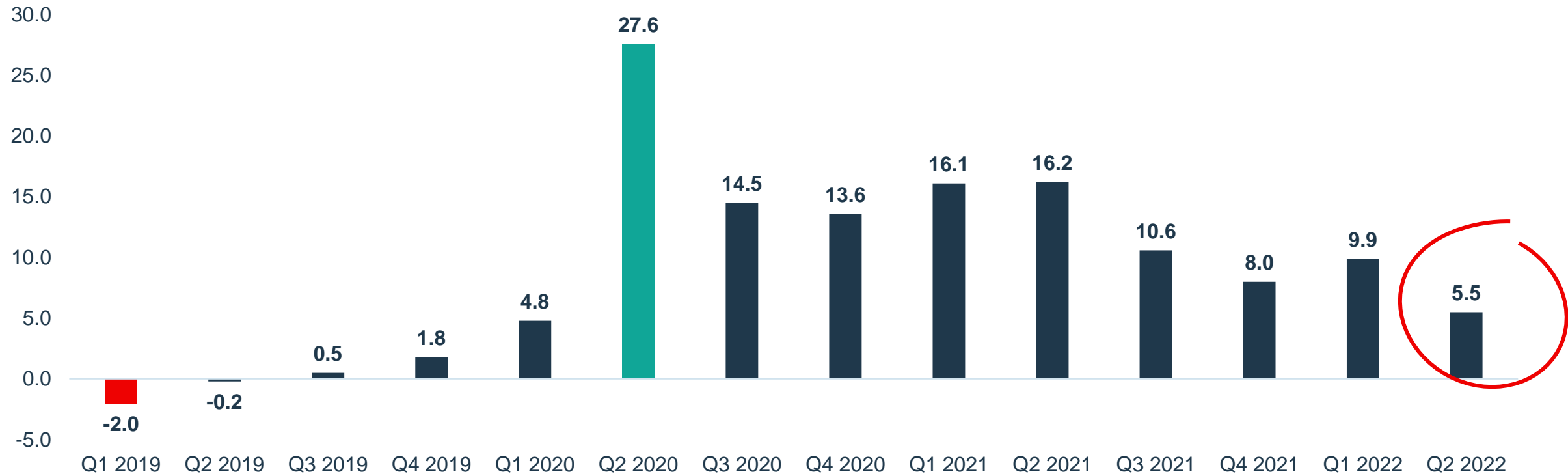
Unemployment rate, %



# Despite a recent decline, household saving rate remains high



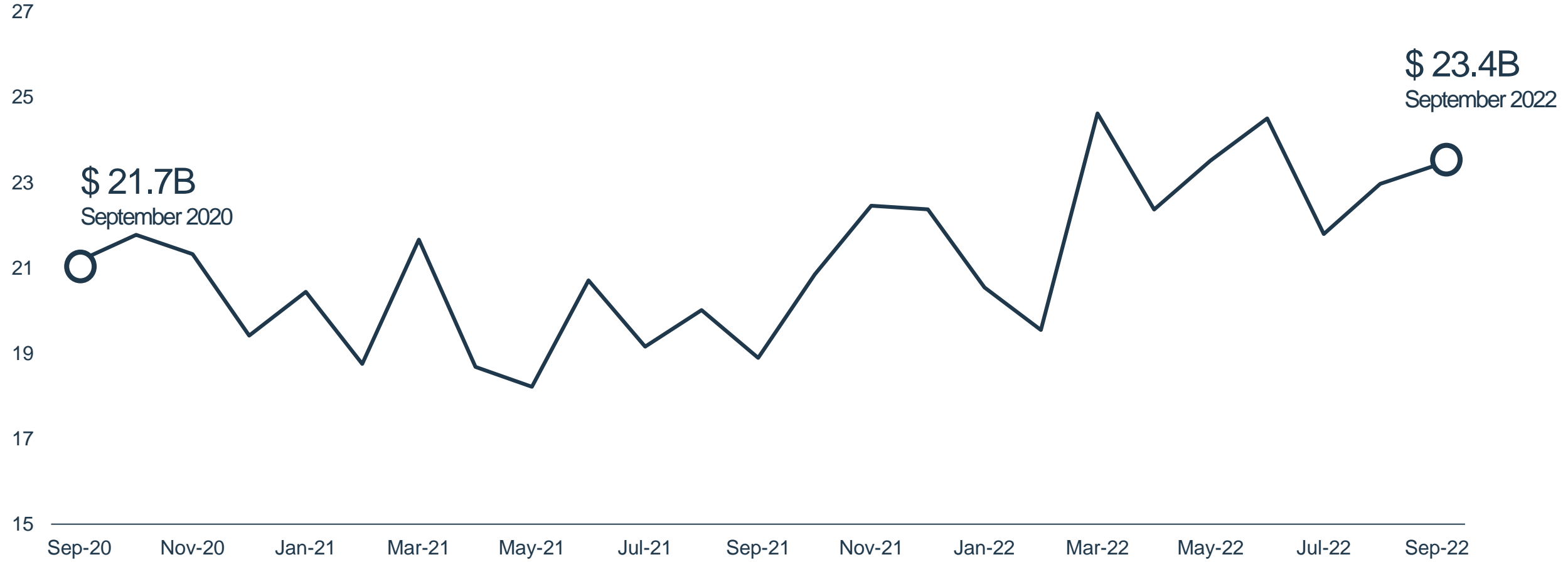
Household saving rate in Ontario , %



# Ontario's exports are elevated



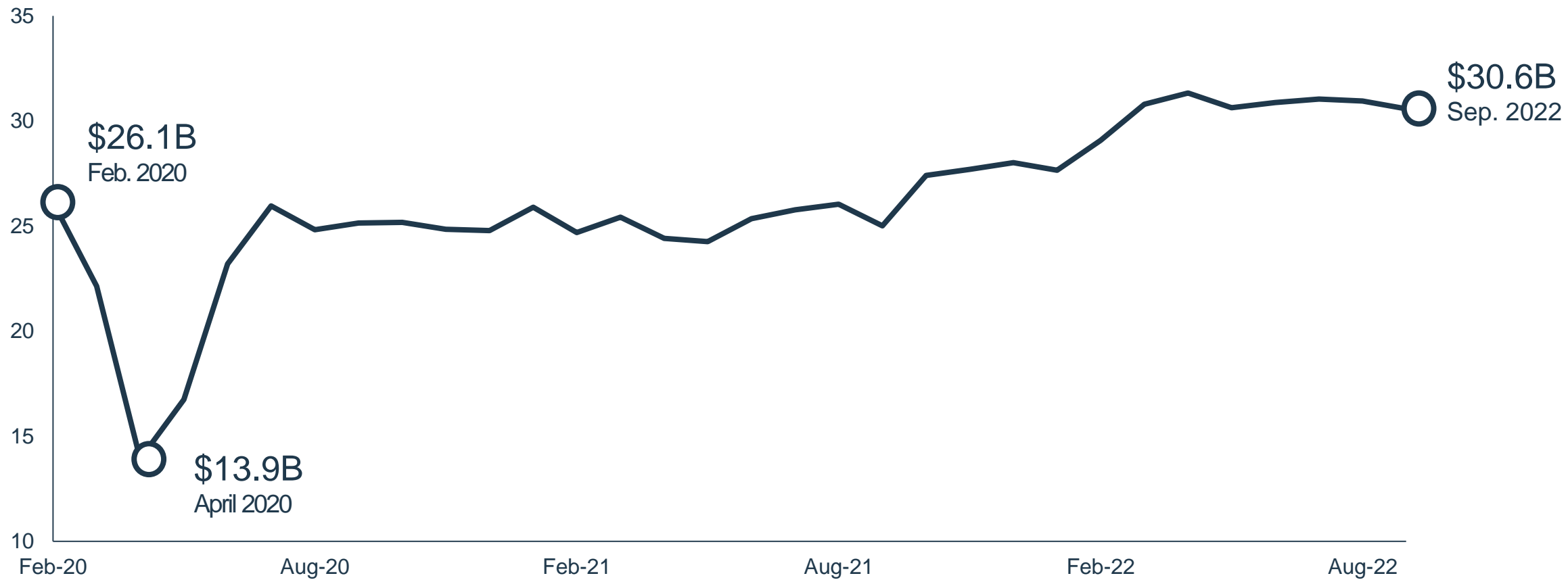
Total exports to all countries, monthly, \$billions



# Which support manufacturing sales



Monthly manufacturing sales, Ontario, billion \$

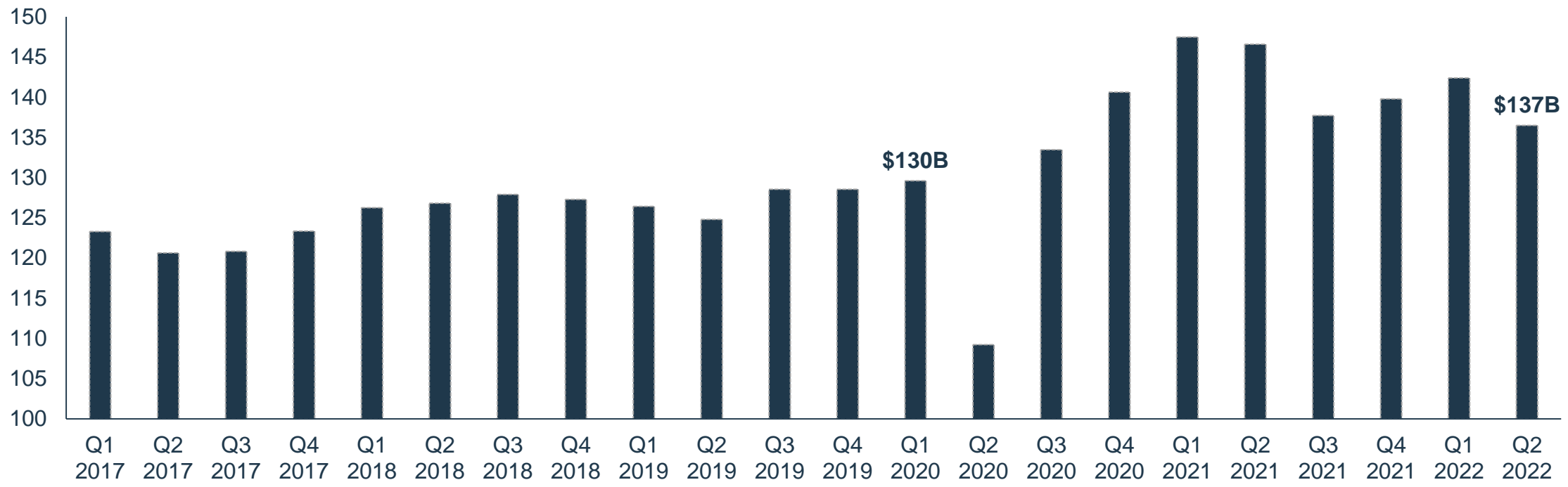


Source: Statistics Canada

# Investments are still high



Business gross fixed capital formation, seasonally adjusted, \$billions, Ontario

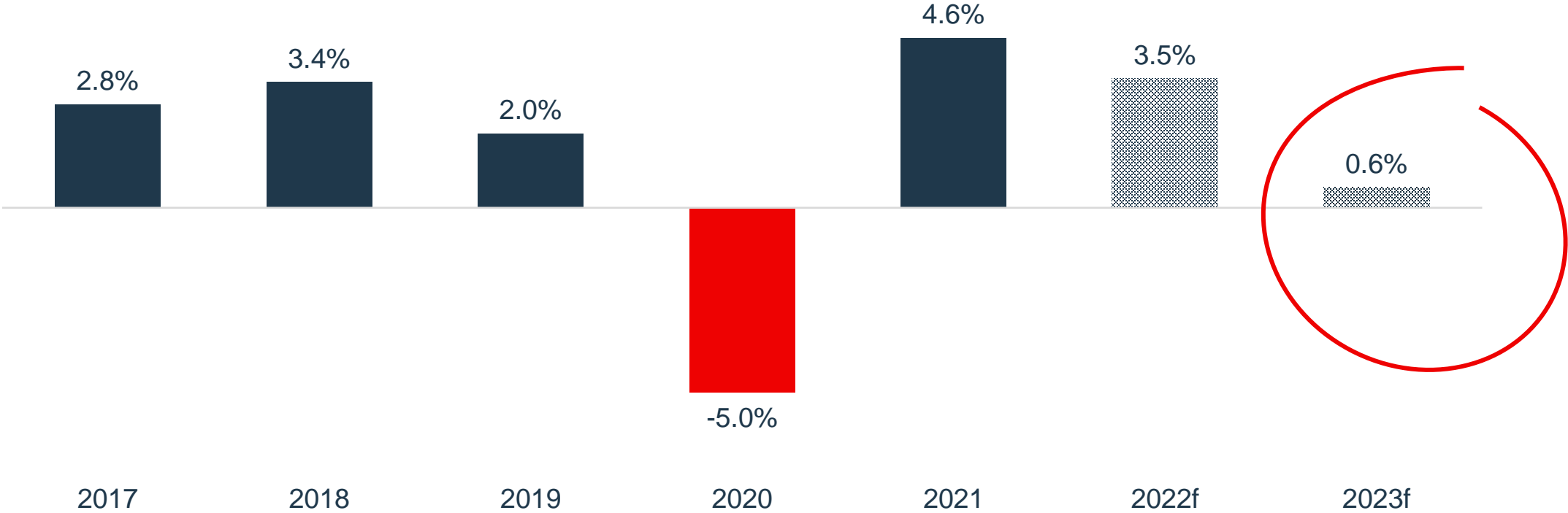


Source: Government of Ontario

# Growth will slow down in 2023



Ontario's annual real GDP growth, (%)



Source: Statistics Canada via Refinitiv, BDC Economics  
f: forecast

3

Labour shortages will persist





Behnaz Alijani,  
Miracle Prescriptions

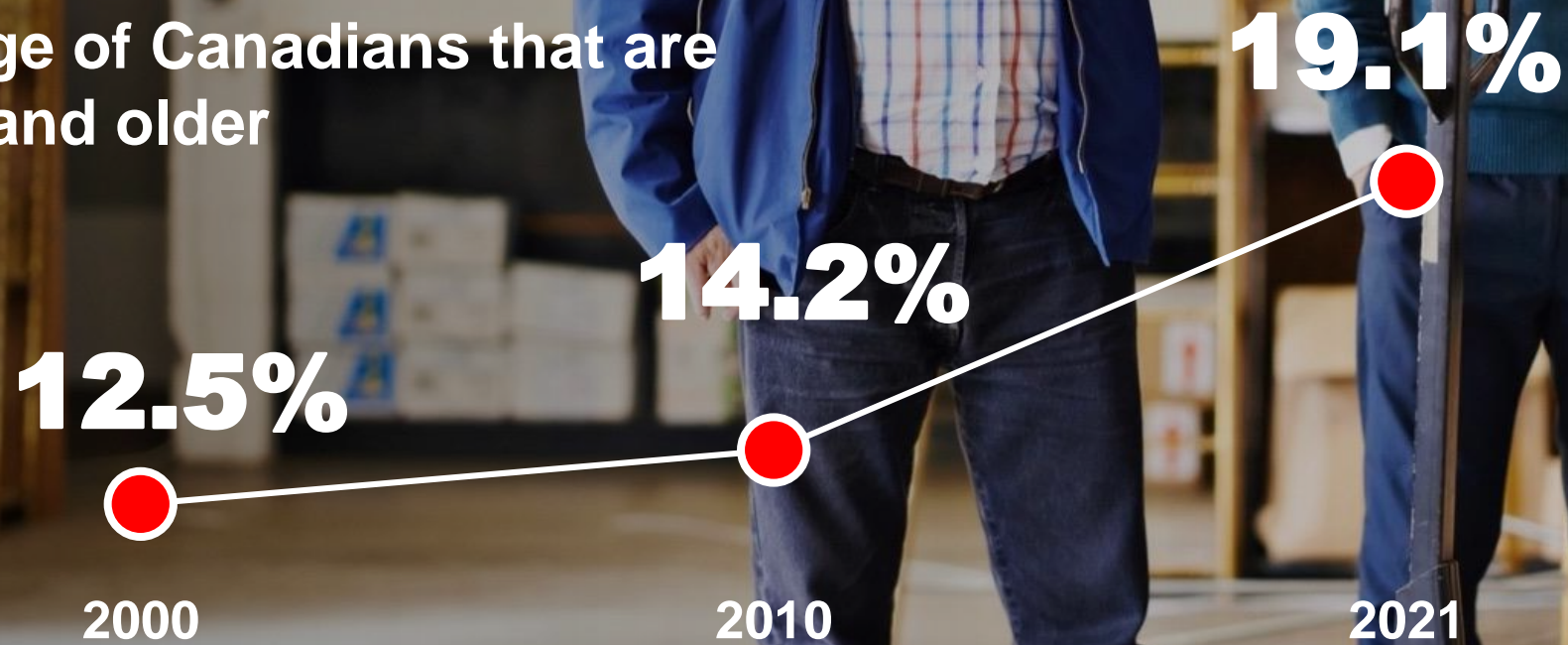
# Businesses are under pressure

# 47%

are having a hard  
time hiring skilled  
workers

# Ontario's population is getting older

Percentage of Canadians that are 65 years and older



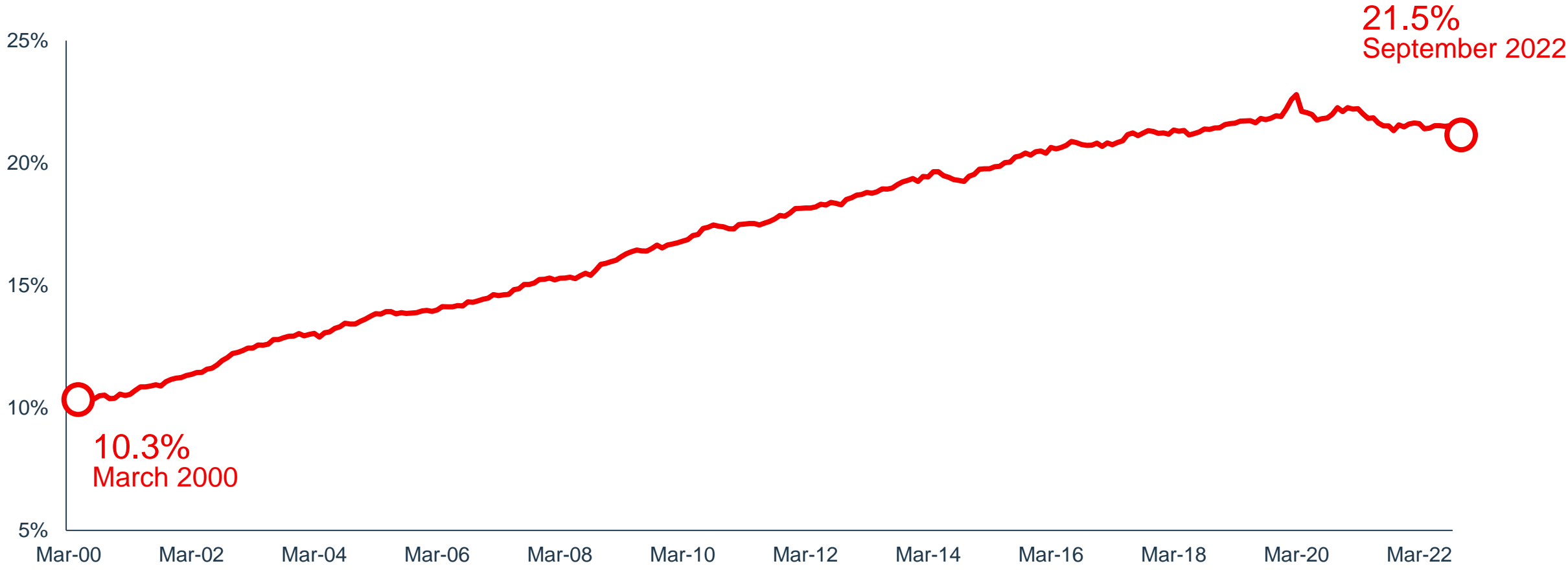
# Baby boomers are retiring



# More than 1/5 of the workforce will retire in the next decade



Percentage of workers that are 55 years+, Ontario

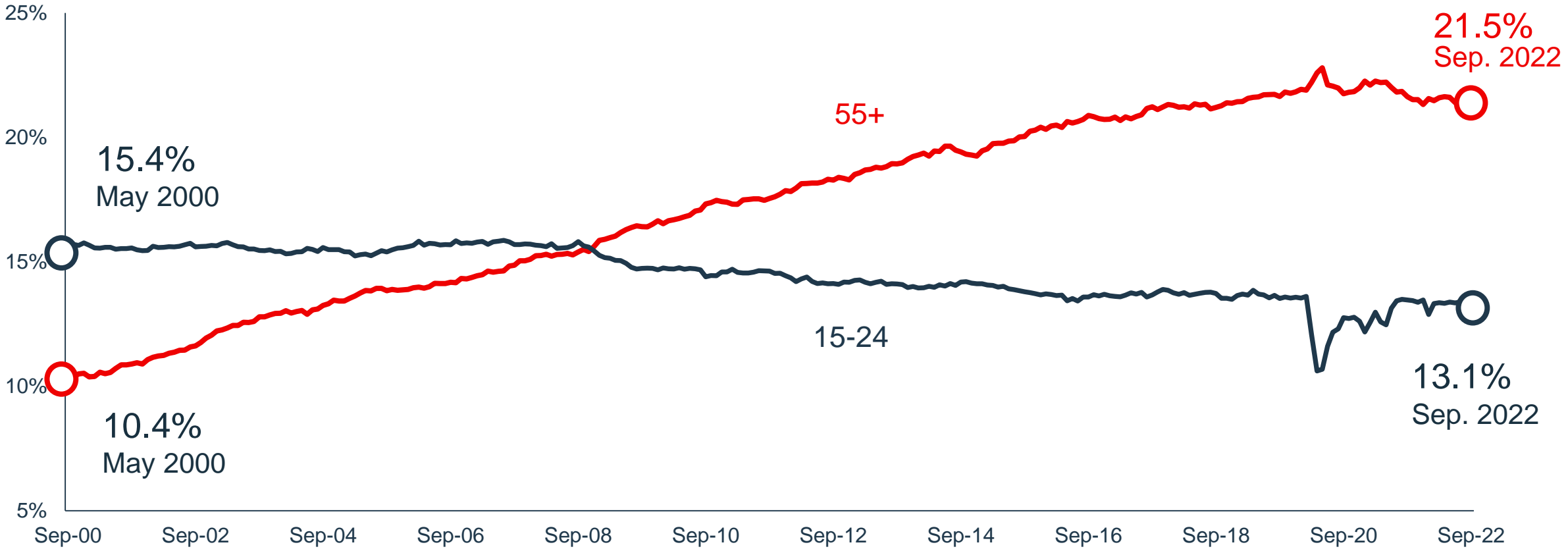


Source: Statistics Canada

# Since 2008, 55+ year-old workers have outnumbered their younger peers



Percentage of workers that are 55 years+, 15-24 years old, Ontario



Source: Statistics Canada

# Conclusion

- Economic growth is slowing down, but we don't expect a recession
- Labour shortages will remain a major challenge

# Questions?

-  BDC
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-  BDC
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