

Economic Forecasts, Canada

Table 1 – Key macroeconomic variables, historical and forecasted data, Canada, 2023-2024

	History				Forecasts		Trends (2023 Q2-2024 Q3)
	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	
GDP by expenditure							
Level, chained \$B (2017)	2,357	2,356	2,356	2,366	2,378	2,389	
Q/Q annualized growth	0.7%	-0.3%	0.1%	1.7%	2.0%	1.9%	
Y/Y growth	1.3%	0.7%	1.0%	0.5%	0.9%	1.4%	
GDP by industry, business sector							
Level, chained \$B (2017)	1,781	1,776	1,781	1,788	1,797	1,806	
Q/Q annualized growth	0.3%	-1.2%	1.1%	1.6%	2.1%	2.0%	
Y/Y growth	1.0%	0.1%	0.7%	0.4%	0.9%	1.7%	
Retail sales							
Level, \$M	65,574	65,975	66,675	66,459	67,125	67,627	
Q/Q annualized growth	-2.0%	2.5%	4.3%	-1.3%	4.1%	3.0%	
Y/Y growth	0.1%	1.7%	2.1%	0.8%	2.4%	2.5%	
CPI, total							
Level, index (2002 = 100)	156	158	159	160	161	162	
Q/Q annualized growth	2.8%	4.9%	2.5%	1.3%	2.7%	2.9%	
Y/Y growth	3.5%	3.7%	3.2%	2.9%	2.8%	2.4%	
CPI, excluding food and energy							
Level, index (2002 = 100)	147	148	149	150	151	152	
Q/Q annualized growth	3.5%	3.1%	3.4%	1.9%	2.9%	3.0%	
Y/Y growth	4.0%	3.5%	3.4%	3.0%	2.8%	2.8%	
Private investment							
Level, chained \$B (2017)	410	404	397	400	397	397	
Q/Q annualized growth	4.7%	-5.1%	-7.2%	3.1%	-2.8%	-0.2%	
Y/Y growth	-4.4%	-3.1%	-3.1%	-1.2%	-3.1%	-1.8%	
Payroll Employment							
Level, k persons	17,965	18,064	18,041	18,114	18,156	18,245	
Q/Q annualized growth	1.3%	2.2%	-0.5%	1.6%	0.9%	2.0%	
Y/Y growth	2.7%	2.4%	1.6%	1.2%	1.1%	1.0%	

Note: All series are seasonally adjusted.

Source: Modelling and forecasts by AppEco using CFIB's monthly Business Barometer® data.

Note: Forecasts are based on weighted CFIB data. The interpretation of recent dynamics can differ from that of unweighted data.

Stronger than expected growth in the first half of the year points to decent growth in Q3

Economic forecasts based on the most recent monthly Business Barometer® data indicate that GDP growth surpassed expectations in the first half of the year, owing to the end of strikes in the public sector and a recent uptick in long-term business sentiment. The third quarter should see decent growth, so long as inflation remains under control and the central bank continues cutting rates.

Retail sales rebounded by 4.1% in 2024 Q2 after contracting by 1.3% in Q1, on a quarterly basis. Sales growth is nonetheless expected to be moderate in Q3, as many businesses report weak demand.

CPI inflation continued to decrease in Q2, albeit at a slower pace compared to the previous two quarters. A more significant decline in inflation is expected in Q3, which is likely to prompt the Bank of Canada to continue easing credit conditions. However, core inflation (excluding food and energy) is anticipated to remain steady at 2.8% in the short term, as certain expenditure categories, such as housing, continue to exert upward pressure on prices. Private investment exceeded expectations in Q1, driven primarily by spending on machinery, equipment, and intellectual property products. However, it completely reversed in Q2. Investment is expected to remain flat throughout the first half of the year.

Payroll employment grew by 1.6% in 2024 Q1, as anticipated, and increased by an additional 0.9% in the second quarter. Employment growth is projected to remain strong in the third quarter.

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Private sector job vacancies



The job vacancy rate continues to decline

The job vacancy rate in Canada's private sector in 2024 Q2 dropped to 3.3% (Figure 1), similar to the pre-pandemic level.

Most provinces experienced a drop or remained stable

Almost all provinces experienced a decrease or remained stable, with the exception of New Brunswick, which recorded an increase in its quarterly vacancy rate (Figure 1 and Table 2). Quebec, Manitoba, and Ontario had the largest quarterly change (-0.2%).

Most sectors saw a decline or remained unchanged

Most sectors recorded a quarterly decline in their vacancy rates, except enterprise management (+0.1), natural resources (+0.1), and finance, insurance, and real estate (0.0). Despite having the current highest vacancy rate, the personal services sector recorded one of the most significant yearly declines (-1.8). The hospitality sector recorded both the largest quarterly (-0.4) and yearly (-2.1) drops (Figure 2 and Table 2).

The vacancy rate saw little change across businesses of all sizes

Vacancy rates remained stable among small businesses (less than 100 employees), with smaller businesses (fewer than 5 employees) continuing to experience higher rates. Vacancy rates in businesses with 5 to 19 employees recorded a small quarterly increase (Table 2). Most of the national job vacancies are recorded in medium to large-sized businesses (more than 100 employees) (Figure 3).

Sources

- (1) CFIB, Your Business Outlook Survey, January 2004-June 2024. Trended.
- (2) Statistics Canada. Table 14-10-0398-01. Adjusted for seasonality.
- (3) Q/Q (3-month) and Y/Y (12-month) changes are in percentage points.

Figure 1 – Job vacancy rates by province, Canada^{1,2}

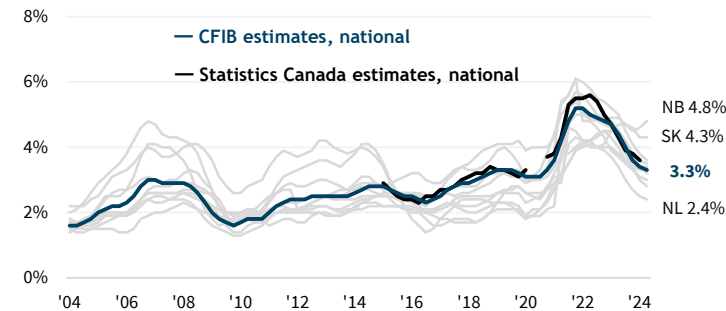


Figure 2 – Job vacancy rates by sector, Canada¹

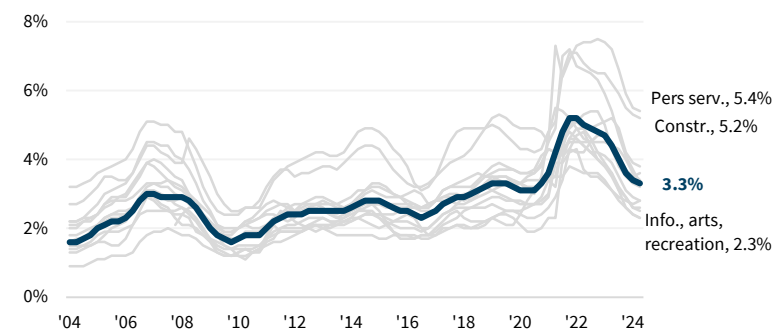


Figure 3 – Total vacancies (in thousands)¹

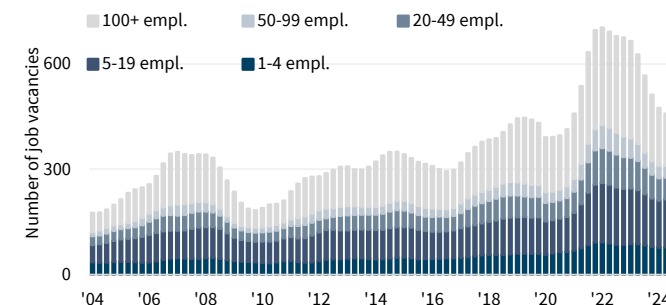


Table 2 – Private sector job vacancies, 2024 Q2²

	Vacancy rate (%)	Q/Q Change ³	Y/Y change ³	Total vacancies (n)
Canada	3.3	-0.1	-1.1	458,000
New Brunswick	4.8	0.2	-0.1	12,200
Saskatchewan	4.3	0.0	-0.4	15,600
Quebec	3.6	-0.2	-1.4	112,400
British Columbia	3.5	-0.1	-1.0	69,200
Alberta	3.4	0.0	-0.6	59,000
Nova Scotia	3.3	0.0	-0.5	10,900
Manitoba	3.2	-0.2	-1.3	14,700
Prince Edward Island	3.0	-0.1	-0.7	1,500
Ontario	2.8	-0.2	-1.4	158,700
Newfoundland and Labrador	2.4	-0.1	-1.0	3,800
Personal services	5.4	-0.1	-1.8	33,300
Construction	5.2	-0.1	-1.0	64,200
Agriculture	3.8	-0.1	-1.4	6,300
Enterprise management	3.6	0.1	-0.7	35,200
Professional services	3.4	-0.1	-1.1	43,400
Health, education	3.4	-0.2	-1.0	42,800
Hospitality	3.3	-0.4	-2.1	44,200
Transportation	3.2	-0.1	-1.1	22,300
Natural resources	2.8	0.1	-0.3	6,100
Retail	2.8	-0.1	-1.1	58,000
Finance, insurance, real estate	2.6	0.0	-0.9	29,300
Manufacturing	2.5	-0.1	-1.1	40,300
Wholesale	2.3	-0.1	-0.8	20,100
Information, arts, recreation	2.3	-0.1	-1.3	12,400
1-4 employees	6.8	0.0	-0.9	77,900
5-19 employees	5.9	0.1	-0.7	137,000
20-49 employees	3.5	0.0	-1.0	61,800
50-99 employees	2.4	-0.1	-1.0	33,800
100+ employees	2.0	-0.2	-1.5	147,500

In focus: Soaring costs of doing business



The costs of doing business have surged in the past years

The overall business costs, measured by unit cost, are currently at a very high level—26% higher than in 2017 (our analysis period) (Figure 4). The total unit cost index remained stable until the pandemic. It then spiked rapidly in 2022 and remains elevated to this day. The total costs include expenses for raw materials excluding crude energy products, wages and labour, fuel and energy, non-residential rent, and business borrowing costs, but exclude insurance costs.

Input costs, wages, and energy costs register top increases

The rise in overall business costs is mainly due to increased prices for raw materials, followed closely by higher labour costs and fuel and energy price hikes. These concurrent cost pressures are straining SMEs, which are already dealing with revenue losses from pandemic-related restrictions, further challenging their profitability and competitiveness.

SMEs are grappling with steep cost increases simultaneously

Based on recent CFIB survey data,⁵ a record number of businesses (69% in 2024 Q2) have identified insurance costs as the primary barrier to business or production growth (Figure 6). Similarly, 68% of SMEs report wage and labour costs as their main constraint. These trends are consistent across provinces, with New Brunswick, British Columbia, and Alberta experiencing the highest pressures. Businesses in transportation, construction, and personal services are also more likely to report cost pressures (Table 3).

Sources

(4) Statistics Canada. Tables 36-10-0206-01; 18-10-0001-01; 18-10-0268-01; 18-10-0262-01; 18-10-0255-01.
 (5) CFIB, Your Business Outlook Survey. January 2017-June 2024.
 Note: *Small sample size (<40)

Figure 4 – Total unit costs were stable before the pandemic, but spiked by 26% during 2022 and have remained elevated since

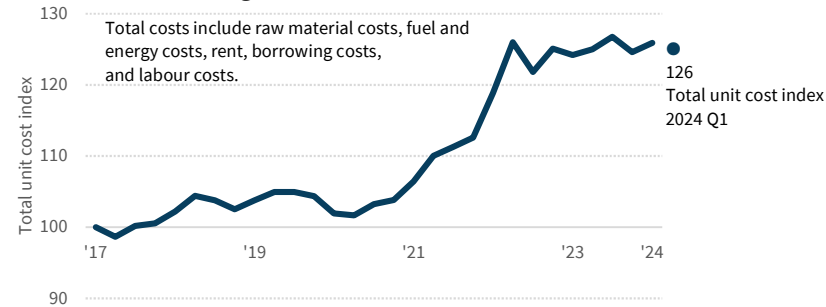


Figure 5 – Input costs, labour costs, and fuel and energy costs are the main culprits of the soaring business costs⁴

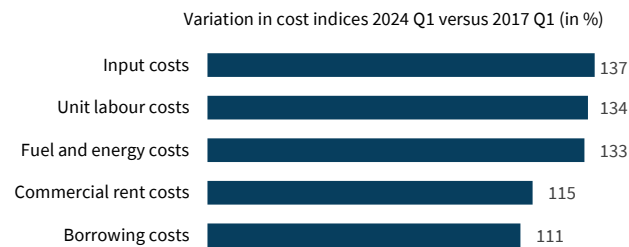


Figure 6 – More SMEs are complaining about rising costs, notably about insurance costs⁵

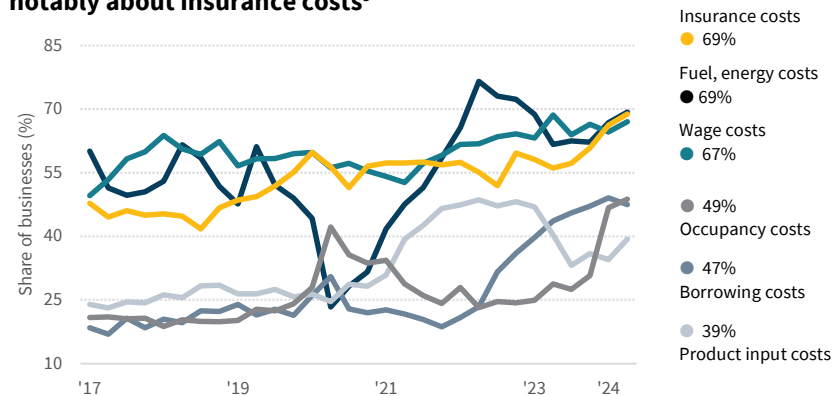


Table 3 – Businesses facing cost challenges, 2024 Q2⁵

Share of firms (in %):	Insurance (%)	Fuel and energy (%)	Wages (%)	Occupancy (%)	Borrowing (%)	Product inputs (%)
Canada	69	69	67	49	47	39
New Brunswick	76	89	70	52	52	31
Newfoundland and Labrador*	75	69	63	38	44	31
British Columbia	74	65	76	59	48	41
Alberta	73	83	64	58	48	47
Manitoba	68	69	73	40	48	37
Ontario	68	72	67	47	47	40
Saskatchewan	67	78	58	42	51	58
Prince Edward Island*	67	71	62	19	24	19
Quebec	65	57	65	45	50	31
Nova Scotia	63	76	65	49	41	41
Transportation	81	72	70	45	45	21
Construction	76	84	73	32	48	31
Personal services	74	76	66	52	50	42
Health, education	73	54	69	59	37	24
Natural resources*	73	85	58	35	38	50
Information, arts, recreation	71	68	76	41	44	24
Hospitality	70	80	79	57	54	49
Enterprise management	68	70	63	46	46	37
Retail	67	73	69	57	53	43
Manufacturing	67	66	63	52	44	43
Wholesale	67	63	57	54	45	45
Agriculture	63	77	59	23	52	73
Professional services	60	42	63	41	42	23
Finance, insurance, real estate	56	60	55	60	40	16
1-4 employees	67	69	54	52	52	41
5-19 employees	72	72	72	50	44	39
20-49 employees	63	67	82	40	49	39
50-99 employees	64	74	72	40	49	36

Note: The lines are sorted by the percentage indicated in the first column in a decreasing order. The columns are sorted by the percentage indicated on the first line in a decreasing order.

Sectoral profile: Personal and miscellaneous services



Footprint

The personal and miscellaneous services industry contributes around 2% to the Canadian GDP. Small and mid-sized enterprises (SMEs, 1 to 499 employees) and non-employer businesses account for about 87% of the sector's GDP, make up the large majority of businesses (99.99%), and employ 91% of the workforce.

Table 4 – The personal services sector in Canada

	GDP ^{6,7}	Businesses ^{8,9}	Workforce ¹⁰
Total	\$45B	280,000	766,000
Sector's share of the economy	2.0%	6.1%	3.8%
SMEs' share of the sector	87%	99%*	91%

The personal services sector includes businesses that:¹¹

- Are not classified to any other sector, primarily engaged in repair activities, or performing maintenance on motor vehicles, machinery, equipment, and other products to ensure that they work efficiently (28% of establishments).
- Provide personal care services, funeral services, laundry services and other services to individuals (such as pet care services and photo finishing services) (34% of establishments).
- Promote religious activities, support various causes through grant-making, advocate various social and political causes, and promote and defend the interests of their members. This category also includes private households (38% of establishments).

Our subsequent analysis will include only the first two categories.

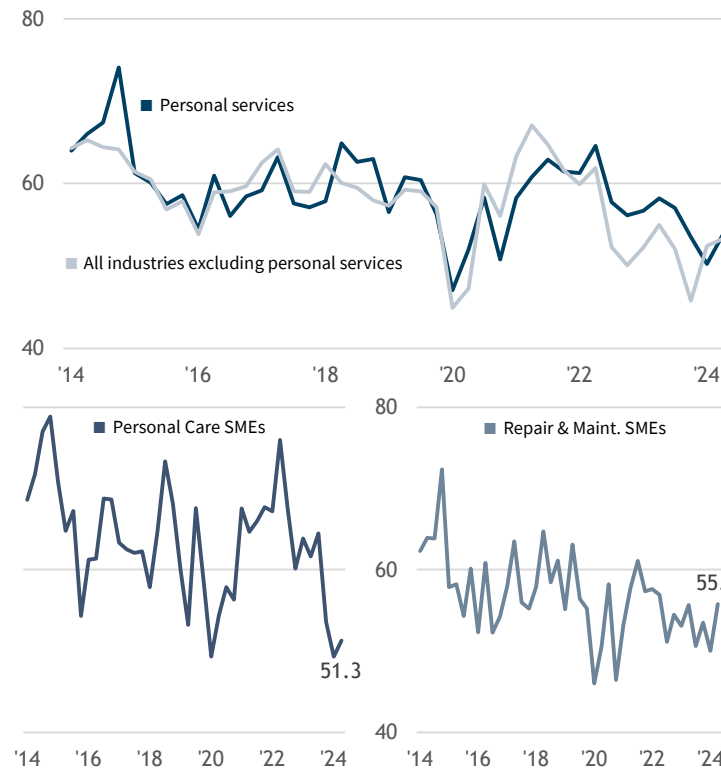
Sources and notes

- (6) Statistics Canada. Table 36-10-0434-03.
 (7) Innovation, Science and Econ. Dev. Canada, Key Small Business Statistics 2023.
 (8) Statistics Canada. Table 33-10-0807-01.
 (9) Statistics Canada. Table 33-10-0806-01.
 (10) Statistics Canada, Labour Force Survey data, custom tabulations.
 (11) Statistics Canada. North American Industry Classification System (NAICS) Canada 2022 Version 1.0.
 (12) CFIB, Your Business Outlook Survey. January 2014-June 2024.
 * Truncated from 99.99% instead of rounded.

Fitness

The long-term confidence for the overall sector is still low despite a recent light recovery (Figure 7a). SMEs from the personal care services sub-sector recovered well from the pandemic; however, their optimism has been decreasing since 2022 Q3 (Figure 7b). Firms operating in the repair and maintenance sub-sector are historically more cautious about their expectations, and their current optimism level remains below pre-pandemic readings (Figure 7c).

Figure 7 – The optimism level for all businesses providing personal services is on a declining trend overall, but the personal care and repair/maintenance sub-sectors somewhat diverge¹² (index: 0-100)



Challenges

In both sub-sectors, significant shares of businesses face challenges related to borrowing costs and product input costs. They also have their own specific challenges. Currently, most SMEs operating in personal care services are reporting limitations on business growth because of occupancy costs (Figure 8). Meanwhile, the majority of SMEs in repair and maintenance report skilled worker shortages as the main limitation on growth (Figure 9).

Figure 8 – Occupancy costs, borrowing costs, insufficient demand, and product input costs rose significantly over the past decade for personal care businesses¹² (% SMEs affected)

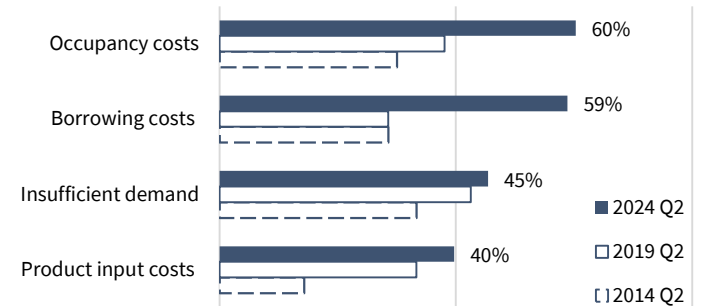
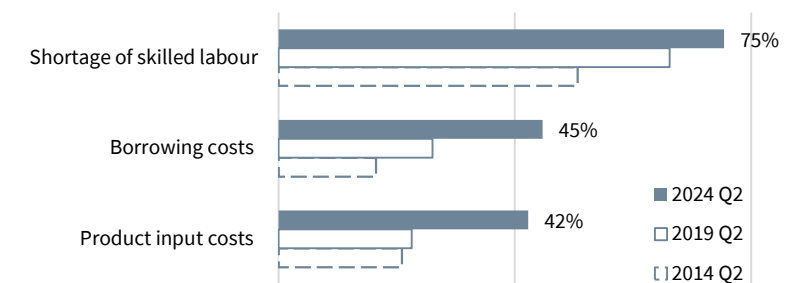


Figure 9 – Shortage of skilled labour, borrowing costs, and product input costs have been on an upward trend over the past decade for repair and maintenance firms¹² (% SMEs affected)



Methodology

CFIB's research is based on members' views, which are collected through various controlled-access member surveys using a one-member one-vote system. CFIB produces clear, credible, and compelling analysis that supports the success of independent business in Canada.

CFIB membership has good representation across regions, sectors, and business sizes; hence the survey data offers a reasonable estimate of the distribution of economic activity across Canada.

Your Business Outlook is a monthly CFIB tracking survey that covers small business confidence, expectations, and operating conditions. Findings are typically based on several hundred responses from a stratified random sample of CFIB members. Every last Thursday of the month, results are released in our Business Barometer® reports (Canada, provinces and industries), at cfib.ca/barometer.

Forecasts are based on CFIB data collected via the Your Business Outlook survey, a data set that is available the same month it is collected. By contrast, most other publicly available economic indicators have a delay, sometimes longer than two months.

Job vacancies estimates are also based on the Your Business Outlook survey. The analysis uses data from the CFIB survey, Statistics Canada's Survey of Employment, Payrolls and Hours as well as custom tabulations from Statistics Canada's Labour Force Survey.

For more information on the methodologies used, visit cfib.ca/research.

About CFIB



The Canadian Federation of Independent Business (CFIB) is Canada's largest association of small and medium-sized businesses with 97,000 members across every industry and region. CFIB is dedicated to increasing business owners' chances of success by driving policy change at all levels of government, providing expert advice and tools, and negotiating exclusive savings. Learn more at cfib.ca.

CFIB Economics

Simon Gaudreault
Chief Economist and
Vice-President Research

Andreea Bourgeois
Director, Economics

Laure-Anna Bomal
Economist

Alchad Alegbeh
Research Analyst

 cfib.ca/research

 economics@cfib.ca

 [@CFIB_FCEI_Stats](https://twitter.com/CFIB_FCEI_Stats)

About AppEco




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Pierre Emmanuel Paradis
President and Economist

Richard Fahey
Vice-President and Lawyer

Julien Mc Donald-Guimond
Director and Economist

 appeco.ca

 info@appeco.ca

 AppEco