



CANADA ECONOMIC OUTLOOK: INFLATION, SUPPLY CHAIN, AND LABOUR MARKET

May 2022

Canadian economy: growth, inflation, and labour market



Canada growth picture

- Growth exceeded expectations in Q1, expected to slow rest of 2022
- Strong energy and commodities sectors
- Inflation, rising interest rates, and labour shortages remain challenges
- Risks of low productivity



Core economic indicators

- Low unemployment through 2022
- Robust hiring and capital expenditures
- Signs of a cooling housing market



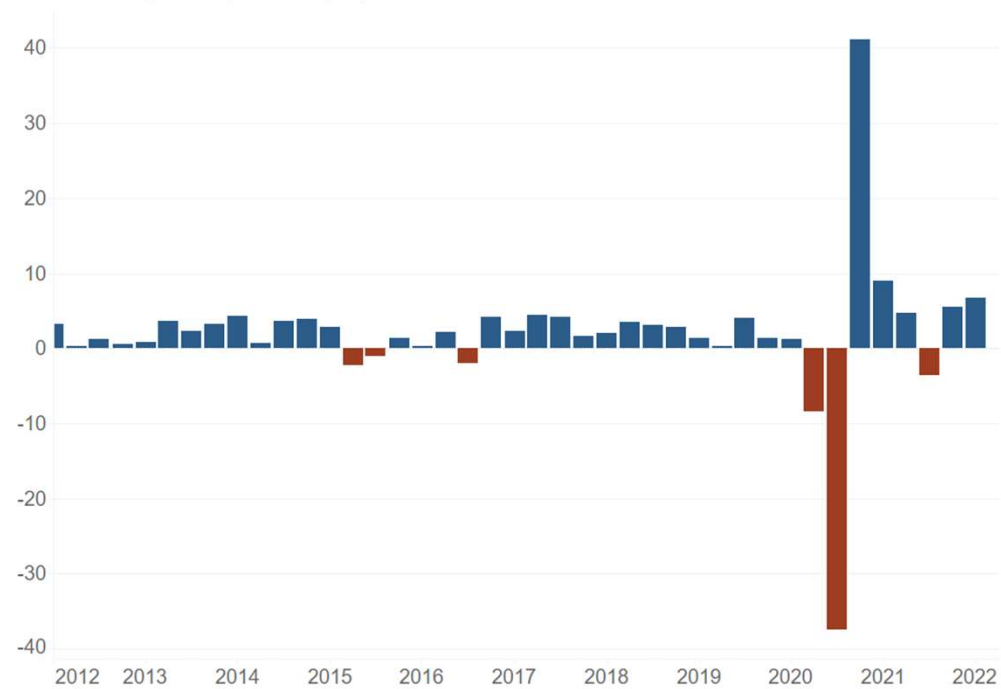
Inflation and pricing risks to the economic outlook:

- Geopolitical risks lead to high energy and commodity prices
- Ongoing supply chain disruptions
- Labour shortage places upward pressures on wages
- Broad-based price increases

GDP growth

Canada's real GDP growth

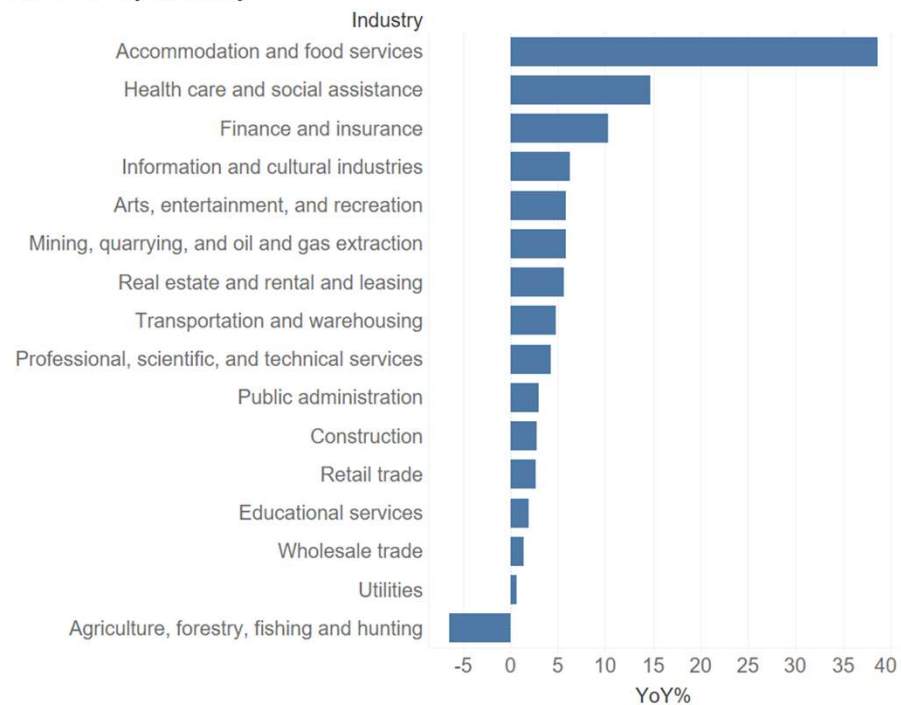
Quarter-over-quarter %, seasonally adjusted annualized rate



Source: Statistics Canada, Bloomberg, RSM Canada

Growth by industry

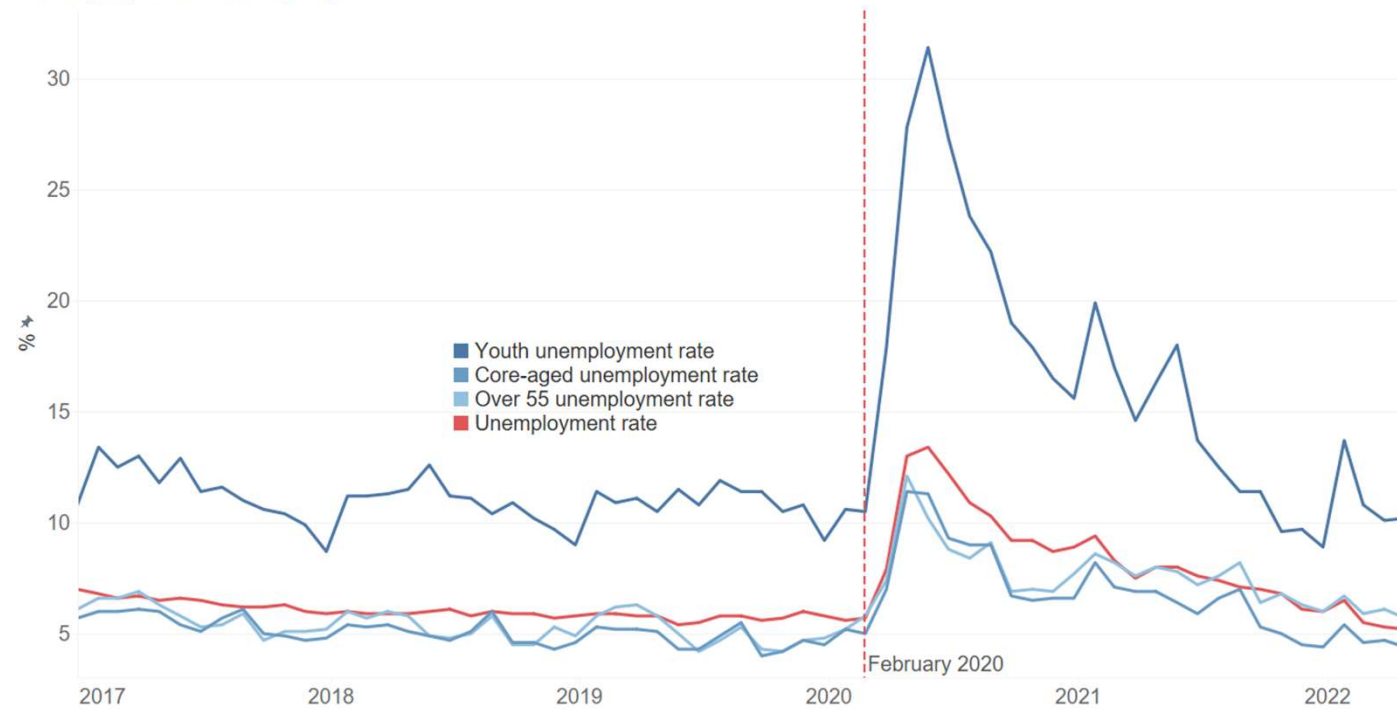
Change in GDP by industry



Source: Statistics Canada, Bloomberg, RSM Canada

Unemployment lowest since 1976

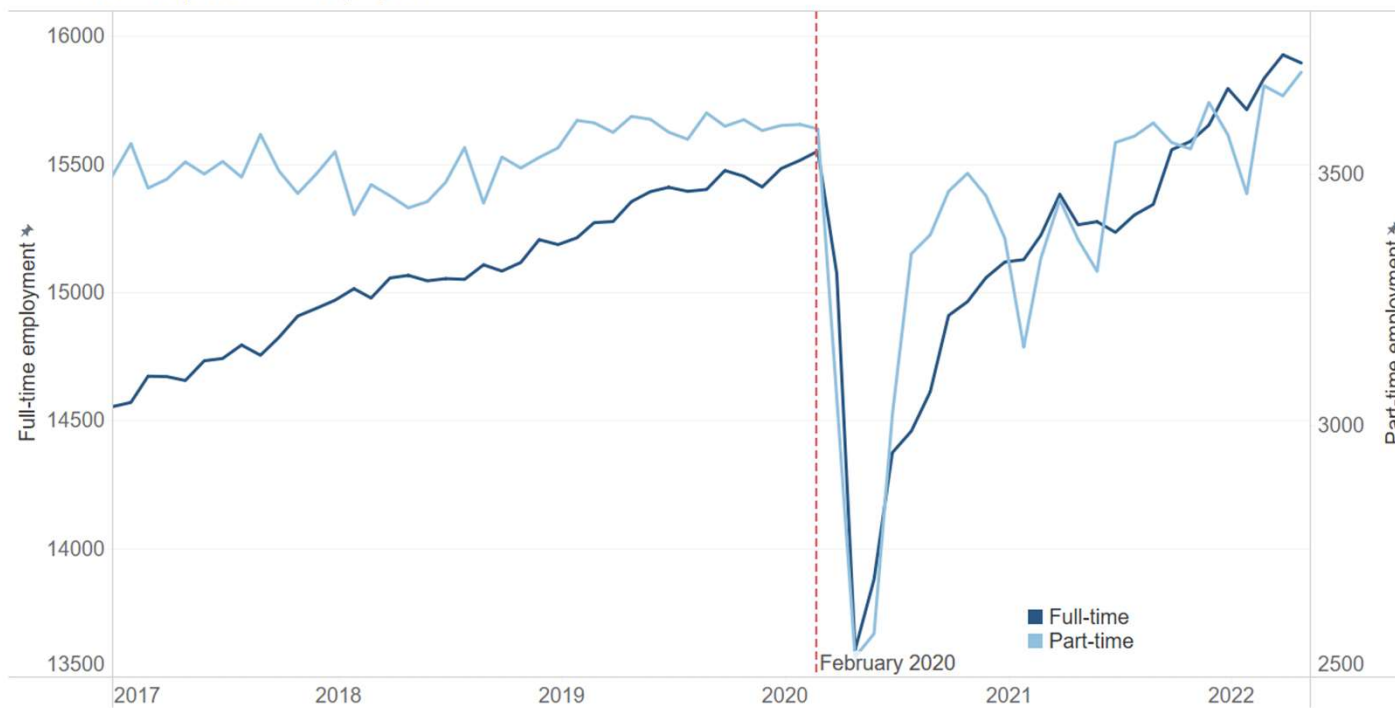
Unemployment rate by age



Source: Statistics Canada, Bloomberg, RSM Canada

Full time vs. part time work

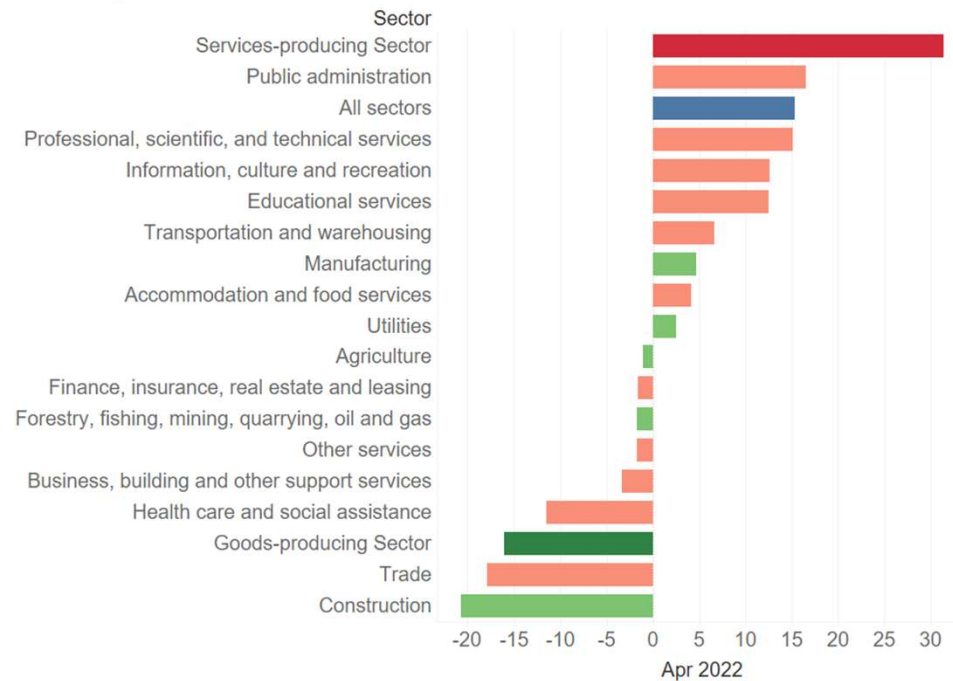
Full-time and part-time employment



Source: Statistics Canada, Bloomberg, RSM Canada

Employment change by sector

Employment change by sector
Thousands of job

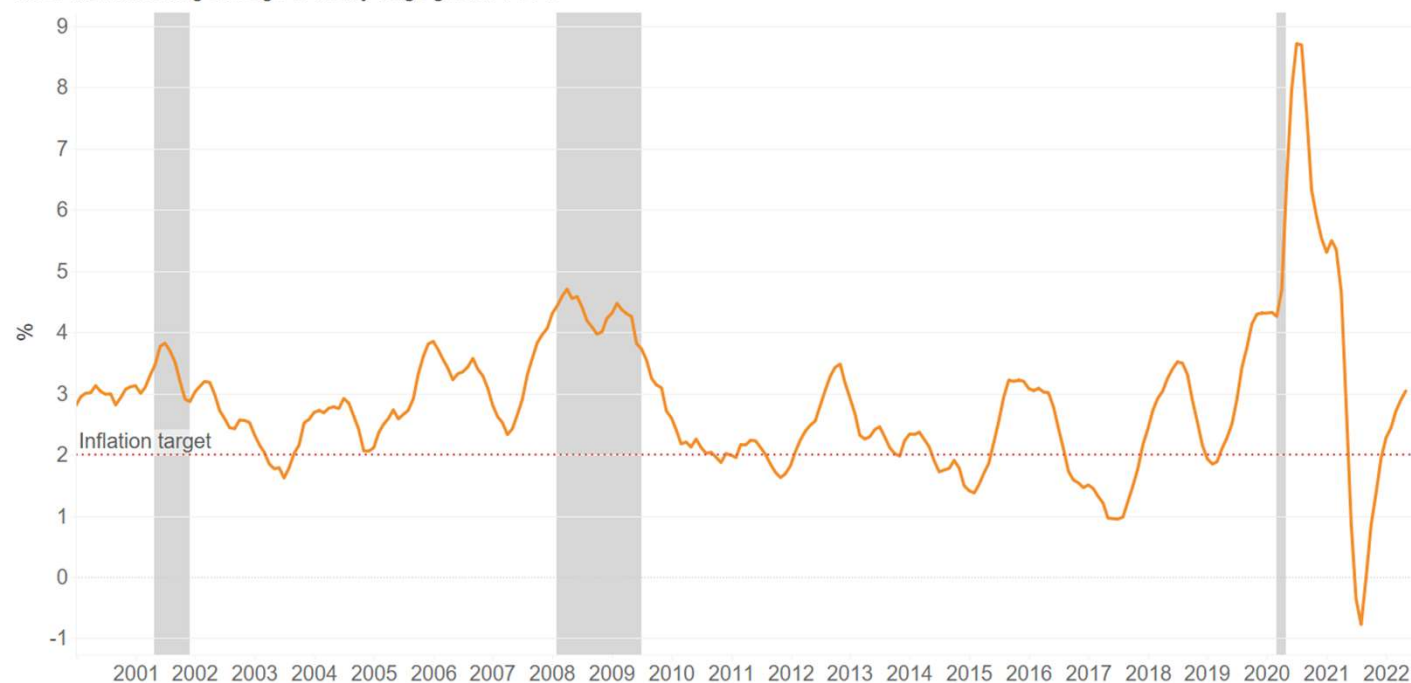


Source: Statistics Canada, RSM Canada

Wage growth lags inflation

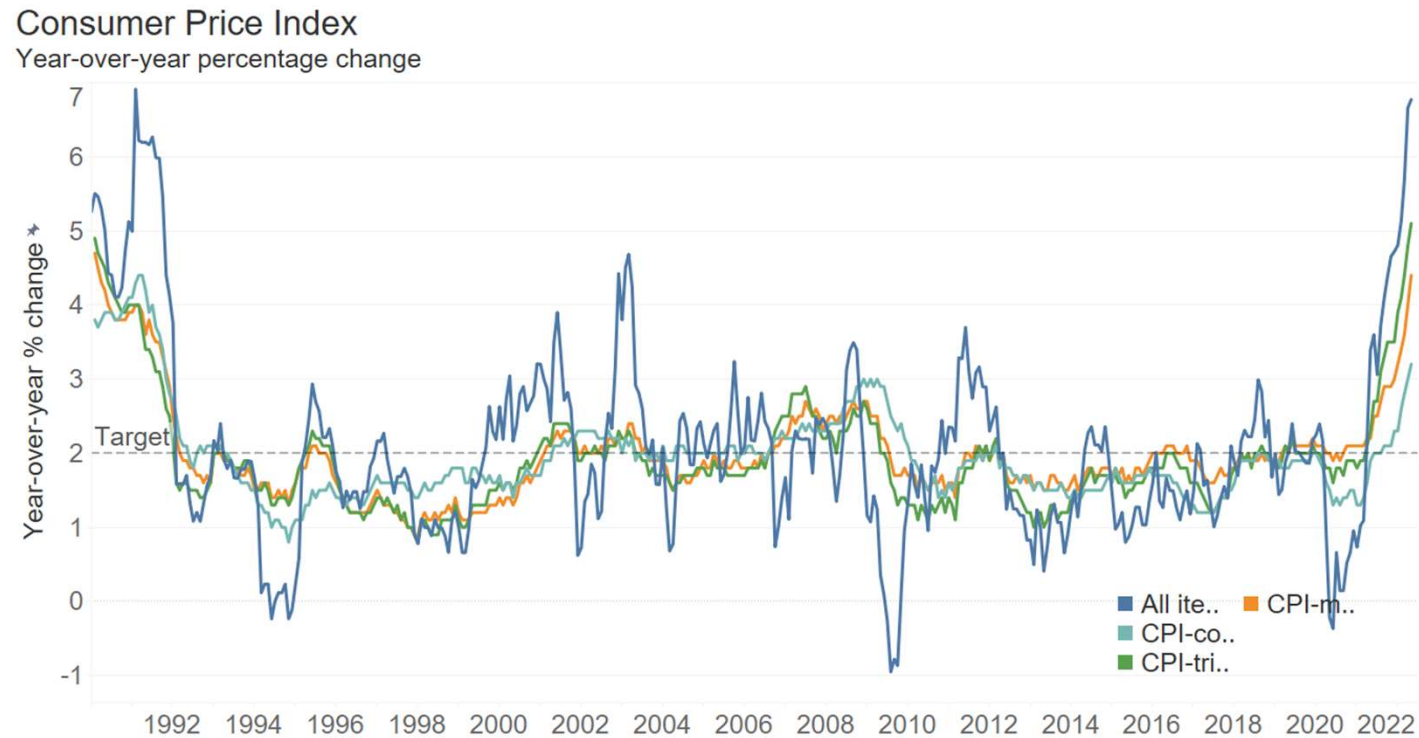
Wage growth tracker

Three-month moving average of hourly wage growth YoY%

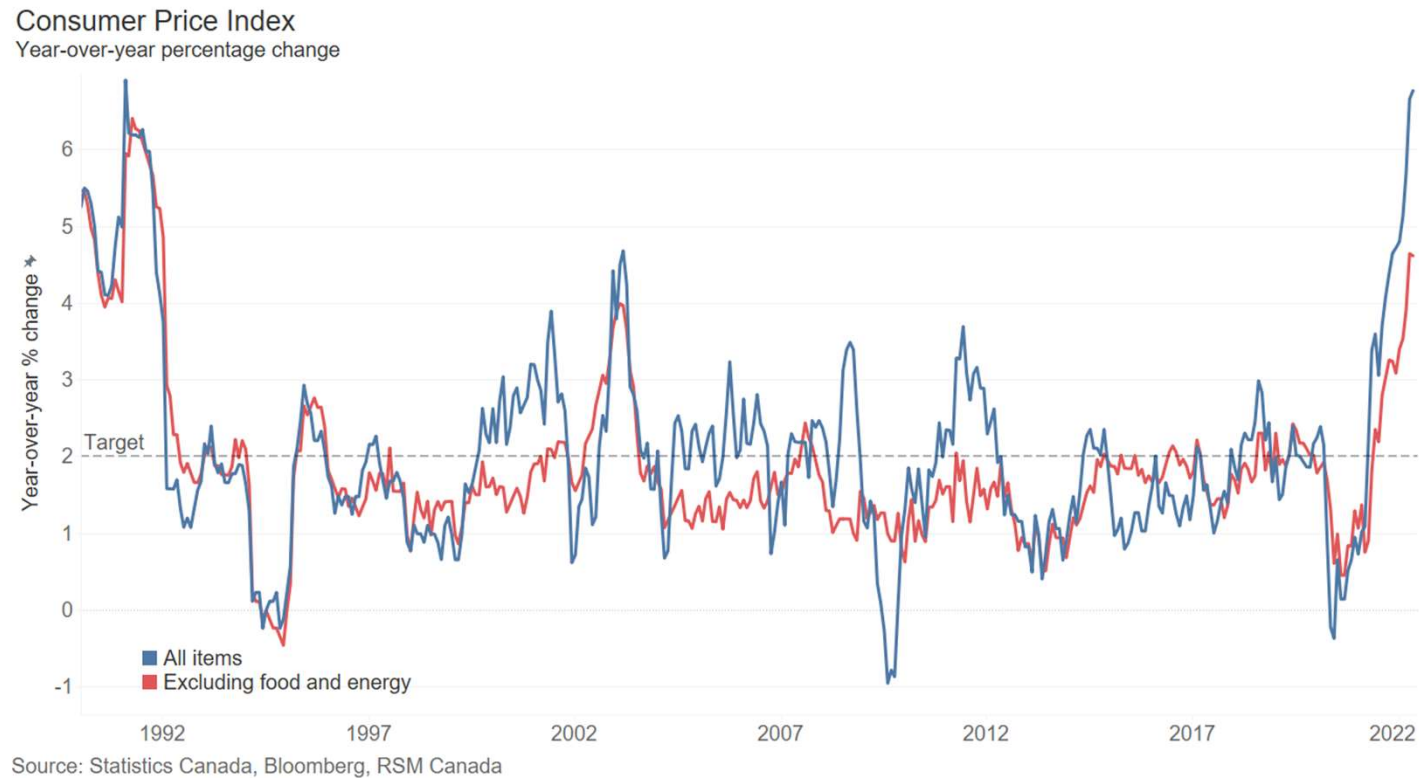


Source: Statistics Canada, Bloomberg, RSM Canada

Inflation: rising core inflation

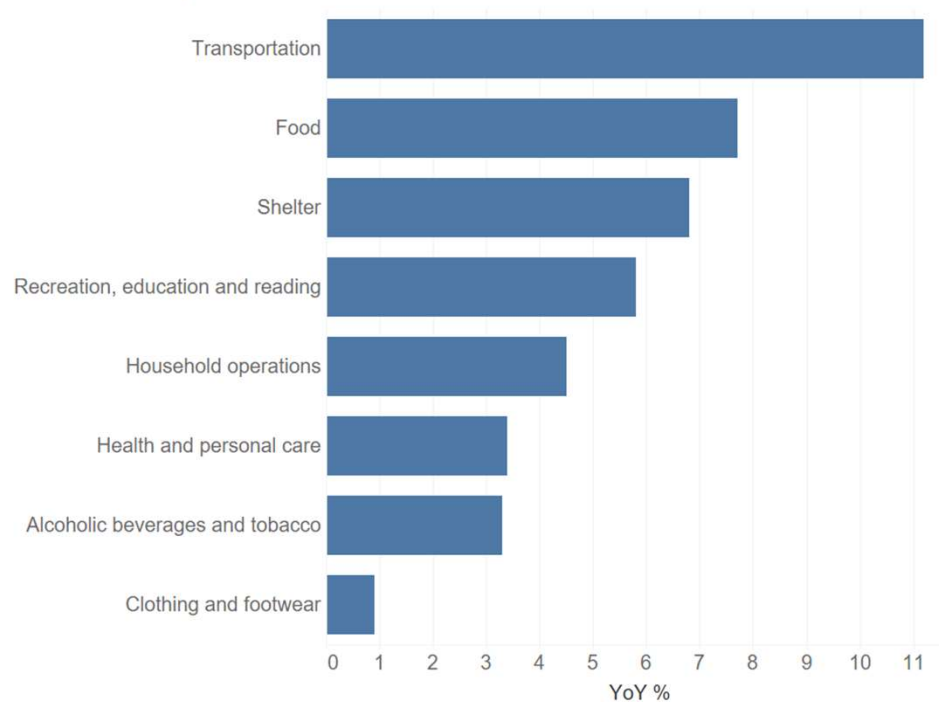


Inflation excluding food and energy



What's driving inflation

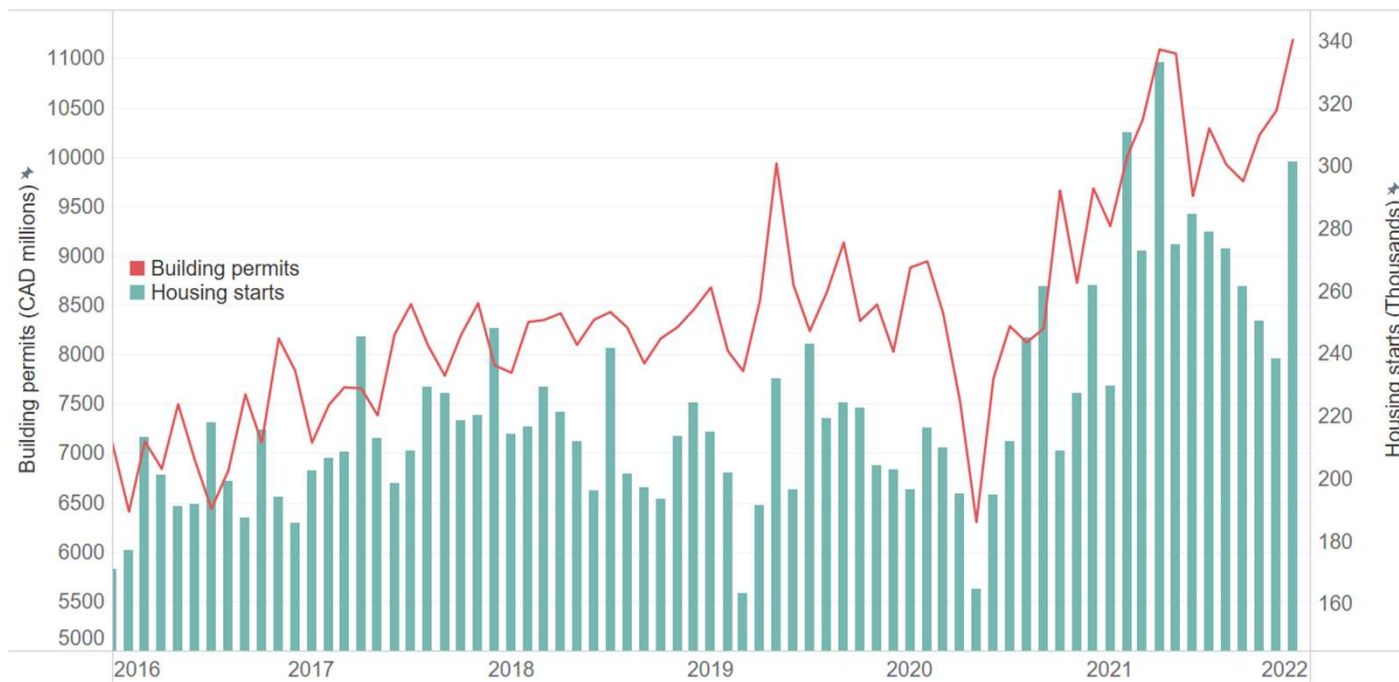
Price increases by item



Source: Statistics Canada, Bloomberg, RSM Canada

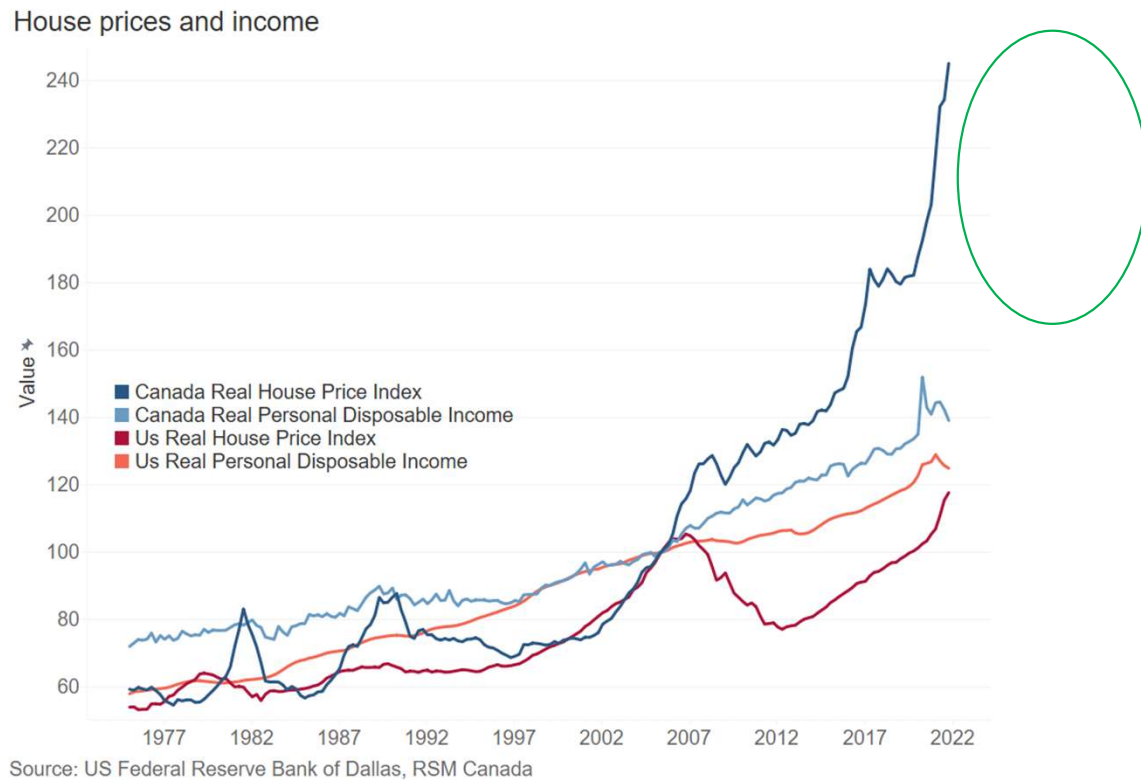
Housing market: building permits and housing starts

Housing starts and building permits
Seasonally adjusted



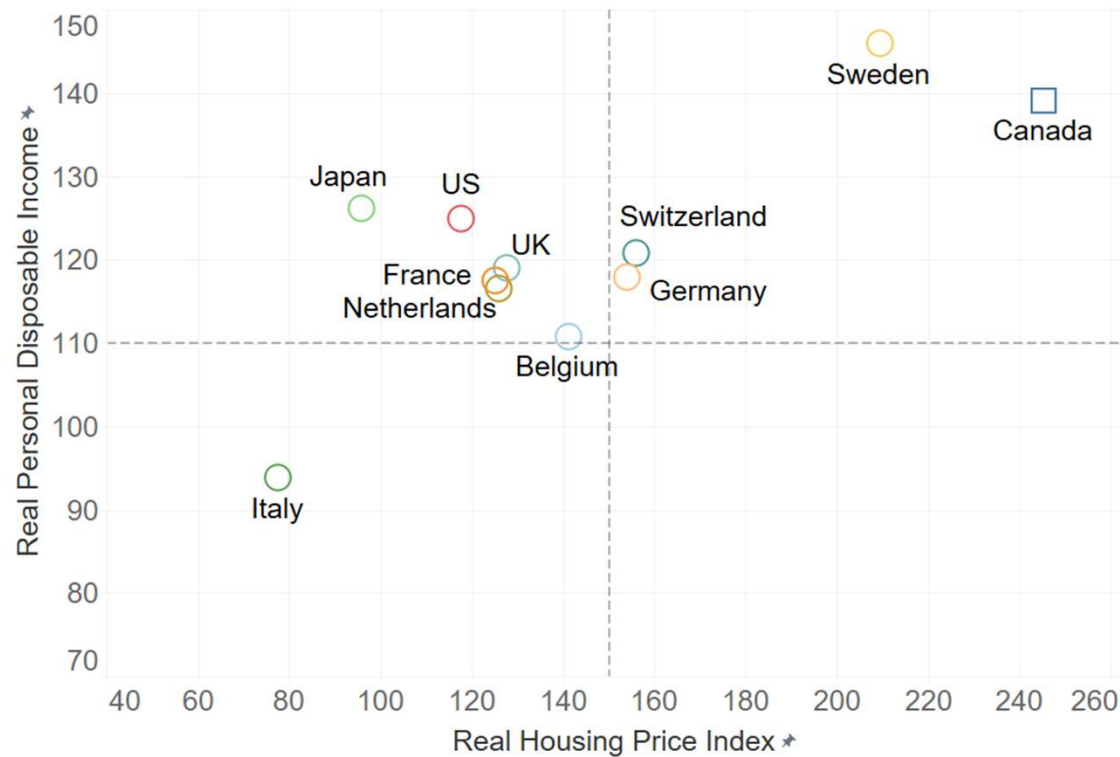
Source: Statistics Canada, Bloomberg, RSM Canada

Housing market: prices and disposable income



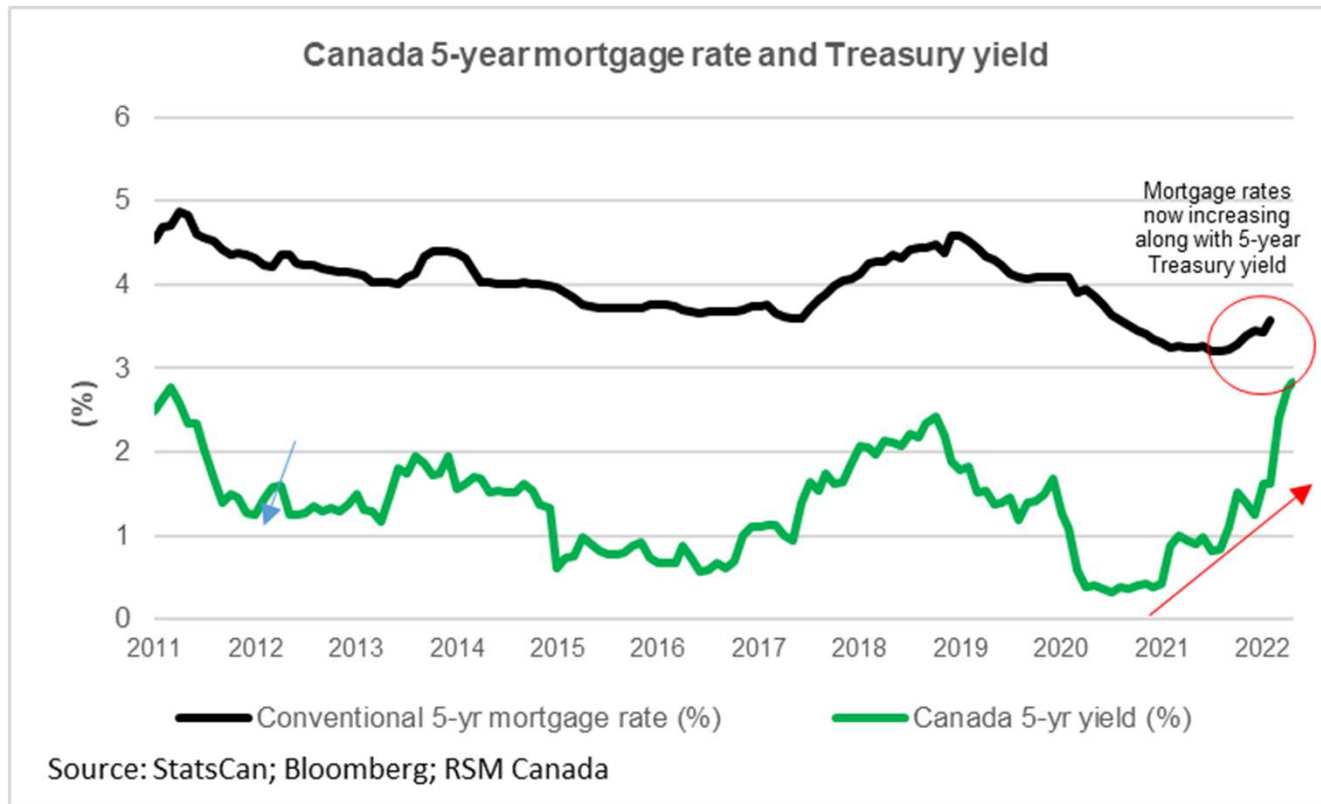
Housing market: prices and income by country

House prices and personal disposable income
Q4 2021



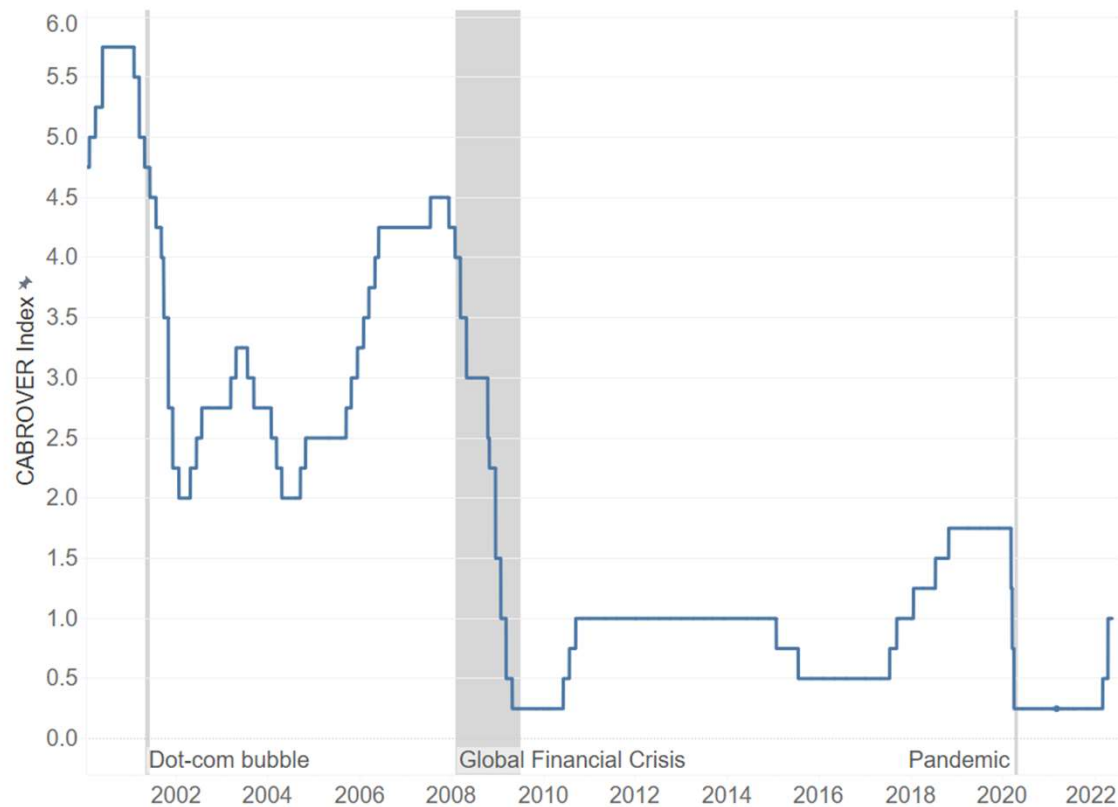
Source: US Federal Reserve Bank of Dallas, RSM Canada

Canada 5-year mortgage rate



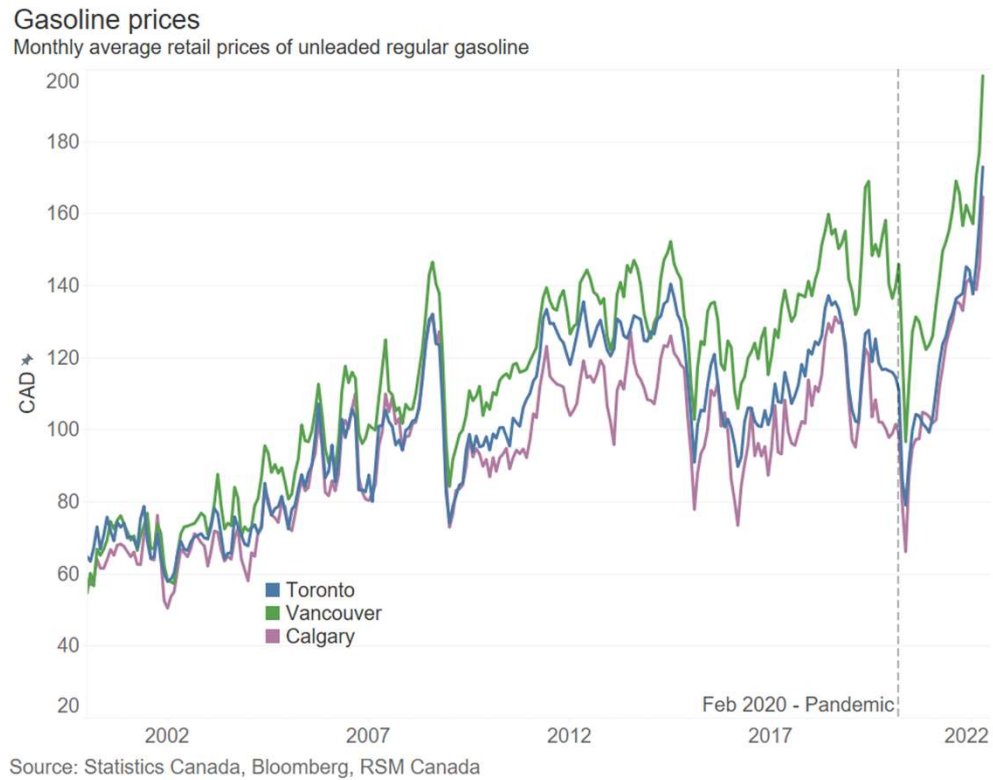
Bank of Canada overnight lending rate

Bank of Canada's overnight lending rate



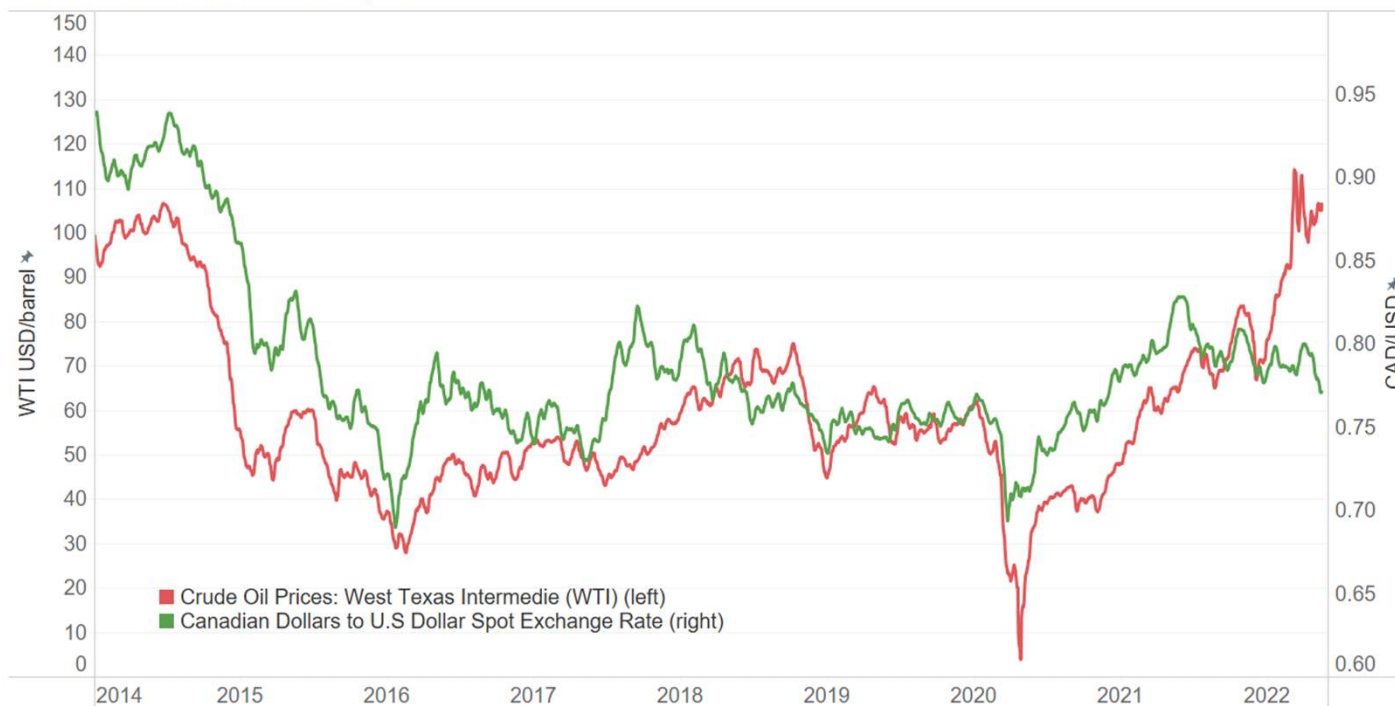
Source: Bloomberg, RSM Canada

Energy: gasoline prices in war time



Energy: The Canadian dollar and oil prices

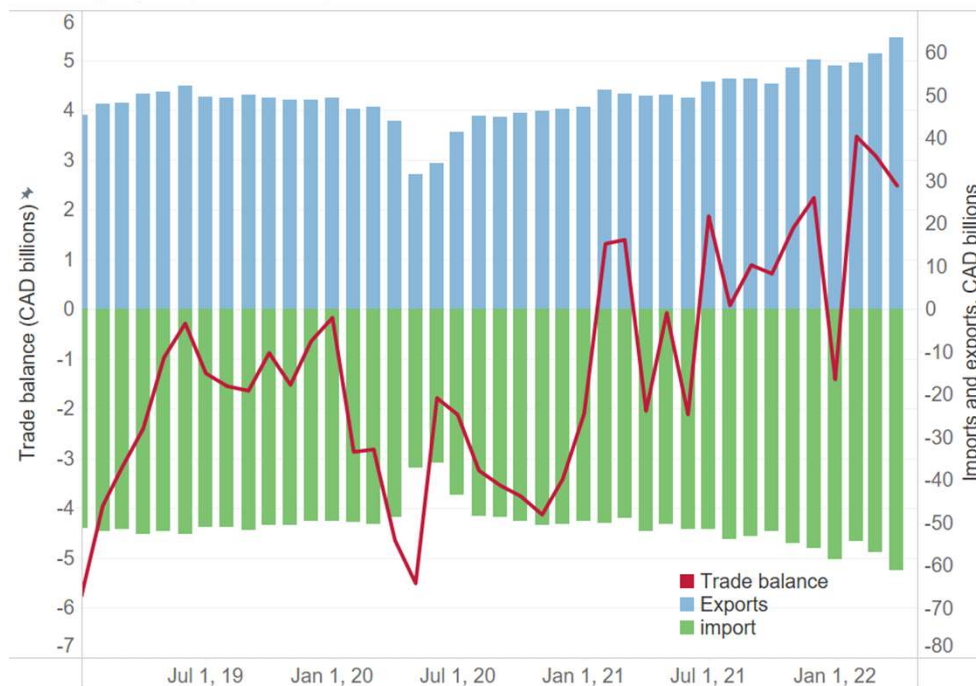
The Canadian dollar and oil prices



Source: Bloomberg, RSM Canada

Trade surplus due to energy exports

Canada's international merchandise trade balance
seasonally adjusted, nominal value, CAD billions



Source: Statistics Canada, Bloomberg, RSM Canada

Supply chain index

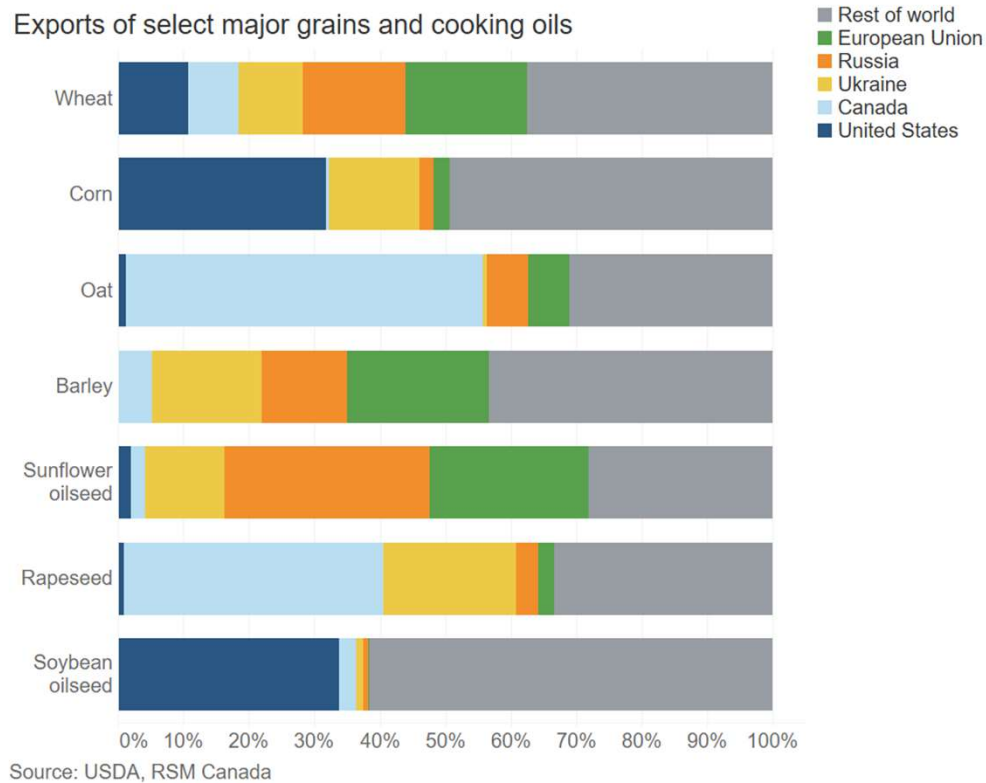
RSM Canada Supply Chain Index



A value of zero indicates normal supply chain efficiency. Positive values indicate good supply chain efficiency, negative values indicate supply chain deficiency.

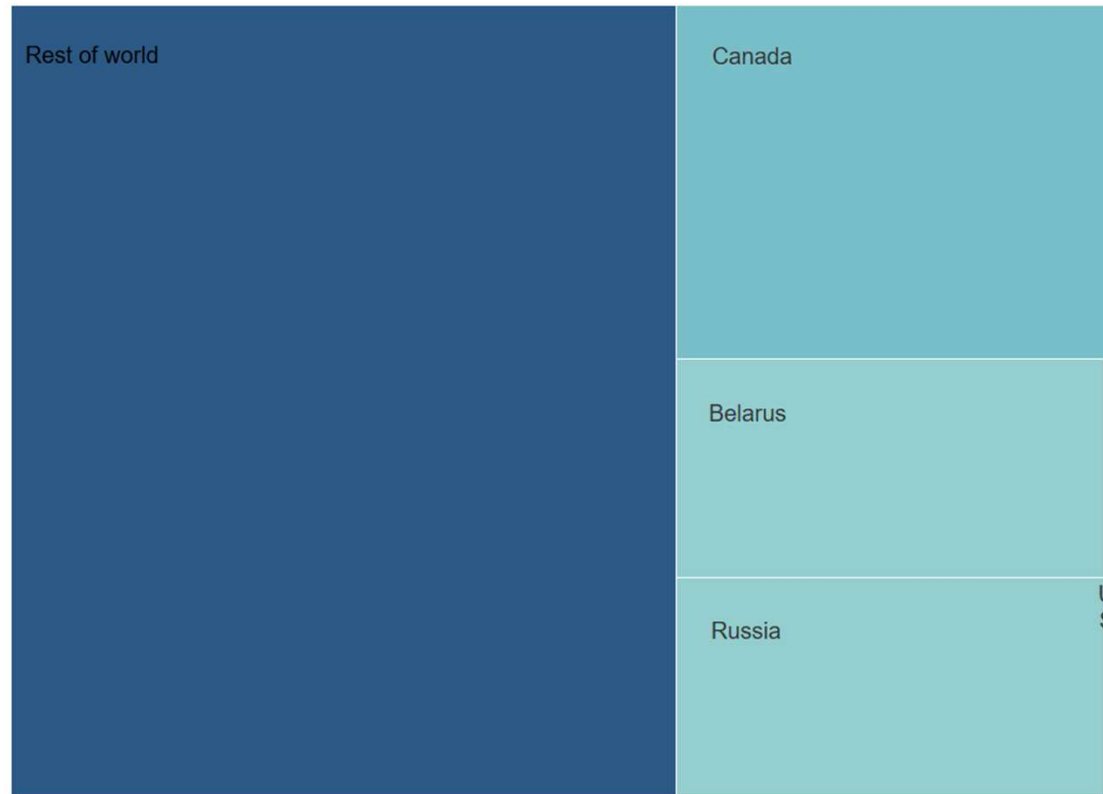
Source: Statistics Canada, Bloomberg, RSM Canada

The price of war: global food exports



The price of war: threat of global fertilizer and food shortages

World's potash production

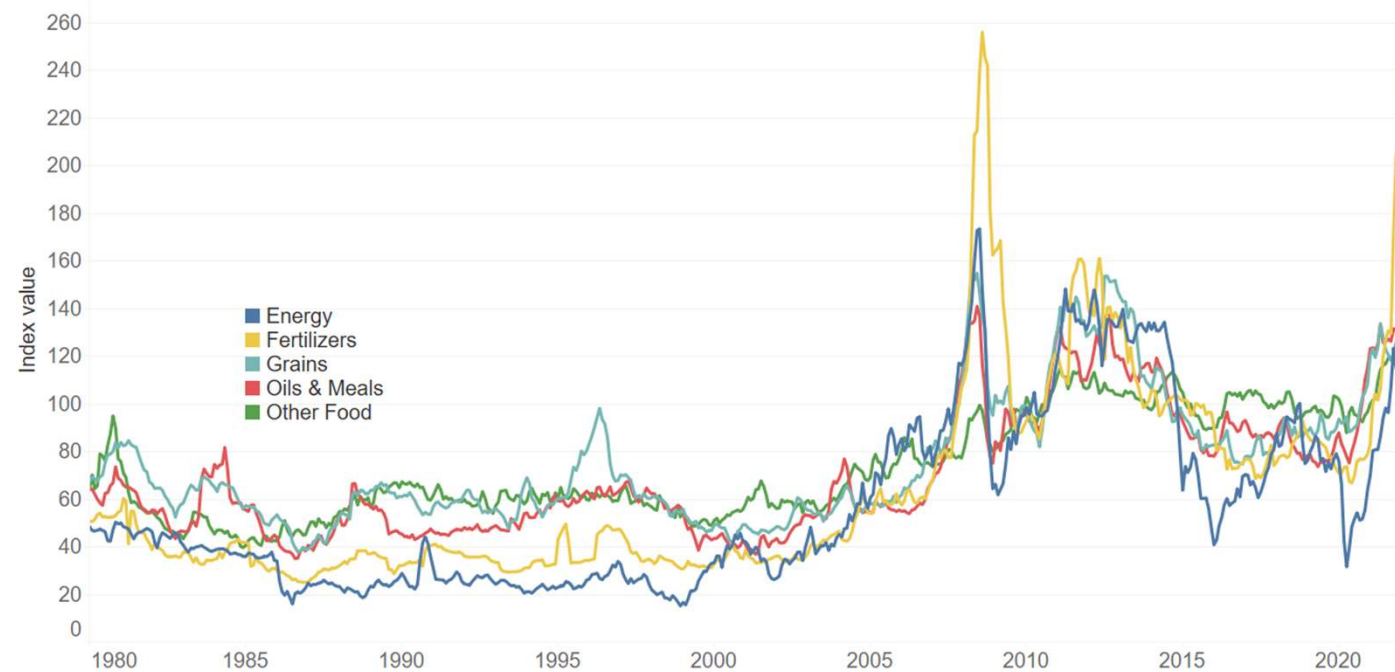


Source: USDA, RSM Canada

The price of war: world food prices

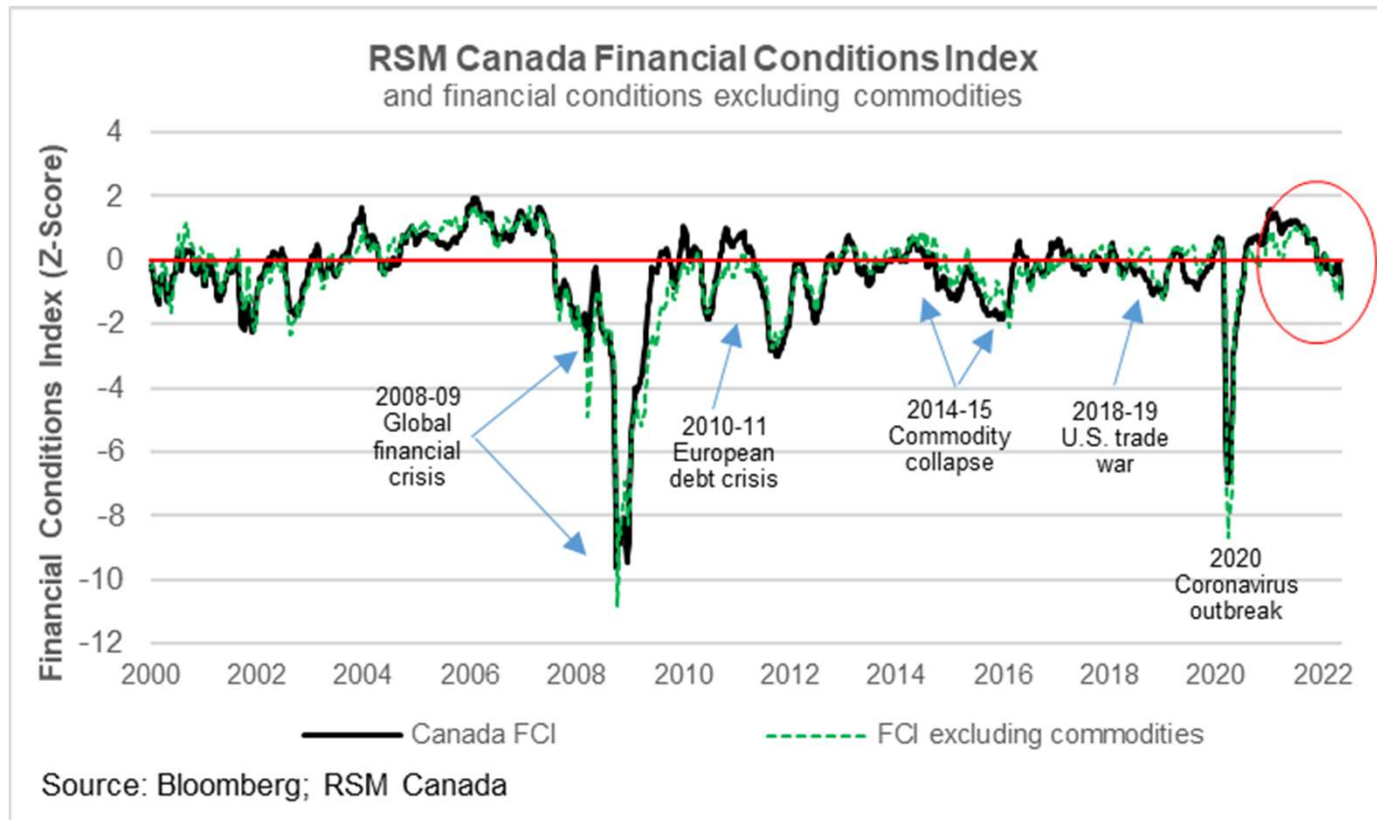
Commodity price index

Monthly indices based on nominal US dollars, 2010 = 100



Source: World Bank, RSM Canada

Financial conditions: excessive risk



Canada economic outlook: what could go right?

- Economic growth
 - Robust commodities sectors
 - Energy is driving economic growth
 - Emerging renewable energy sector
 - Rapidly growing technology sector
- Employment
 - Sellers' market offers ample opportunities for workers
 - Flexibility and benefits key to attract and retain workers
 - Immigration helps ease labour shortage
- Positive risks to economic outlook
 - Stable geopolitical conditions at home
 - Technology to relieve labour shortage

THANK YOU FOR
YOUR TIME AND
ATTENTION

QUESTIONS AND ANSWERS?



RSM Canada LLP

+1 855 420 8473

www.rsmcanada.com

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