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Research on the state of the economy – Winter 2023

Executive Summary

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Prepared for Finance Canada by Environics Research

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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 Fall 2022 and Winter 2023. The research objectives were 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. Specifically, this report analyses the results of the Winter 2023 research, showing current attitudes among Canadians toward such topics as:

- The state of the economy;
- Inflation and the cost of living;
- Financial stressors;
- Fiscal issues, such as the deficit and taxation;
- Housing supply and affordability;
- Health care; and
- Budget priorities.

Methodology

Qualitative Data Collection

Environics Research conducted a series of 10 online focus groups in January and February 2023 to assess Canadians' attitudes toward the current state of the economy. The online focus groups were conducted using the Zoom platform. A pair of sessions, one for higher income and the other for middle to lower income participants, were conducted in each of the following regions: Ontario (January 30), Atlantic Canada (January 31), Prairies (February 1), Quebec (February 2) and B.C. (February 6), The two Quebec sessions were conducted in French and the other eight sessions were conducted in English.

The 71 participants were all 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.

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 Data Collection

Environics conducted an online survey with a representative sample of 2,106 adult Canadians, conducted from January 11-23, 2023. *As the online survey uses an opt-in panel, this is a non-probability sample, and no margin of sampling error is calculated.* The regional distribution of surveys is described below.

Regional distribution	Total	BC/YK	AB/NWT	SK	MB/NU	ON	QC	ATL
# of completed surveys	2,106	333	286	112	129	624	419	203
% of completed surveys	100%	16%	14%	5%	6%	30%	20%	10%

This report presents an executive summary of key findings, followed by detailed analyses of the focus group data and 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.

Contract value

The contract value was \$279,189.10 (HST included).

Use of findings of the research. By gauging and analysing 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

In general, the focus group participants had a negative and pessimistic view of the current state of the Canadian economy. The most common top-of-mind words used to describe it included critical words such as “struggling”, “inflation”, “challenging”, “difficult”, “scary”, “tanking”, and “falling”. A minority used words that were more neutral to describe the economy such as “average”, “okay”, and “improving”.

Most agreed that Canada is faring reasonably well compared to other countries and that inflation is happening everywhere and is not a “made in Canada” problem. Other common concerns raised were that wages have not kept up with inflation and that there is a growing gap between the rich who have become richer in recent years, and everyone else.

Most felt the economy was in a bad state and were most concerned about issues that impact them personally such issues as the cost of living, inflation, the lack of affordable housing, and rising interest rates. Many made specific references to the cost of groceries, housing, and to a lesser extent the price of gasoline.

Attitudes toward the economy were quite consistent by region and income level, with participants feeling uncertain and pessimistic about Canada's current economic state and fearing another challenging, unpredictable year, particularly due to external events such as the war in Ukraine and commodity prices. Some participants from the Prairies had a more neutral view of the economy and some felt that the worst was behind us and that the economy may turn a corner in the coming year.

B. Inflation/cost of living concerns

Inflation and the cost of living were top-of-mind concerns for most participants and were also the main way people gauged how well the economy is doing. Inflation and rising costs seemed to be affecting all participants across all regions in some way. When asked for examples of things that have become harder to afford, participants pointed to groceries and housing as their main challenges.

Participants described the steps they were taking to adapt to higher prices, such as shopping for bargains and cutting discretionary expenditures. Higher income participants tended to grudgingly pay more for things.

Most felt that the causes of the current inflation were multifactorial and were also a global problem. The most common root causes of inflation cited were price gouging/corporate greed, rising fuel prices, pandemic-related supply chain issues and the war in Ukraine.

Most understood that the Bank of Canada was responsible for setting interest rates and had heard that interest rates were being raised to reduce inflation. But many questioned the logic of this and did not understand how higher interest rates were supposed to reduce prices, given the perceived global causes of inflation. Many participants, especially those with mortgages, were starting to worry about the impact of higher interest rates.

C. Affordability measures

Most acknowledged that there was little the federal government could do to reduce the inflation rate, though some felt that tax cuts, especially to the carbon tax, could help mitigate the impact of inflation.

Some also mentioned other ways in which the government could help make life more affordable by having more oversight, particularly around rent control and investigating price gouging by large corporations.

D. Housing concerns

Lack of affordable housing was a major concern among participants across all regions, particularly in British Columbia where housing prices have been an issue for many years. Housing was not as much of a top-of-mind concern for participants from the Prairies.

Specific housing concerns varied depending on whether participants own or rent and whether they have a mortgage to pay off. Renters were concerned about rising rents and renovations and the seeming impossibility of ever being able to afford to buy a property. Those who currently own their homes were more concerned for their children and the next generation, while those trying to enter the market for the first time were stressed and felt like they could not get ahead due to rising costs and interest rates. Those with mortgages were concerned about rising interest rates and what would happen when their mortgages were up for renewal.

Most were unaware of any measures the federal government has put in place to address housing affordability. A few had heard about restrictions on foreign ownership and speculation but were unsure if this was a federal or provincial measure.

E. Health care

Health care was clearly a major concern for most participants, and this was consistent across all regions and income groups. The most common specific concerns related to the lack of access to doctors, shortages of health professionals in general and wait times for surgeries and procedures. Some specifically identified underfunding as the underlying issue along with a perception that the health care system had not yet recovered from the impact of the pandemic.

Most participants agreed that the provinces were in the best position to address challenges in their health care systems, given their jurisdictional responsibilities. But they also felt that the federal government should ensure transparency and accountability in spending. There was a consensus that if the federal government were to provide the provinces with more health care funding, they should have some say in how the money is spent and be able to set some conditions and demand accountability.

To the extent that participants looked to the federal government for solutions to the current crisis in health care, they wanted to see federal action on facilitating the immigration of health care professionals and more federal funding earmarked for health care.

Awareness of recent announcements by such provinces as Ontario about privatizing the delivery of some health care procedures was quite low. Most participants understood privatization to mean having to pay out of pocket for health care and the idea of increased private sector delivery was not well understood.

The higher income participants were somewhat more open to this concept, while some lower income participants and those in British Columbia were more concerned about the ramifications of more private involvement in health care. There was a sentiment that something had to be done about the perceived crisis in health care and that maybe this was worth experimenting with, as long as standards of care were consistent across public and private service providers and that all services remained free of charge to individuals.

Some were hopeful that privatizing some health care procedures might relieve stress on the public system. Others expressed concerns that this might draw practitioners away from public health care and would therefore do nothing to alleviate the underlying staffing problems. There was no consensus on how the federal government should respond to these privatization initiatives.

F. Budget priorities

When asked about desired top priorities for the upcoming federal budget, most participants focus on health care. It was clear that this has become a top concern and therefore people want to see it addressed in the next budget. Any measures that are seen as helping remedy the shortage of doctors and nurses would be welcome. Mental health was sometimes specifically mentioned, particularly among participants from British Columbia. Some made specific mention of measures to expand the scope of health care coverage such as dental care and pharmacare.

A minority of participants mentioned some other desired budget priorities. Several mentioned measures to address housing affordability. Other priorities mentioned less frequently included lowering fuel costs but cutting carbon tax, more support for low-income families, and more support postsecondary education.

It was notable that climate change and environmental issues and deficit reduction were almost never spontaneously mentioned as top priorities for the upcoming budget.

Key findings – quantitative phase

A. Assessment of the economy

Two in ten (21%) Canadians rate the current state of the Canadian economy as good (score of 7 to 10), identical to Fall 2022. One-third (33%) are neutral (score of 5 or 6), and over four in ten (44%) say it is bad (score of 1 to 4).

Only minorities of Canadians in all regions rate their provincial economy positively (that is, 7-10 on a 10-point scale). Pluralities in most locations rate it as negative, and in all cases but B.C., negative impressions have increased since Fall 2022. Atlantic Canadians are the most negative (58%), while Quebecers remain the most divided between feeling neutral (33%) or negative (37%) about their provincial economy.

Canadians also remain negative about the cost of various essentials. Just over eight in ten (83%, up from 79% in Fall 2022) have a negative perception of the current cost of groceries, seven in ten (71%, down slightly from 77%) are negative about the current price of gasoline, and six in ten (62%) give a negative rating to the cost of utilities. New in this wave, over half (54%) are negative about the price of auto insurance.

Over four in ten (44%, basically unchanged from 43% in Fall 2022) say inflation/rising prices/cost of living is their most concerning economic issue. Housing affordability remains a distant second (13%, unchanged); one in ten (9%) mention rising interest rates.

B. Government action

As in the Fall, over one-third (36%) believe it will take one to two years for the current period of high inflation to get under control. Just under two in ten (17%) think it will take a year or less, one-quarter (23%) think it will take more than two years, and seven percent think high inflation is the new normal.

A plurality of Canadians (38%) understands to some extent the inflation rate is caused by global factors; just over two in ten (22%) think inflation is caused by policies of the federal government. One-quarter (25%) think both global factors and the policies of the federal government play a role.

In a new question in Winter 2023, half of Canadians (50%) believe to some degree the Bank of Canada controls the prime interest rate, one in ten (11%) incorrectly think the prime interest rate is controlled by the elected federal government, and one in six (17%) feel both equally set this rate.

When asked to rate the importance of 14 issues for the federal government to consider when making budget decisions, the most important are deemed to be improving the health care system (87%) and bringing the cost of living (86%) and inflation (83%) under control. These were all notable concerns in Fall 2022.

C. Financial well-being

In Winter 2023, over four in ten Canadians (44%, down 6 percentage points) give a positive rating (score of 7-10) to their own personal financial situation; three in ten (31%) give a neutral rating and one-quarter (24%) are negative to some extent.

The top sources of *major* stress are the quality of the health care system (34%), saving enough money to retire (26%) and rising interest rates (23%). Around two in ten each also see as major stressors the middle class falling behind the 1% (19%) and climate change (18%). The proportions indicating each is a major stress are similar to Fall 2022.

Three in ten parents say it is a major source of stress whether their kids will be able to afford a place to live when they are older (30%) and what the quality of the environment will be like for them (30%). Two in ten or fewer are very stressed about the impact of other factors on their children.

Just over one in ten (12%) Canadians are at least somewhat more confident, half (49%) are just as confident, and just over one-third (37%) are somewhat less (26%) or much less (11%) confident they can manage paying their bills and buying the things they need, compared to this time last year. These results are basically unchanged from Fall 2022.

Three in ten in this wave say groceries (31%, up from 24% in Fall 2022) are their most challenging expense, and one-quarter (24%) say this about housing costs (unchanged). Just under three in ten (28%, comparable to 29%) indicate they have no problems making ends meet.

Canadians are slightly more concerned about potential personal or family job loss than in the Fall; one-third (34%) are extremely or somewhat worried, up from three in ten. Six in ten (61%) are not very or not at all worried, with one-third being not at all worried, down nine points.

D. Taxes and fiscal policy

Close to two-thirds (64%) agree there should be more permanent health care funding for the provinces, and six in ten (60%) agree they worry that trying to balance the federal budget too quickly may be done at the expense of essential services or funded by higher taxes. Just under six in ten (58%) agree they don't expect the federal government to balance the budget until the economy has completely recovered from the pandemic, while just under half (48%) agree they think the budget should be balanced as soon as possible.

One-third agree the federal government is trying to support Canadians in difficult economic times (34%, down from 43% in Fall 2022) or that Canada should provide more financial aid to help Ukraine (32%); and three in ten agree that it understands the economic issues Canadians are facing (31%).

Eight in ten think big corporations need to pay more in taxes, with half (49%) thinking they should pay a lot more. Three-quarters (76%) think the top 1% of wage earners should be paying more; and over half (54%) think they should be paying much more than currently. Almost three-quarters (73%) think financial institutions should be paying more (40% think it should be much more). In contrast, four in ten think small businesses (41%) and middle-income earners (39%) are paying the right amount of tax; four in ten think small businesses should be paying less, and half think this of middle-income earners. Just over six in ten (62%) think lower income earners should be paying less.

E. Housing

In a new question in Winter 2023, Canadians were asked their impressions of the current interest rates on loans and mortgages, and of the current cost of housing. Majorities have a negative impression of the current cost of housing (76%), and current interest rates on loans and mortgages (66%).

Eight in ten (81%) continue to agree (that is, score 7 to 10) it is very difficult for people to buy a house in the current economic climate; two-thirds (65%, down from 71% in Fall 2022) agree the federal government has a responsibility to address the lack of affordable housing in the country. Fewer homeowners in this wave agree the cost of living in their home is affordable (47%, down from 53%), and fewer than four in ten renters (38%) agree the rent they pay is affordable, comparable to the Fall. Only one-quarter (23%) agree it would be easy to find somewhere to live that is both affordable and in a safe neighbourhood, if someone was buying a house today. Three-quarters (75%) of homeowners agree it was extremely important they own a home rather than rent, and just over half of renters (53%) agree it is extremely important they be able to own a home in the future.

Of 12 housing policies, increasing the availability of affordable housing is identified as the top priority (72%); around two-thirds each would prioritize cracking down on large landlords buying up housing (68%), increasing transparency in real estate transactions (67%), supporting first-time buyers (66%), and making monthly mortgage payments more affordable for middle- and lower-income Canadians (64%). All of these levels of agreement are marginally lower than in the Fall.

In a new question in Winter 2023, Canadians were asked how much impact federal government policies could have on the price of homes in Canada. Three-quarters (73%) feel these policies could have at least some impact on the price of homes; three in ten (30%) think the impact of these could be major. One in six (16%) feel these could have little or no impact, and one in ten (11%) are unsure.

Also new in this wave, around one-third each think addressing the lack of affordable housing in Canada is the responsibility of the provincial (36%) or federal (32%) governments, while just over one in ten (13%) think it is a municipal government responsibility.

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.

Derek Leebosh
Vice President, Public Affairs
Environics Research Group
derek.leebosh@environics.ca
(416) 820-1963

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For more information, contact Finance Canada at por-rop@fin.gc.ca