

Economic Forecasts, Canada

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

	History				Estimate	Forecasts	Trends (2023 Q3-2024 Q4)
	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	
GDP by expenditure							
Level, chained \$B (2017)	2,356	2,356	2,366	2,379	2,386	2,394	
Q/Q annualized growth	-0.3%	0.1%	1.8%	2.1%	1.2%	1.4%	
Y/Y growth	0.7%	1.0%	0.6%	0.9%	1.3%	1.6%	
GDP by industry, business sector							
Level, chained \$B (2017)	1,776	1,781	1,787	1,795	1,800	1,807	
Q/Q annualized growth	-0.8%	1.1%	1.2%	1.8%	1.1%	1.4%	
Y/Y growth	0.1%	0.7%	0.4%	0.9%	1.3%	1.4%	
Retail sales							
Level, \$M	65,975	66,675	66,363	66,082	66,568	66,671	
Q/Q annualized growth	2.5%	4.3%	-1.9%	-1.7%	3.0%	0.6%	
Y/Y growth	1.7%	2.1%	0.7%	0.8%	0.9%	0.0%	
CPI, total							
Level, index (2002 = 100)	158	159	160	161	161	162	
Q/Q annualized growth	4.9%	2.5%	1.3%	2.4%	2.2%	1.9%	
Y/Y growth	3.7%	3.2%	2.9%	2.8%	2.1%	2.0%	
CPI, excluding food and energy							
Level, index (2002 = 100)	148	149	150	151	152	152	
Q/Q annualized growth	3.1%	3.4%	1.9%	2.7%	2.1%	2.1%	
Y/Y growth	3.5%	3.4%	3.0%	2.8%	2.5%	2.2%	
Private investment							
Level, chained \$B (2017)	404	397	399	401	399	399	
Q/Q annualized growth	-5.1%	-7.2%	1.9%	2.0%	-1.2%	0.0%	
Y/Y growth	-3.1%	-3.1%	-1.5%	-2.2%	-1.2%	0.7%	
Payroll Employment							
Level, k persons	18,064	18,041	18,114	18,181	18,235	18,296	
Q/Q annualized growth	2.2%	-0.5%	1.6%	1.5%	1.2%	1.3%	
Y/Y growth	2.4%	1.6%	1.2%	1.2%	0.9%	1.4%	

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.

Canadian economy to see sluggish growth in Q3 and Q4

Economic estimates based on the most recent monthly Business Barometer® data indicate that GDP growth slowed to 1.2% in Q3 after posting a solid gain of 2.1% in the second quarter, as anticipated. Growth is expected to remain muted in the fourth quarter, at 1.4%, as the economy continues to face some headwinds.

Retail sales disappointed in the second quarter but rebounded over the third. Sales growth should, however, be very weak in Q4 as more firms report experiencing insufficient demand. This leaves the level of sales unchanged from one year ago.

CPI inflation fell faster than anticipated in Q3, reaching 2.1% year-over-year, and is expected to remain on the Bank of Canada's target (2.0%) in Q4. Such an improvement would support swift decreases in interest rates over the next months.

Private investment was stronger than expected in the second quarter, boosted by machinery and equipment. The estimate for Q3 points to a small contraction, followed by a flat forecast for Q4.

Payroll employment growth was also stronger than anticipated in Q2, posting a 1.5% gain. This momentum should moderate over the second half of the year but remain at healthy levels (1.2% in Q3, and 1.3% in Q4).

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Private sector job vacancies



The job vacancy rate dropped significantly

The private sector job vacancy rate in Canada dropped to 2.7% in 2024 Q3 (Figure 1), a level last seen in mid-2017.

The vacancy rate declined in every province

All provinces experienced a quarterly decrease of at least 0.3 percentage points, with New Brunswick and Quebec leading at 0.5 (Figure 1 and Table 2). Quebec, Ontario and Manitoba saw the largest yearly changes, with Quebec dropping by 1.6 percentage points and the latter two by 1.5.

All sectors recorded a drop in job vacancy rates

Each sector saw a quarterly decline, with the largest decreases in personal services (-0.8), construction (-0.6) and agriculture (-0.6) (Figure 2 and Table 2). The personal services sector also experienced one of the most significant yearly declines (-2.2), followed by hospitality (-1.9) and agriculture (-1.8).

Smaller businesses experienced largest vacancy rate decline

On both a quarterly and yearly basis, smaller businesses (fewer than 50 employees) tend to record the largest decreases in vacancy rates, although their rates remain higher than their counterparts' (Figure 3 and Table 2). The overall number of vacancies is gradually returning to levels seen at the end of 2017 and in early 2018.

Sources

- (1) CFIB, Your Business Outlook Survey, January 2004-September 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}

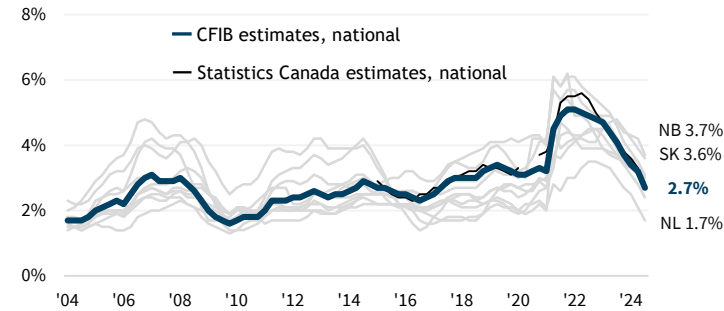


Figure 2 – Job vacancy rates by sector, Canada¹

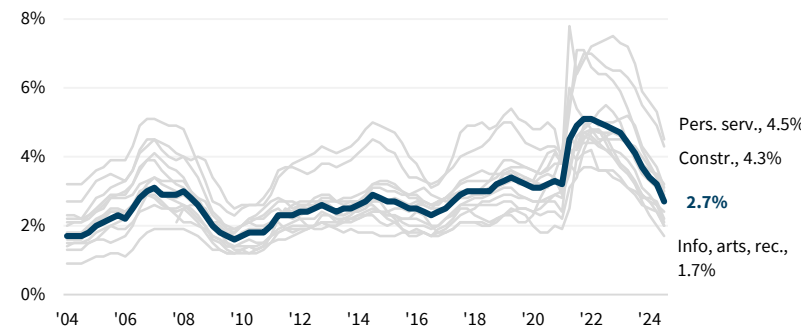


Figure 3 – Total vacancies (in thousands)¹

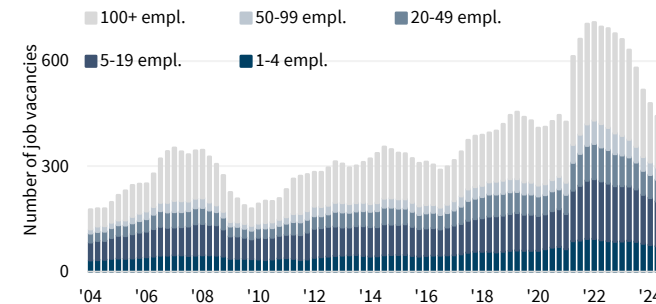


Table 2 – Private sector job vacancies, 2024 Q3

	Vacancy rate (%)	Q/Q change ³	Y/Y change ³	Total vacancies (n)
Canada	2.7	-0.5	-1.4	379,900
New Brunswick	3.7	-0.5	-1.0	9,400
Saskatchewan	3.6	-0.3	-1.2	12,800
British Columbia	3.1	-0.4	-1.1	61,300
Quebec	3.0	-0.5	-1.6	92,700
Prince Edward Island	2.8	-0.4	-0.8	1,400
Alberta	2.8	-0.4	-0.9	48,000
Nova Scotia	2.7	-0.4	-1.0	8,900
Manitoba	2.7	-0.4	-1.5	12,200
Ontario	2.4	-0.4	-1.5	130,700
Newfoundland and Labrador	1.7	-0.4	-1.3	2,500
Personal services	4.5	-0.8	-2.2	27,300
Construction	4.3	-0.6	-1.7	53,100
Professional services	3.2	-0.3	-0.9	40,400
Agriculture	3.1	-0.6	-1.8	5,200
Social services	3.0	-0.4	-1.3	37,700
Hospitality	2.9	-0.5	-1.9	37,600
Transportation	2.7	-0.4	-1.2	18,700
Enterprise management	2.7	-0.4	-1.3	25,400
Finance, insurance, real estate	2.4	-0.2	-0.8	27,100
Natural resources	2.2	-0.5	-0.8	4,700
Retail	2.1	-0.5	-1.5	43,700
Manufacturing	2.0	-0.4	-1.3	32,900
Wholesale	2.0	-0.4	-0.9	17,300
Information, arts, recreation	1.7	-0.3	-1.5	8,900
1-4 employees	5.9	-0.6	-1.6	65,300
5-19 employees	4.9	-0.6	-1.5	112,500
20-49 employees	3.0	-0.4	-1.2	53,300
50-99 employees	2.4	-0.1	-0.8	32,600
100+ employees	1.6	-0.4	-1.4	116,200

Fewer firms have grown, more have declined over the past decade

Before 2020, about 11% of all firms were growing.¹ During 2020, that share plunged to almost 3%, after which it recouped somewhat to about 6%, where it has hovered since (Figure 4). Meanwhile, the share of declining firms, which averaged around 4% between 2014 and 2019, rose sharply to 11% in 2020. After somewhat normalizing in 2021, it has since gradually and continually increased and now reaches almost 6%.

Growing and declining firms face different challenges

Growing SMEs are mainly concerned with labour shortages (Figure 5), both skilled (56%) and un/semi-skilled (23%), as well as limited space (38%). In contrast, most declining businesses are affected by insufficient demand (81%) and shortage of working capital (49%).

Investments are stronger for growing SMEs

Since 2024, about 20% of growing firms are making strong investments in computers, communications, office technology or process machinery and equipment (Figure 6). On the other hand, 71% of declining businesses are investing below their normal levels, or not at all.

The proportions of growing and declining firms vary significantly by sector, size and age of business

Sectors such as agriculture, manufacturing, and retail are now seeing fewer growing firms than their pre-pandemic average (Table 3). Businesses in finance, insurance and real estate; health and education; and hospitality now record more declining firms than their 2014-2019 average.

Sources

(1) CFIB, Your Business Outlook Survey, January 2014-September 2024, annualized data. Growing firms are those expecting strong or moderately strong performance in both the next 3-4 months and the next 12 months. They are currently performing well and have done so in the past 3-4 months. Additionally, they do not anticipate laying off part-time or full-time employees in the coming 3-4 months. Conversely, declining firms are businesses who expect weak or moderately weak performance over the next 3-4 months and the next 12 months. They are currently experiencing weak performance and have done so in the past 3-4 months.

Figure 4 – Over the past decade, the share of growing firms almost halved while the share of declining firms nearly doubled

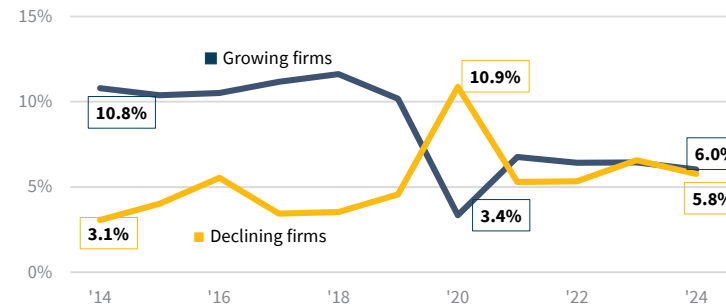


Figure 5 – Growing firms are mostly constrained by a lack of labour and space, while declining firms report a lack of demand and working capital

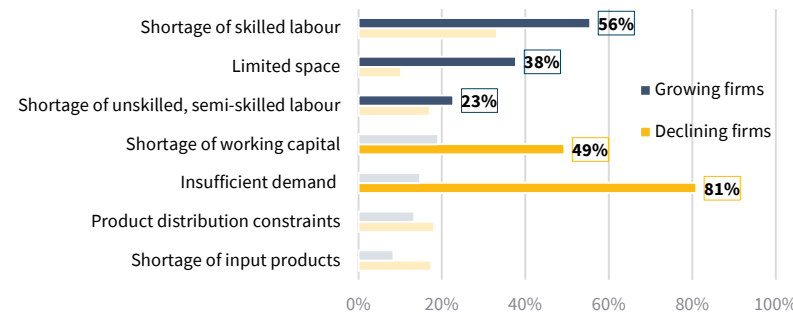


Figure 6 – About 2 in 10 growing firms invest more than usual, while 7 in 10 declining firms invest below normal levels or not at all

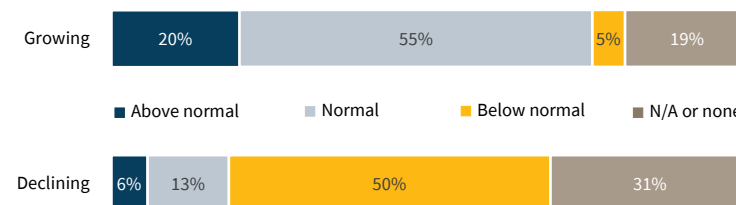


Table 3 – Growing versus declining firms, 2024¹

	Growing firms (%)			Declining firms (%)		
	2024 share	2014-2019 average	Variation rate	2024 share	2014-2019 average	Variation rate
Canada	6.0	10.8	-44	5.8	3.9	46
New Brunswick	11.6	9.1	-28	8.2	3.7	123
Nova Scotia	7.5	12.6	-40	3.8	3.1	23
Newfoundland and Labrador	7.1	7.6	-6	7.1	5.1	41
Prince Edward Island	6.6	10.5	-38	0.0	1.8	-100
Quebec	6.4	13.5	-53	3.1	2.1	46
Ontario	6.1	10.9	-44	7.2	3.2	125
British Columbia	5.4	14.0	-62	5.8	2.9	100
Alberta	4.9	6.8	-29	6.3	9.3	-32
Manitoba	4.7	7.9	-40	4.3	2.2	96
Saskatchewan	4.6	8.6	-46	4.1	5.6	-27
Enterprises, admin. mgmt.	9.5	11.3	-16	2.2	3.8	-41
Fin., ins., etc.	9.4	14.7	-36	6.5	2.7	146
Professional services	9.3	14.8	-37	2.7	2.7	3
Arts, rec. & inf.	7.5	10.7	-30	3.7	4.5	-16
Health, education	7.4	10.1	-27	6.7	3.2	111
Wholesale	7.3	13.0	-44	3.5	4.0	-13
Personal, misc. services	7.2	9.4	-24	5.6	3.9	44
Transportation	6.0	7.6	-21	5.4	4.2	30
Hospitality	5.5	9.0	-39	8.0	4.2	91
Manufacturing	5.4	12.6	-58	3.8	4.5	-16
Construction	5.0	8.0	-37	4.8	3.9	26
Retail	4.6	10.4	-56	8.4	4.5	86
Natural resources	3.8	6.2	-38	11.5	7.0	64
Agriculture	2.7	6.5	-59	4.8	2.7	79
0 to 4 employees	5.5	9.5	-41	6.2	4.3	43
5 to 19 employees	6.0	10.9	-45	5.6	3.8	47
20 to 49 employees	7.8	12.7	-39	5.4	3.5	55
50 to 99 employees	6.9	14.1	-51	3.8	4.4	-14
100 to 499 employees	5.6	16.2	-66	9.3	3.1	197
One year or less in business	6.8	15.3	-56	4.3	1.4	214
2 to 4 years	7.0	14.4	-51	8.9	2.9	205
5 to 10 years	5.8	11.9	-51	5.8	3.6	59
11 years or more	5.8	10.0	-42	5.4	4.2	28

Footprint

The educational and health care industries contribute slightly above 13% to the Canadian GDP, or about the same as the construction and retail industries together. Small and mid-sized enterprises (SMEs, 1 to 499 employees) and non-employer businesses account for about 67% of the sector's GDP and make up the large majority of businesses (99.7%) but employ only 46.5% of the workforce.

Table 4 – Educational, health care and social assistance, Canada

	GDP ^{1,2}	Businesses ³	Workforce ⁴
Total	\$295B	354,625	4,380,000
Sector's share of the economy	13.4%	7.9%	21.2%
SMEs' share of the sector	67.4%	99.7%	46.5%

The **educational services** sector⁵ includes businesses that provide instruction and training, either private or public. The private establishments comprise schools, colleges, and specific training institutions such as computer or language schools.

The **health care and social assistance** sector⁵ includes establishments that provide health care by diagnosis and treatment, counselling, and child care services.

Our analysis is focused only on private small and mid-sized establishments.

Sources

- (1) Statistics Canada. Table 36-10-0434-03.
- (2) Innovation, Science and Econ. Dev. Canada, Key Small Business Statistics 2023. Table 11.
- (3) Statistics Canada. Table 33-10-0717-01, and Table 33-10-0718-01.
- (4) Statistics Canada, Labour Force Survey data, custom tabulations.
- (5) Statistics Canada. North American Industry Classification System (NAICS) Canada 2022 Version 1.0.
- (6) CFIB, Your Business Outlook Survey. January 2014 to September 2024, Annualized data. cfib.ca/barometer.

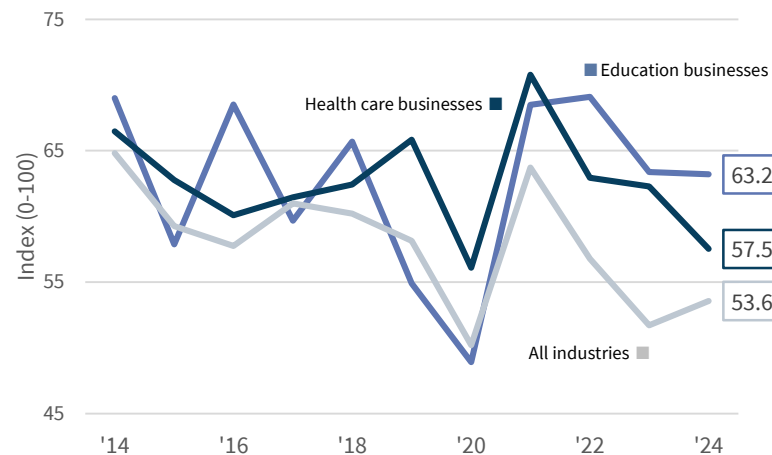
Fitness

The long-term confidence index for SMEs providing educational services has been significantly above the average for all industries since 2021. However, 2024 marks a downturn in optimism for these firms (Figure 8).

The trend for SMEs providing health care services is a bit different, as they recovered fast and strong from the pandemic. However, their optimism level has dropped rapidly also in 2022, and it has been trending downwards ever since. It is important to note that the health and education sector overall ranks in the top three most optimistic sectors among all industries, behind only the information, arts and recreation sector; and professional services.

Figure 7 – Education and health care businesses have become less optimistic since 2021, however their confidence levels remain above the all-sector average⁶

Small business 12-month confidence index



Challenges

While insurance and taxes/regulations are the top cost pressures in all industries, businesses in the education and health care sectors are significantly more concerned by occupancy costs and wage costs (Tables 5, and 6).

Table 5 – Education and health care businesses are more likely to report specific key cost pressures⁶ than all firms on average...

Key cost pressures cited by firms, 2024, % responses

	All firms	Education	Health care
Insurance costs	68	59	54
Tax, regulatory costs	67	61	66
Wage costs	66	71	72
Fuel costs	54	31	31
Occupancy costs	49	73	53
Borrowing costs	47	43	45
Electricity costs	44	31	40
Product input costs	37	14	26
Capital equipment, technology costs	31	12	36
Other energy costs	21	12	21

Table 6 – ...and it is also different for key limitations on growth⁶

Key growth limitations cited by firms, 2024, % responses

	All firms	Education	Health care
Insufficient demand	50	41	33
Shortage of skilled labour	45	37	54
Shortage of working capital	30	35	31
Limited physical space	22	35	21
Shortage of un/semi-skilled labour	21	9	14
Distribution constraints	13	4	6
Shortage of input products	9	4	4

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.

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