

Canada's Economic Outlook: August 2024 Update

The Canadian economy continues to face **subdued growth**, declining per capita output, and easing inflation as the labor market softens. Despite stabilization in housing starts and investment, challenges remain due to higher unemployment and slowing consumer spending.

KEY HIGHLIGHTS

Real GDP Growth:

- Annual GDP growth remains modest at **1.1% in 2024**, down from **1.2% in 2023**, with quarterly growth slowing to **0.9% in Q3 2024** before improving to **1.4% in Q4 2024**.
- Growth is projected to strengthen to **1.8% in 2025**, supported by improved consumer and residential investment.

Consumer Spending:

- Annual growth rises to **1.9% in 2024** from **1.7% in 2023**, but quarterly momentum fades, dropping to **0.6% in Q2 2024** before recovering to **1.6% in Q3 2024**.
- Growth slows again to **1.4% in 2025**, reflecting the impact of elevated unemployment.

Business Investment:

- A recovery in Q2 2024 (at **11.1% growth**) is offset by a contraction of **-1.8% in Q3 2024**, leading to a **-1.9% annual decline in 2024**.
- Investment rebounds in 2025, with projected annual growth of **1.5%**, reflecting easing credit conditions.

Government Expenditure:

- Public spending accelerates to **2.5% in 2024**, up from **1.6% in 2023**, providing stability amid weaker private sector activity.
- Quarterly growth peaks at **6.0% in Q2 2024**, then normalizes to **2.0% in Q4 2024**.

Housing Market:

- **Residential investment** contracts **-0.9% in 2024**, an improvement from **-10.3% in 2023**, with quarterly growth turning positive in Q4 2024 (at **2.3%**).
- **Housing starts** average **249,700 units in 2024**, rising to **255,300 units in 2025**, signaling moderate recovery in construction activity.

Labor Market:

- Employment growth slows to **1.7% in 2024**, from **2.4% in 2023**, while unemployment rises to an annual average of **6.4%**, up from **5.4% in 2023**.

- Unemployment continues to rise, reaching **6.9% in 2025**, highlighting persistent slack in the labor market.

GDP Per Capita:

- Output per capita declines **-1.1% in 2024**, following a sharper **-2.1% contraction in 2023**, reflecting weak productivity growth relative to population increases.

Inflation:

- **CPI:** Inflation eases to **2.5% in 2024** (from **3.9% in 2023**), aligning with the Bank of Canada's target by 2025 at **2.2%**.
- **Core Inflation:** Slows to **2.7% in 2024**, reaching **2.1% in 2025**, reflecting successful monetary tightening.

Interest Rates:

- The Bank of Canada's policy rate averages **3.85% in 2024**, down from **4.92% in 2023**, with further declines to **2.61% in 2025** as inflation remains under control.
- 10-Year Bond yields follow suit, averaging **3.12% in 2024** and **2.78% in 2025**.

Exchange Rates:

- The Canadian dollar stabilizes at **0.73 CAD/USD** throughout 2024 and 2025, reflecting stable trade and monetary conditions.

TRENDS

- **Subdued Growth:** Sluggish GDP and declining per capita output signal persistent economic challenges despite easing inflation.
- **Labor Market Strain:** Rising unemployment underscores the uneven recovery, with employment growth insufficient to offset labor market slack.
- **Housing Recovery:** Stabilizing housing starts and residential investment highlight gradual recovery in the construction sector.
- **Disinflation Success:** Falling inflation reflects effective monetary policy, though it comes at the cost of slowing growth and rising unemployment.

August 2024

CANADA	Quarterly						Annual		
	2024				2025		2023	2024f	2025f
ECONOMIC FORECAST (q/q % annualized)	Q1	Q2	Q3f	Q4f	Q1f	Q2f			
Real GDP	1.8	2.1	0.9	1.4	1.7	1.9	1.2	1.1	1.8
Consumer Spending	3.6	0.6	1.6	1.4	1.5	1.6	1.7	1.9	1.4
Business investment	2.4	11.1	-1.8	1.9	2.1	1.8	-0.8	-1.9	1.5
Government Expenditure	3.3	6.0	2.3	1.8	3.1	2.0	1.6	2.5	2.6
Residential Investment	-0.1	-7.3	-1.3	2.3	4.3	4.5	-10.3	-0.9	2.4
Housing Starts (000)*	245.0	250.0	252.5	243.5	241.5	243.5	242.0	249.7	255.3
Employment (Growth %)	1.6	2.0	1.1	1.6	1.6	1.5	2.4	1.7	1.4
Unemployment (%)	5.9	6.3	6.6	6.8	6.9	6.8	5.4	6.4	6.9
GDP Per Capita (%)	-0.2	-0.1	-0.4	-0.4	-0.3	-0.2	-2.1	-1.1	-1.5
GDP Per Working Population (Y/Y %)**	-0.5	-0.4	-0.6	-0.5	-0.4	-0.4	-1.7	-2.0	-2.1
Inflation									
CPI (y/y % chg)	2.8	2.7	2.2	2.2	2.4	2.0	3.9	2.5	2.2
Core inflation rate (y/y % chg)	2.9	2.8	2.6	2.2	2.5	2.1	3.9	2.7	2.1
FINANCIAL FORECAST (end of period values)	2024				2025		2023	2024f	2025f
Interest Rates	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Average Values		
BoC Policy Rate (Overnight rate)***	5.00	4.64	4.31	3.64	3.14	2.81	4.92	3.85	2.61
Federal 3 month T-Bill	4.94	4.45	4.10	3.55	3.10	2.78	4.84	4.05	2.73
Federal 10-Year Bond	3.44	3.36	2.98	2.87	2.78	2.73	3.28	3.12	2.78
Exchange Rates									
CAD/USD	0.74	0.73	0.73	0.73	0.73	0.74	0.74	0.73	0.73
USD/CAD	1.35	1.37	1.37	1.37	1.37	1.36	1.35	1.37	1.37
*Period Average									
**The working-age population defined as 15 to 64 years									
** Midpoint of 25 basis point range									
Source: Statistics Canada, CMHC, and t6ix Economics									

CONCLUSION

Canada's economy in 2024 remains on a **fragile growth path**, marked by easing inflation but persistent structural challenges. Policymakers must balance fostering growth with maintaining price stability while addressing labor market imbalances.

Legal Disclaimer

This report is published by **t6ix Economics**, a division of **t6ix Advisory Inc.**, for informational purposes only. The opinions, forecasts, and data provided in this report are based on sources believed to be reliable as of the date of publication. **t6ix Economics** does not guarantee the accuracy, completeness, or timeliness of this information and reserves the right to make updates or changes without prior notice.

The content of this report is not intended to constitute investment advice and should not be used as the primary basis for any financial decisions. **t6ix Economics** is not a registered investment advisor, and the information provided does not take into account the specific investment objectives, financial situation, or particular needs of any specific person or entity. Readers are encouraged to seek independent financial, legal, and tax advice before making any investment or financial decisions.

All opinions and estimates expressed herein reflect the judgment of **t6ix Economics** as of the publication date and are subject to change without notice. **t6ix Economics** assumes no obligation to update the information contained in this report.

Past performance is not indicative of future results, and the forecasts presented in this report involve significant uncertainties. Any projections or forward-looking statements are based on assumptions that may not materialize or differ materially from actual events or results. **t6ix Economics** makes no warranty that these projections will be realized.

This report, and the information and content contained herein, is the property of **t6ix Economics** and is protected by copyright law. Unauthorized reproduction, distribution, or use of this report, in whole or in part, without prior written consent from **t6ix Economics** is strictly prohibited.

Jurisdiction and Governing Law: This report is intended for distribution only in jurisdictions where such distribution is permitted under applicable law. The information provided in this report does not constitute an offer or solicitation in any jurisdiction where such an offer or solicitation would be unlawful. This report will be governed by the laws of the **Province of Ontario, Canada**, and the **State of New York, United States**, without regard to its conflict of law principles.

Contact Information: For more information or to request permission to use content from this report, please contact **t6ix Economics**:

- **Email:** Economics@t6ix.ca
- **Website:** t6ixEconomics.com