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Research on the state of the economy 2022

Executive Summary

Prepared for Finance Canada

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Prepared for Finance Canada by Environics Research

April 2022

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Executive summary

Background and objectives

Finance Canada commissioned Environics Research Group to conduct qualitative and quantitative public opinion research among Canadians in the winter of 2022. The primary objective of the research was to explore current attitudes among Canadians toward such topics as:

- The state of the Canadian economy and Canadians' standard of living;
- The tax system and incentives;
- Housing affordability; and
- Various fiscal issues.

The research objectives are to explore Canadians' overall concerns and perceptions about the current state of the Canadian economy and emerging issues, and their expectations about the role of the Government of Canada in the economy and in other measure intended to improve quality of life for Canadians.

Methodology

Qualitative phase

Environics Research conducted a series of 10 online focus groups in February 2022 to assess Canadians' attitudes toward the current state of the economy, with a particular focus on attitudes toward such issues as inflation, housing, the deficit and priorities for the next federal budget. The online focus groups were conducted using the Zoom platform; and a pair of sessions were conducted in each of the following regions: Ontario (Feb. 7), Atlantic Canada (Feb. 8), Prairies (Feb. 9), B.C. (Feb. 10) and Quebec (Feb. 15). The two Quebec sessions were conducted in French and the other eight sessions were conducted in English.

Location (Language of groups)	Date	Time
Ontario (English)	Monday, February 7	5pm EST – Group #1 7pm EST – Group #2
Atlantic provinces (NL, NS, NB, PEI) (English)	Tuesday, February 8	4pm EST (5pm AST) – Group #3 6pm EST (7pm AST) – Group #4
Prairie provinces (MB, SK, AB) (English)	Wednesday, February 9	6pm EST (5pm CST/4pm MST) – Group #5 8pm EST (7pm CST/6pm MST) – Group #6
B.C./Territories (English)	Thursday, February 10	7pm EST (4pm PST) – Group #7 9pm EST (6pm PST) – Group #8
Quebec (French)	Tuesday, February 15	5pm EST – Group #9 7pm EST – Group #10

NB: Participants in groups 1, 3, 5, 7 and 9 were lower-income. Participants in groups 2, 4, 6, 8 and 10 were higher-income.

Participants were 18 years of age or over, and included range of age, education and backgrounds. The groups lasted approximately 90 minutes, and consisted of between six and eight participants (out of 8 people recruited for each group). Participants were provided a \$100 honorarium to encourage participation and thank them for their time commitment. Each evening one session was conducted with Canadians with lower incomes and one session was conducted with those with higher incomes.

Statement of limitations: Qualitative research provides insight into the range of opinions held within a population, rather than the weights of the opinions held, as would be measured in a quantitative study. The results of this type of research should be viewed as indicative rather than projectable to the population.

Quantitative phase

Finance Canada wished to move this research to an online methodology. As a result, Environics conducted a mixed mode survey, to assist in this transition:

- The main methodology for the general population sample was an online survey with a representative sample of 2,007 adult Canadians, conducted from February 23 to March 4, 2022. *As the online survey uses an opt-in panel, this is a non-probability sample and no margin of sampling error is calculated.*
- A random-probability telephone survey with 1,003 adult residents of Canada, from February 19 to March 18, 2022, using industry-standard random-digit dialling (RDD) techniques. A survey of this size will yield results which can be considered accurate to within +/- 3.1 percentage points, 19 times out of 20. Margins of error are larger for subgroups of the population.

The sample was stratified by region to allow for meaningful coverage of lower population areas:

Region (% of population)	Total	Online	Telephone	Telephone sample margin of error*
Atlantic Canada (7%)	301	200	101	+/- 9.7
Quebec (23%)	750	500	250	+/- 6.2
Ontario (38%)	902	600	302	+/- 5.6
Prairies/NWT/Nunavut (19%)	604	404	200	+/- 6.9
B.C./Yukon (13%)	453	303	150	+/- 8.0
CANADA (100%)	3,010	2,007	1,003	+/-3.1

** In percentage points, at the 95% confidence level*

Contract value

The contract value was \$174,502.80 (HST included).

Report

This report begins with an executive summary outlining key findings and conclusions, followed by a detailed analysis of the focus group findings and a detailed analysis of the survey data. Provided under a separate cover is

a detailed set of “banner tables” presenting the results for all questions by population segments as defined by region and demographics. These tables are referenced by the survey question in the detailed analysis.

In this report, quantitative results are expressed as percentages unless otherwise noted. Results may not add to 100% due to rounding or multiple responses. Net results cited in the text may not exactly match individual results shown in the tables due to rounding.

Use of findings of the research. By gauging and analyzing the opinions of Canadians, the Government of Canada gains insights into important policy areas related to the mandate of the department and related services. The information gained through this public opinion research will be shared throughout Finance Canada to assist it when establishing priorities, developing policies, and planning programs and services.

Key findings – qualitative phase

A. Perceptions of Canada’s economy

Participants expressed pessimism and concern about the Canadian economy. When asked to provide one word to describe the state of the Canadian economy, the words used tended to convey these sentiments of uncertainty and pessimism, and included “poor”, “scary”, “unstable”, “volatile”, “inflation”, “challenging,” “struggling” and “high prices.” Only a few people used more positive or neutral words such as “OK” or “average.”

Overall attitudes toward the state of the economy were quite consistent by region and income level, though lower-income participants were clearly feeling more personally vulnerable. Some with higher incomes noted that Canada was still prosperous by global standards. It was also frequently noted that the economy was very uneven and unequal, and that during the pandemic many people and companies had become much richer while others had been hard hit.

Most were also pessimistic about the coming year. They expected prices to keep rising. They also expressed worries about the pandemic bills coming due, and future instability from supply chain interruptions and possible new variants. It was noted that we are still in “uncharted territory”. A minority were more optimistic, and drew more of a direct line between the imminent lifting of pandemic restrictions and an economic recovery.

The main economic issue of concern was clearly inflation and rising prices. Participants consistently referred to rising grocery and gasoline prices and, in many cases, also mentioned housing and utility bills. It was noted that wages have not kept up with rising prices, and that life was becoming less and less affordable.

The inflation rate has become the main indicator for how the economy is doing. Some fear it could get worse before it gets better due to an explosion of pent-up demand once restrictions are lifted. Shortages of goods came up on occasion, more in the context of the need for Canada to be more self-sufficient. People are now more aware of the vulnerabilities of global supply chains. Many also expressed concerns about all the small businesses that had disappeared during the pandemic, or that were now struggling.

Some concerns were also expressed about the post-pandemic economic “hangover” when “the bills come in,” and that there would be consequences, such as higher taxes and/or higher interest rates, and service cuts.

There was little concern expressed about unemployment. Instead, there were concerns about labour shortages. A few participants were under the impression that programs such as CERB were making people reluctant to re-join the workforce; others noted that too many jobs still pay low wages and offer poor working conditions, and are therefore not attractive to people.

B. Economic impact of the pandemic

Participants reported varied economic experiences with the pandemic. Some, especially in the lower-income sessions, spoke of having lost their jobs or having suffered a loss of revenue. Those who had worked in travel, hospitality, retail or personal care-type jobs were especially hard hit, though most reported having found ways to “reinvent themselves” into new jobs.

Several people in each session reported that they had taken advantage of programs such as CERB – particularly in the early days of the pandemic. This was appreciated, though it was noted that they still suffered financial losses, and that the payments did not compensate for the loss of income.

In contrast, many participants – especially those with higher incomes – reported that they felt financially better off during the pandemic. Those with stable jobs described being busier than ever and having saved money because they were not spending as much on things like travel, eating out, clothes, etc.

Participants had a hard time describing a “post-pandemic economy”. Some mentioned that our shopping and working habits have likely changed forever and moved online. Others mentioned how it could take many years to recover from all the pandemic-related spending that was required and all the businesses that were wiped out. Others were more confident of a post-pandemic boom, as people would start to consume again.

Many participants expressed sentiments that the pandemic had shown them what was essential and what was not, and how we could all adapt. Many also felt that the pandemic had raised awareness of the vulnerability of global supply chains, and the need for more food and energy self-sufficiency.

C. Inflation/cost of living concerns

As noted, rising prices and inflation were, by far, the biggest top-of-mind economic concern. The recent increases in prices were seen to be very noticeable – particularly with regard to groceries and filling up cars with gas. In B.C., rising insurance premiums were also mentioned, particularly in the wake of natural disasters in the past year.

Many participants, especially those with lower incomes, worried about not being able to keep up with the increases in costs of necessities. One person noted “there is nothing at Dollarama that sells for a dollar anymore”. But people reported that they found ways to manage – they eat at home more, they look for sales, they buy cheaper products, they drive less, etc.

Inflation was seen very much as a global issue, and not as a “made-in-Canada” issue. Most understood that inflation was happening in many other countries. People were unclear and confused about the causes of the recent inflation. Some pointed to pandemic-related supply chain disruptions, the sudden increase in demand for products as restrictions were lifted, rising costs for retailers due to COVID-related retrofitting and higher wages, and too much money being pumped into the economy. Some also suspected that price gouging was going on.

Few participants had any specific ideas on what the federal government could do to address inflation. Some suggested cutting spending, cutting CERB (which many believe still exists), building more domestic capacity to produce staples, or price controls on essentials.

There were some spontaneous mentions that interest rates would likely go up in response to inflation, though most did not understand how this would actually reduce prices. Many had concerns that higher interest rates could crash the economy or cause a sudden housing bubble collapse – even if most people would not be personally affected by a small rate increase.

D. Housing

Housing-related concerns were raised consistently in all regions, though the nature of the concerns varied by income group. Those with lower incomes tended to focus on immediate issues around housing affordability, such as being able to afford rent, being able to afford to live anywhere if forced to move, and feeling priced out of their community.

Those with higher incomes often already owned their homes, so their anxieties tended to focus more on whether their children would ever be able to afford to live anywhere – either as an owner or renter. Some also worried about where they might live when they retired and wanted to downsize.

There was an overarching concern in all sessions that affordable housing was now in very short supply. Participants from smaller communities in Ontario, Atlantic Canada and, to lesser extent, in the Prairies sometimes expressed shock at how quickly and suddenly housing had become unaffordable in their communities.

There was little clarity on what had caused the current housing crisis. Some mentioned the impact of speculators, low interest rates, immigration and zoning laws that make it difficult to increase the supply of affordable housing. Some also noted how every aspect of housing had increased in cost during the pandemic, from the cost of labour, to the cost of building materials such as lumber.

Awareness of any current federal government measures to address housing issues was very low. There was some vague awareness of money for first-time home buyers, and some mentioned provincial government measures taxing foreign-owned vacant units.

When shown a list of 12 housing-related measures that were being considered by the federal government, most people felt that it seemed like a step in the right direction. However, many participants were quite cynical about whether there was much that governments could do that would make a real difference with regard to affordable housing.

The measures that participants tended to see as being most effective were those that addressed the lack of supply, such as “increasing the availability of affordable housing” and “requiring developers to ensure that at least 20% of new housing is affordable.”

The two measures that addressed vacant foreign-owned properties also resonated with some people, though less so in B.C., where similar provincial policies are already in place and where housing remains unaffordable. There was also interest in making real estate transactions more transparent and ending blind bidding.

Few had any objection to any of the measures, but some were found to be very narrow or addressed issues that were not well-known, such as a ban on “renovictions” or taxing REITs. Some also pointed out that demand-side measures giving more money to home buyers or making mortgages more affordable would not solve the problem of lack of supply.

E. Deficit and debt

Participants were aware that there is currently a large deficit at the federal level, but there was little sense of urgency about it. Many saw it as “just a number” and as an abstraction. Most also felt the deficit was a natural result of the pandemic and all the spending that was required to deal with it. They did not expect the budget to be balanced anytime soon.

There were concerns that trying to deal too aggressively with the deficit would mean major tax increases and/or service cuts. To the extent that participants had suggestions for how to reduce the deficit, they centred on the government going after tax havens and tax evasion by the super-rich, or on having some plan to reduce “unnecessary” spending.

There were nonetheless concerns about leaving a large debt to future generations. Participants expressed a desire to see some sort of a plan or road map to deal with the debt. Some expressed concerns that the federal government seemed oblivious to the deficit and the growing debt.

Attitudes were mixed about more permanent long-term funding to the provinces for health care, that would add to the deficit. In some areas, such as the Prairie provinces, there were concerns that provincial governments could not be trusted to spend the money on health care. In Quebec and B.C., people were more receptive to more federal funding of health care, whatever the fiscal impact.

F. Budget priorities

There was little consensus on what participants wanted to see included in the next federal budget or on what advice they would give to the Minister of Finance.

The most common specific suggestions included: health care funding (including mental health, dental care, pharmacare), addressing the housing crisis, addressing the cost of living, the environment and green infrastructure innovations, supports for seniors, supports for the most vulnerable (such as young families, seniors, the poor), supports for small businesses damaged by the pandemic, and cutting the GST.

When prompted about mental health, many participants acknowledged that this was now a major issue and an area that needed new investments.

Key findings – quantitative phase

Finance Canada plans to transition this research to an online methodology. As a result, the following sections report the online survey findings. In the full report, Chapter II Section F provides tracking information based on the telephone survey results, and Chapter II Section G discusses modal differences in response between the online and telephone methodologies.

A. Assessment of the economy

When rating the current state of the Canadian economy, just over one-quarter (27%) say it is good (score of 7 to 10), over three in ten (34%) are neutral (score of 5 or 6), and close to four in ten (38%) say it is bad (score of 1 to 4).

Minorities of Canadians in all regions rate their provincial economy positively; pluralities in most locations rate it as negative, with the exceptions of B.C., which is the most positive at just under four in ten; Quebec, which is divided between rating their provincial economy as negative or neutral; and Ontario, where the response is more neutral. Close to half of Atlantic Canadians rate their province's economy as negative.

Seven in ten Canadians (69%) have a negative perception of the current cost of groceries. Only one in seven (14%) are positive to some extent.

The rising cost of living is the most stressful of several potential sources of stress rated (42% say it is a major source of stress). Just under one-quarter each say having enough money to retire (23%) or being financially secure in retirement (23%) are major stressors. Around two in ten feel each of four things are a major source of stress: the quality of the healthcare system (20%), the middle class falling further behind the top one percent (18%), the spread of COVID-19 in Canada (18%) and saving enough money to buy a home (18%).

Three in ten (31%) indicate inflation/rising prices/cost of living is the most concerning economic issue. Housing is a distant second, at just under one in ten (8%).

B. Government action

Seven in ten (72%) Canadians believe the actions of the federal government can have a significant impact on the state of the country's economy; two in ten (18%) think it has little influence in the face of global forces.

When asked to rate the importance of eight issues for the federal government to consider when making budget decisions, the most important are making the cost of living more affordable (84%) and bringing inflation under control (80%), followed quite closely by ensuring the wealthiest Canadians pay their fair share (78%) and making housing more affordable (77%).

C. Personal well-being

Over four in ten (43%) Canadians give a positive rating (score of 7-10) to their own personal financial situation; three in ten (29%) give a neutral rating, and one-quarter (26%) are negative to some extent.

Compared to their parents' generation at the same age, Canadians rate their generation as worse off when it comes to housing (62%), quality of the environment (60%), financial security (48%) and mental health (48%). They are more divided about whether things are better or worse when it comes to employment opportunities or health. Close to half (47%) feel educational opportunities are better than for their parents.

One-third (34%) of Canadians are extremely or somewhat worried about personal or family job loss.

Regarding the effects of the pandemic, close to three in ten (28%) had to adapt to a remote work situation, including working from home, two in ten (22%) suffered a loss of hours or wages; and around one in ten each report temporary (12%) or permanent (9%) job loss, or being unable to work due to a COVID-19 diagnosis (10%).

D. Taxes and fiscal policy

Majorities agree (score 7 to 10) with each statement about the federal government's approach to fiscal issues, but agreement is highest that the federal government should have a plan to gradually reduce the national debt (75%), and lowest that the federal government should return to a balanced budget as soon as possible (59%). Over six in ten agree to some extent with other statements. Although it is clear Canadians want the government to balance the budget, they largely prefer a cautious approach that does not require major cuts to services or higher taxes.

Six in ten (60%) feel low-income earners should be paying less tax. About half of Canadians think small businesses (49%) and middle-income earners (50%) pay the right amount of tax; and around one-third each think they could be paying less. In contrast, majorities think big corporations (70%), the top one percent of income earners (69%), and financial (59%) and digital corporations (58%), should be paying *more* in tax.

E. Housing

Responding to a number of statements regarding home ownership, eight in ten Canadians (81%) agree (score 7 to 10) it is very difficult for people to buy a house in the current economic climate, and seven in ten (72%) agree the federal government has a responsibility to address the lack of affordable housing in the country. There is only minority agreement (28%) it would be easy to find somewhere to live that is both affordable and in a safe neighbourhood.

Three-quarters (76%) of homeowners agree it was extremely important they own a home, and just over half (54%) agree the cost of living in their home is affordable. Half of renters (49%) agree it is extremely important they be able to own a home in the future, and four in ten (39%) agree the rent they pay is affordable.

At least six in ten Canadians place at least some priority for the federal government's approach to each of 13 housing-related issues. The top priority is increasing the availability of affordable housing (76%). Seven in ten feel each of six other housing proposals are priorities: cracking down on large landlords buying up housing (72%), continued incentives for first-time home buyers (71%), increasing transparency in real estate transactions (71%), making mortgage payments more affordable (70%), requiring developers to ensure at least 20 percent of new housing is affordable (70%), and making down-payments more possible for people (69%).

Political neutrality statement and contact information

I hereby certify as senior officer of Environics that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Communications Policy of the Government of Canada, and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leaders.

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