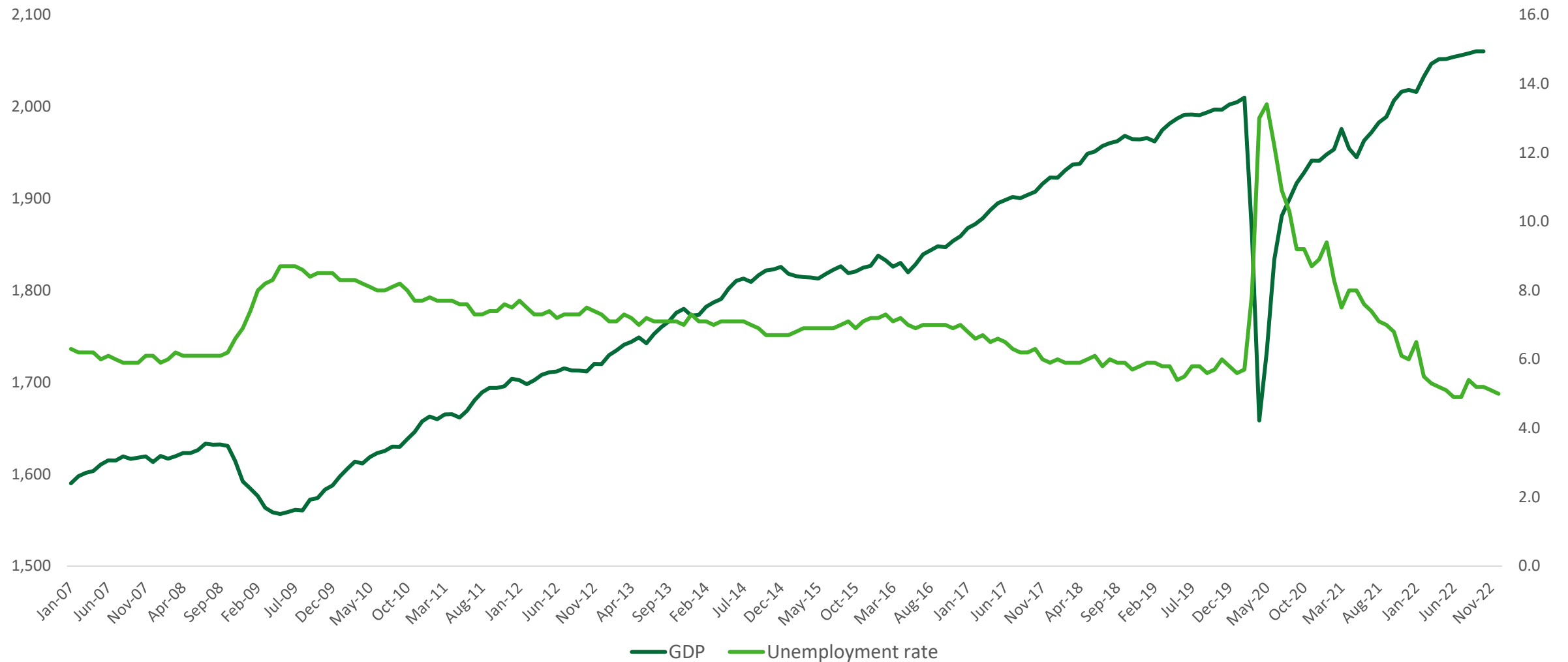


Canada headed for a mild recession

Economic Outlook | January 30, 2023

Canada's economy is slowing but labour markets remain tight

Real GDP and Unemployment rate, January 2007 to October 2022 (GDP, Billions \$ 2012) and December 2022 (Unemployment rate, %)

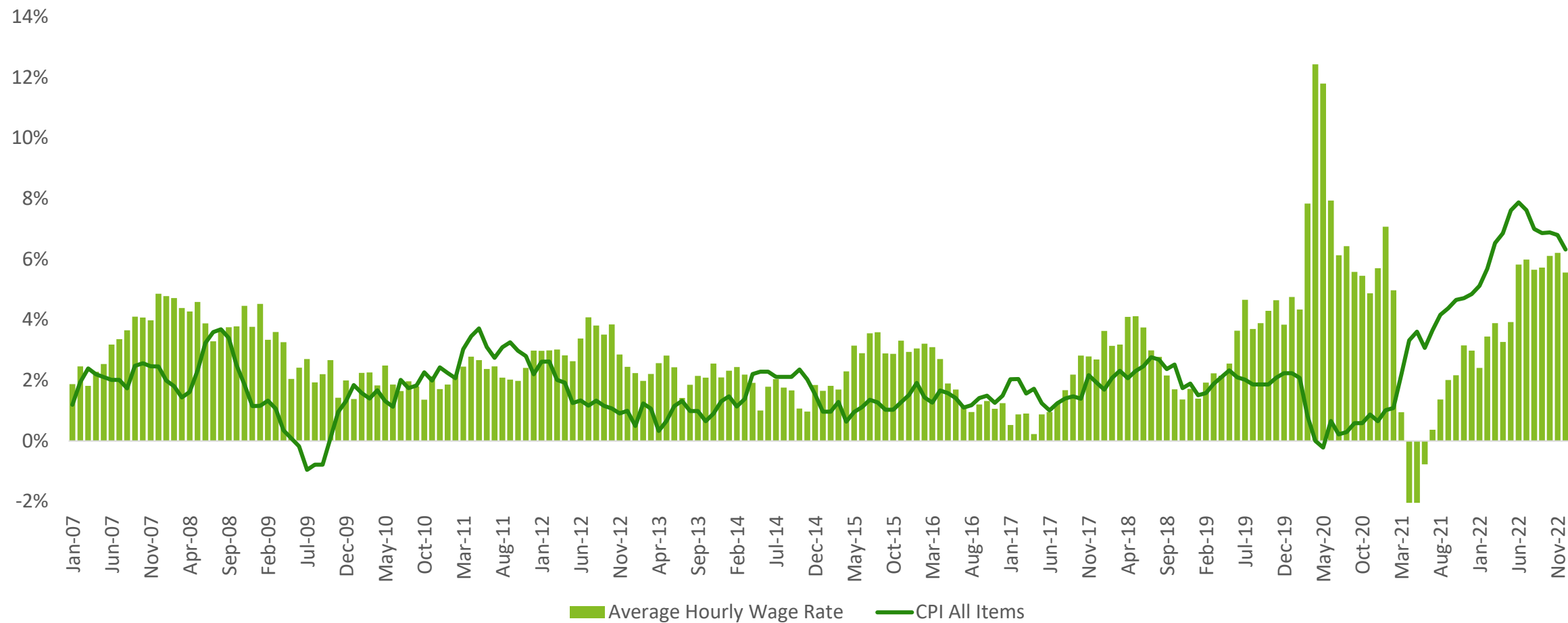


Source: Statistics Canada

Inflation remains elevated and above wage growth

Average wage growth is accelerating but remains well below the rate of inflation

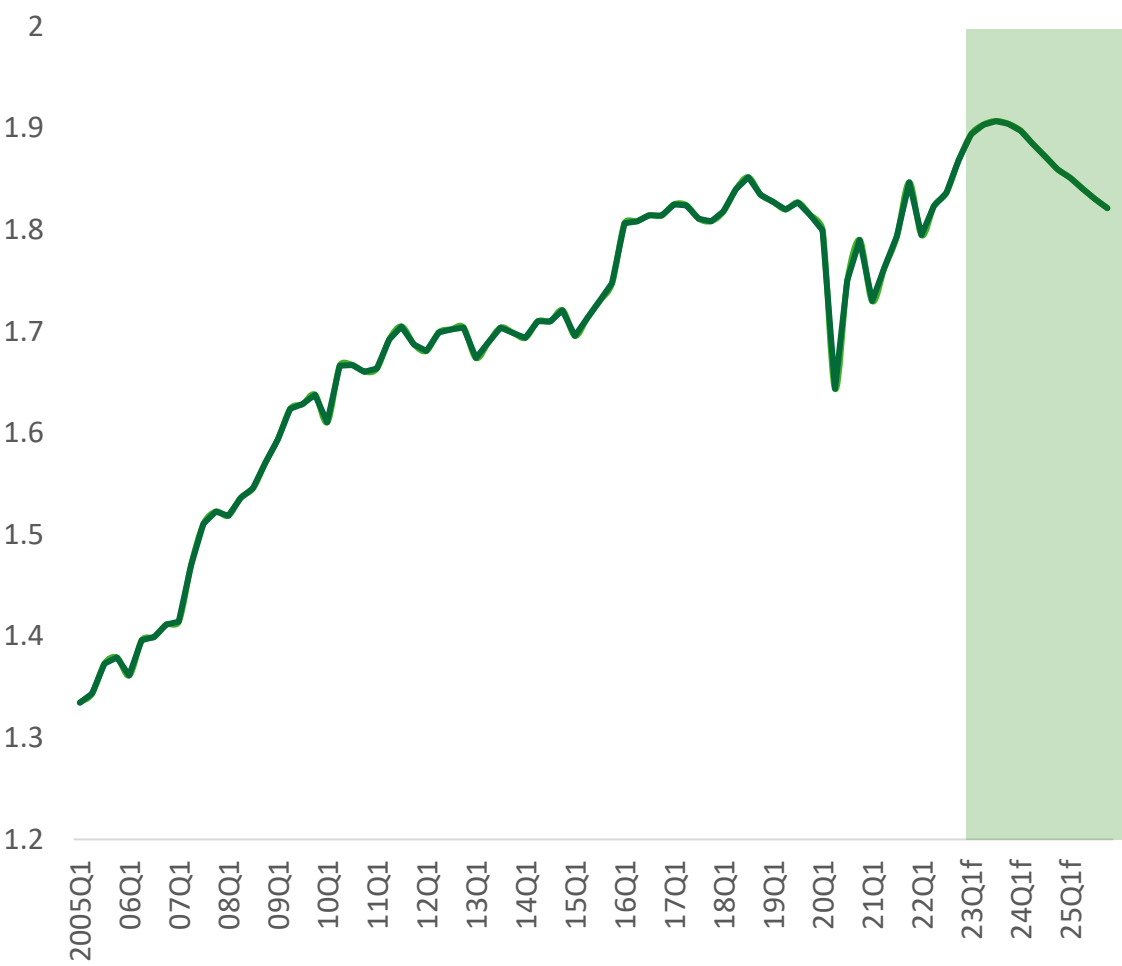
YoY growth in average wages, and CPI, %



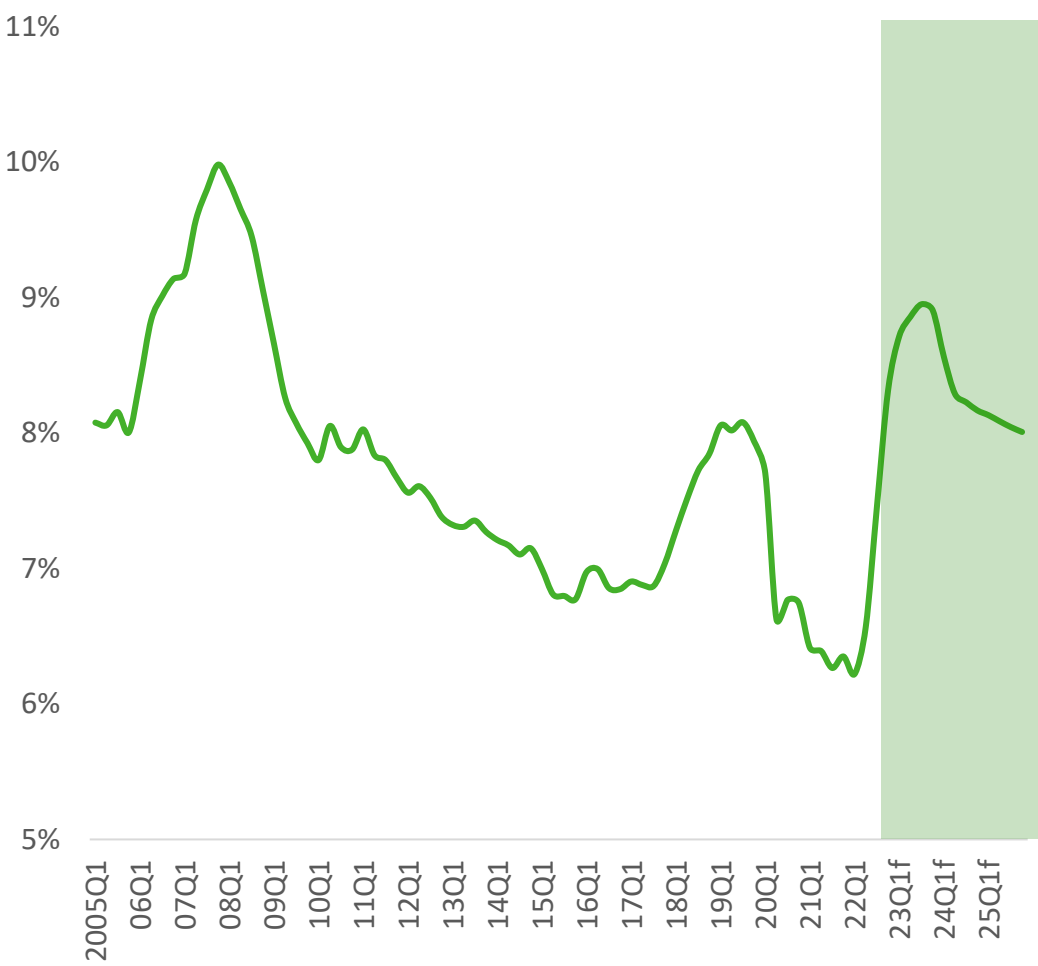
Source: Statistics Canada

High household debt and overvalued real estate key risks to rising rates

Ratio of Household Debt to Disposable Income

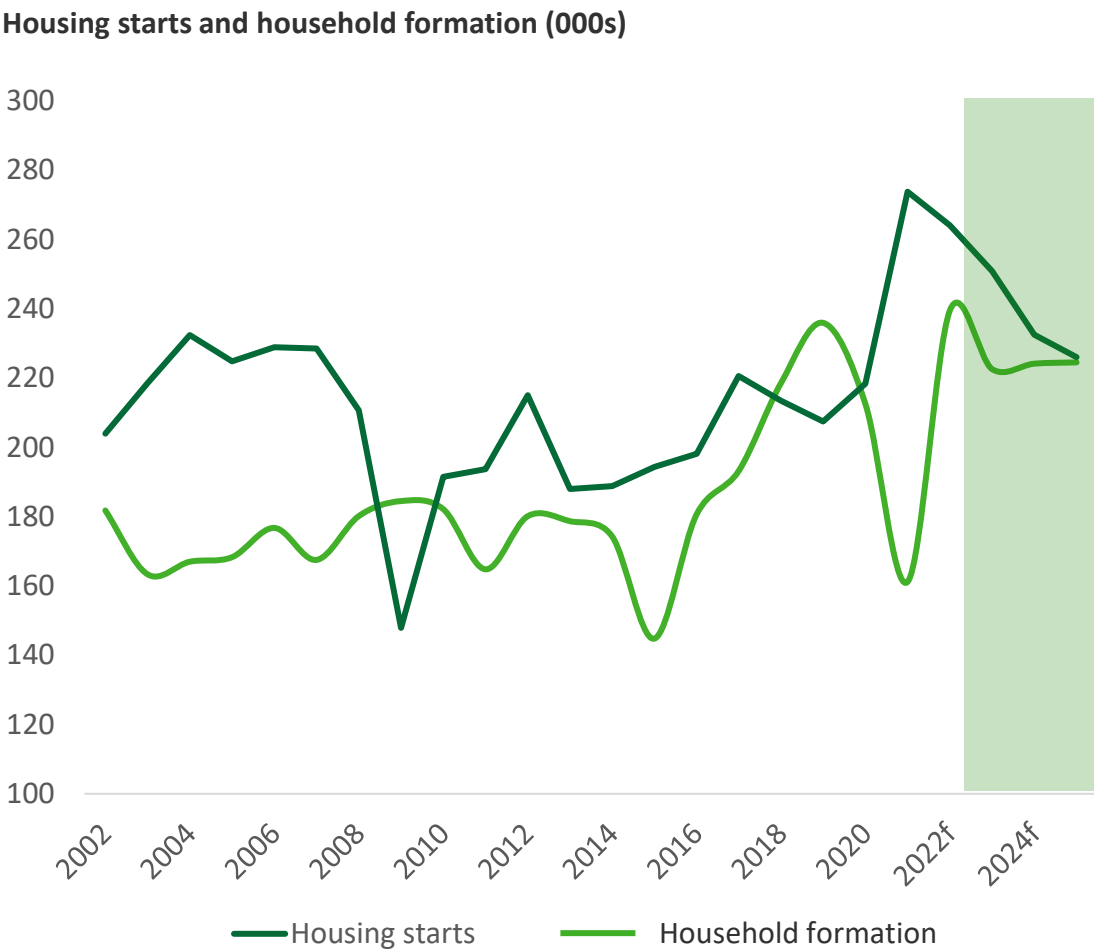
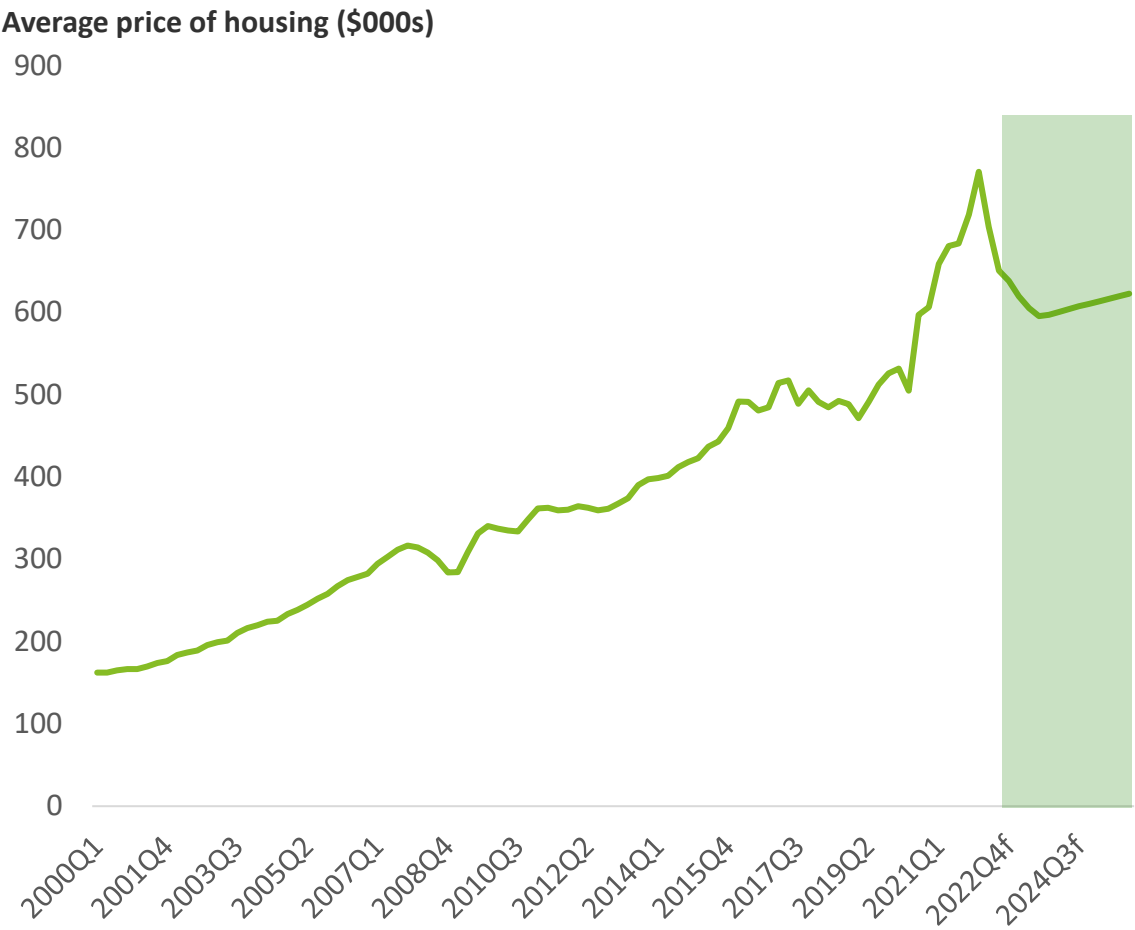


Ratio of Household Interest Payments to Disposable Income



Sources: Statistics Canada, forecasts by Deloitte

Residential construction easing as rising interest rates hit housing market

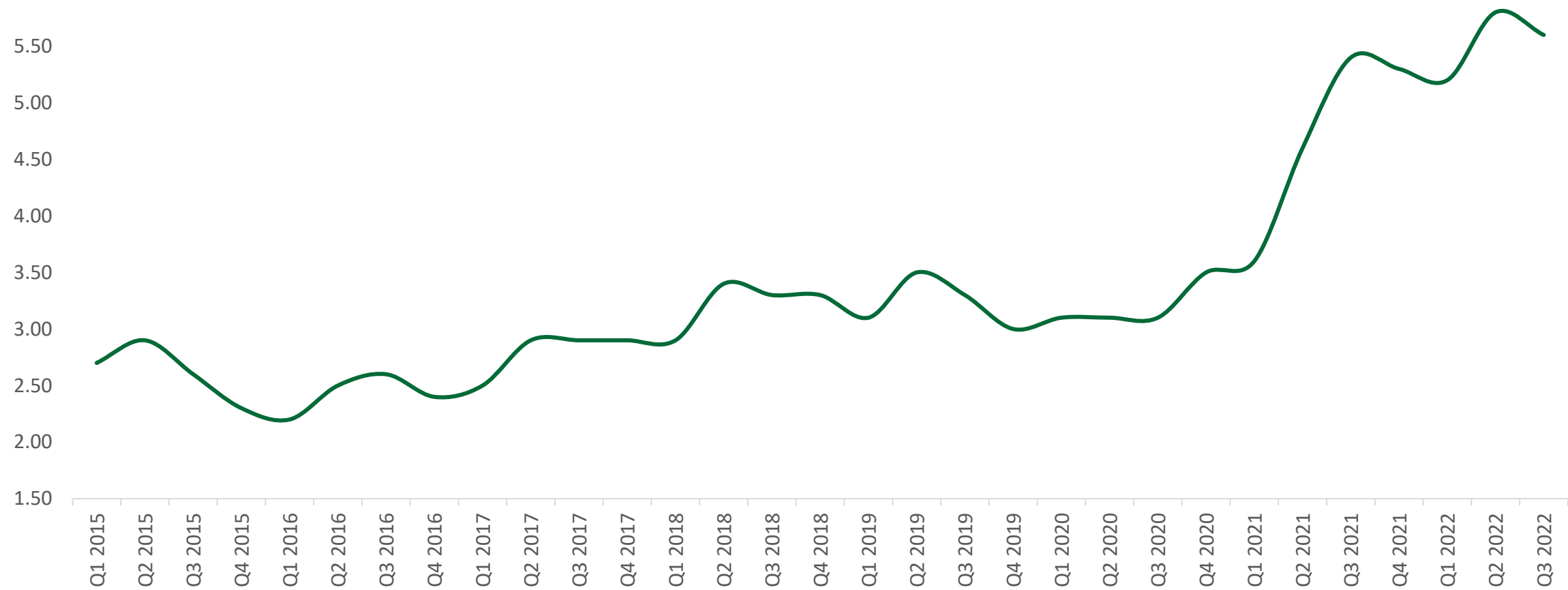


Sources: Statistics Canada , CREA and Haver; forecasts by Deloitte

Despite slowing growth, the labour market remains very tight

Reduced immigration, rising retirements, and a move to services has boosted the vacancy rate.

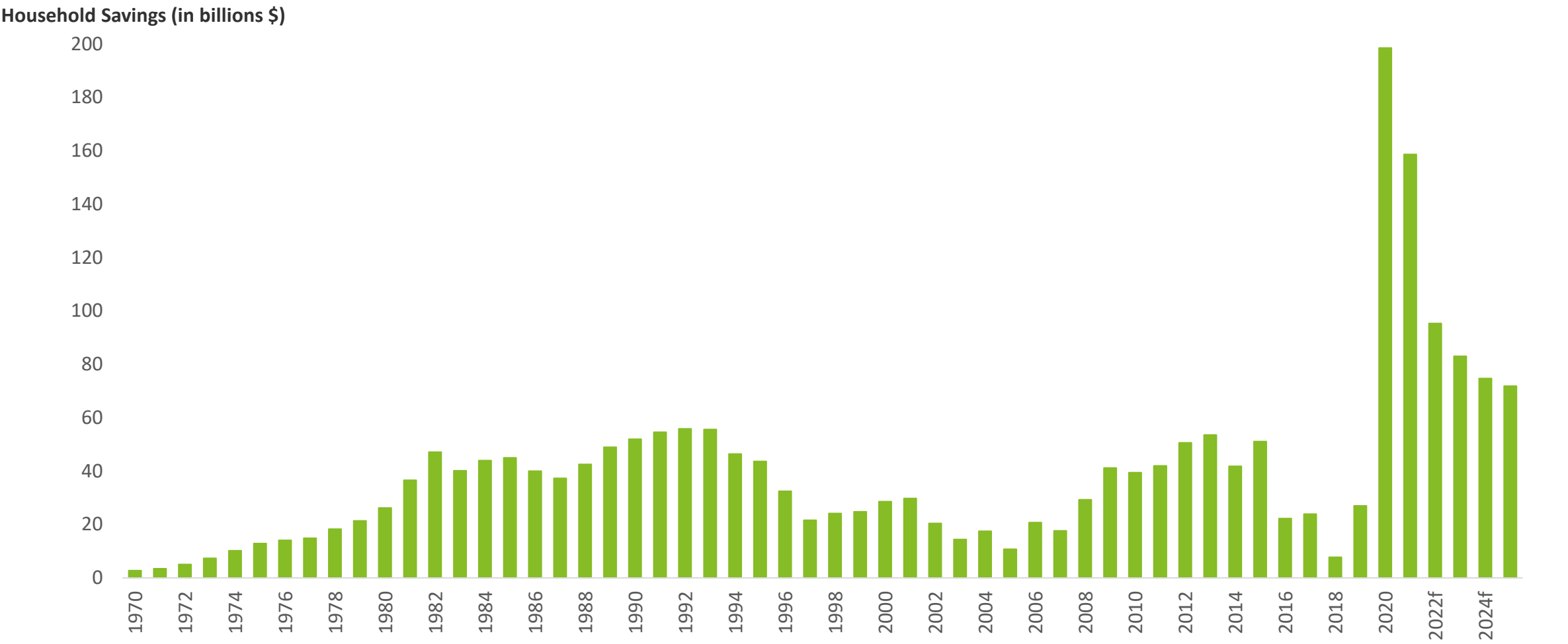
Canadian job vacancy rate



Sources: Deloitte , Statistics Canada

Strong government support and solid wage growth boosted household savings

Strong growth in disposable income and an inability to purchase many services or travel has resulted in a record buildup in household savings that will support spending during the slowdown.



Sources: Statistics Canada, forecasts by Deloitte

Chronically weak business investment has limited our ability to respond to demand

Non-energy business investment

Non-energy Investment as a share of GDP



Sources: Statistics Canada, forecasts by Deloitte

Investment in oil and gas remains limited despite price rise

Oil prices and business investment

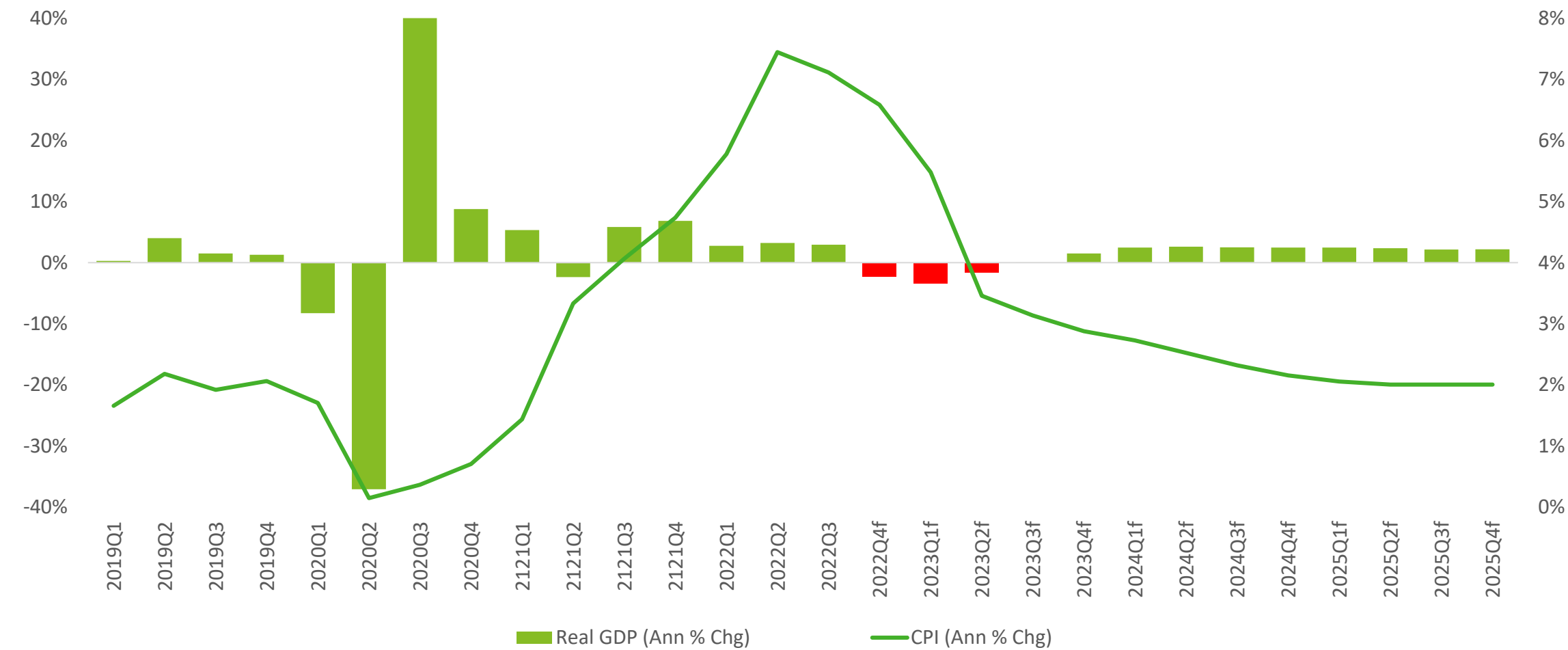
WTI oil price in US\$/barrel, investment billions of chained dollars



Sources: Statistics Canada, forecasts by Deloitte

Canada to experience a small recession

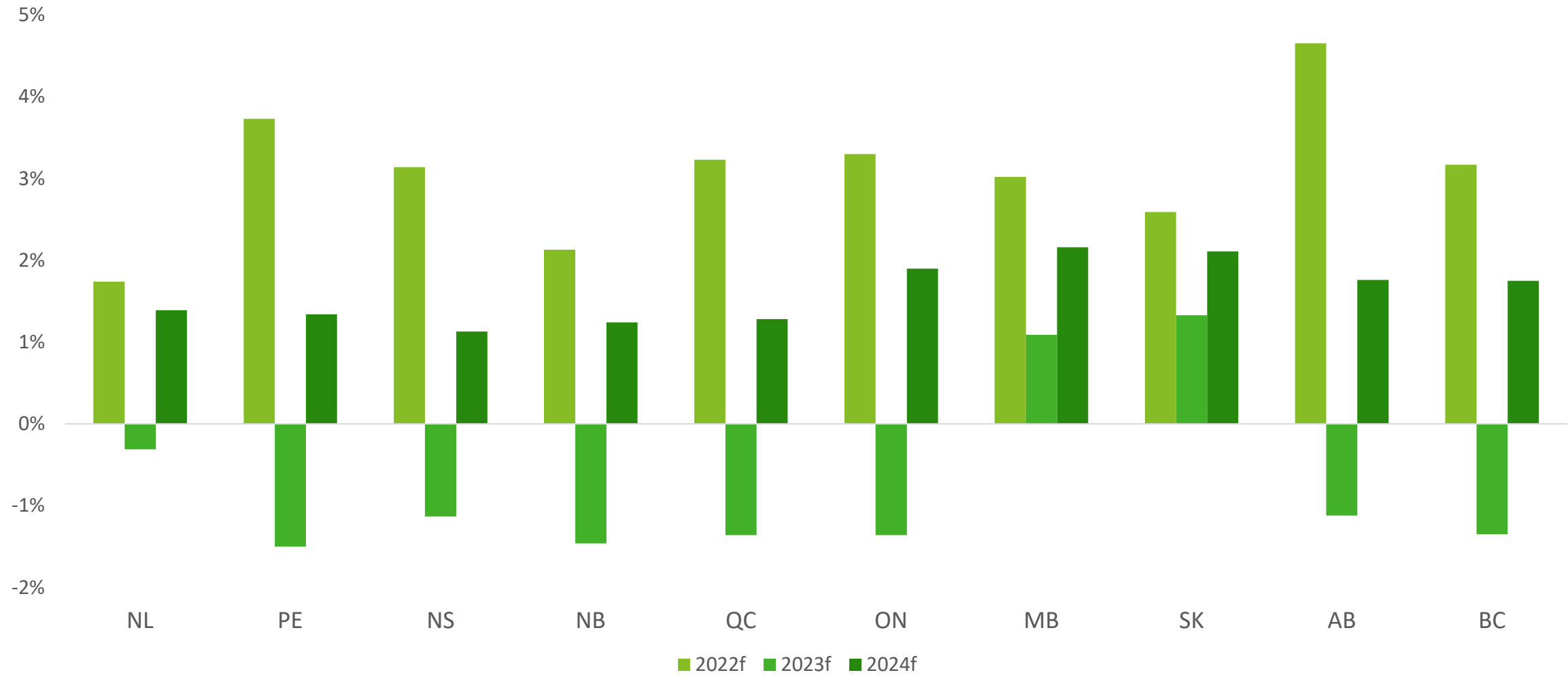
Real GDP and CPI Growth



Sources : Statistics Canada, forecasts by Deloitte

Provinces more exposed to the housing sector will see the largest decline

Real GDP growth by province, % change



Sources: Statistics Canada

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