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Research on the state of the economy - Fall 2022

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 the fall of 2022. 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. Specifically, this report analyses 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;
- Priorities for the Fall Economic Statement

Methodology

Qualitative Data Collection

Environics Research conducted a series of 10 online focus groups in September and October 2022 to assess Canadians' attitudes toward the current state of the economy. The online focus groups were conducted using the Zoom platform; and a pair of sessions, one for higher income and the other for lower income participants, were conducted in each of the following regions: Ontario (September 29), Prairies (October 3), B.C. (October 4), Quebec (October 5) and Atlantic Canada (October 6). The two Quebec sessions were conducted in French and the other eight sessions were conducted in English.

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.

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 2,007 adult Canadians, conducted from September 23-October 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.* The regional distribution of surveys is described below.

Regional distribution	Total	BC/YK	AB/NWT	SK	MB/NU	ON	QC	ATL
# of completed interviews	2,106	330	283	117	124	625	420	207
% of completed interviews	100%	16%	13%	6%	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 - focus group phase

A. Perceptions of Canada’s economy

Most focus group participants expressed pessimism and concern about the Canadian economy. The most common top-of-mind issues among Canadians are inflation, rising interest rates, and housing affordability – the unifying theme being the rising cost of living. Canadians are experiencing sticker-shock when it comes to the cost of day-to-day items and most expected prices for such staples as groceries and gasoline to keep rising and become increasingly unaffordable.

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 “scary,” “struggling,” “challenging,” and “expensive”. Other words used less frequently included “uncertain,” “uneasy,” “inflation,” “recession,” “survival,” “disappointing,” “weak,” “unpromising,” and “stressed”. Some words that were more neutral or positive included “okay,” “depends,” “predictable,” “flat,” and “recovering”.

Attitudes toward the economy were quite consistent by region and income level, with participants feeling uncertain and unhelpful about Canada’s current economic state and concerned about what the future will look like. Most felt that the economy may not recover from current challenges for another couple of years. The majority of focus group participants are anticipating a slow economic upturn, with many saying it will be at least a few years before we see any sort of relief when it comes to inflation and interest rates. There was a mentality of having to “ride it out”, of things getting worse before they gets better. There was some vestigial optimism about the economy improving post-pandemic lockdowns, but this sentiment was fading compared with how people felt earlier in the year.

B. Inflation/cost of living concerns

When asked for examples of things that have become harder to afford, groceries were most commonly mentioned, followed by gasoline and utilities. Several people reported that they found ways to manage in the face of rising prices. Participants spoke of using coupons, eating out less, changing eating habits, and buying in bulk. Other ways to manage rising costs of living include driving less and being efficient with trips, buying used instead of new, less discretionary spending in general, acquiring additional jobs, delaying purchases, and accumulating debt.

Focus group participants largely understood that the causes of the current inflation are multifactorial and commonly cited pandemic-related supply chain issues and scarcity of goods. This was followed by corporate greed and the idea that companies are trying to recuperate their losses from COVID-19, using inflation as an excuse to increase their prices. Many also believe inflation is at least partly driven by global affairs such as the war in Ukraine and the economic situation in other countries. Some felt inflation had been caused by too much government spending during the pandemic and a perception that the Bank of Canada had printed too much money.

Many participants expressed concerns about the impact of rising interest rates, and they were often confused about how higher rates - a measure that was seen to cause people's day to day expenses to increase - could also be a way of reducing inflation and making life more affordable.

C. Affordability measures

Participants were asked how the federal government could make day-to-day life more affordable. Many found it challenging to come up with ideas for how the federal government could do this. Some suggested lowering income or sales taxes, reducing or eliminating the carbon tax, grants for lower income families, a price cap on essential goods, and investment in affordable housing.

There was little awareness of new federal government initiatives announced that could make life more affordable. When prompted, many recalled the dental program for low income families, some had also heard of the increased GST rebate. Very few knew of the housing credit. Many middle and higher income participants assumed that what measures there were likely did not apply to them as they were above low income thresholds.

D. Housing concerns

Housing affordability is a key concern and was brought up in general economy, interest rates, and affordability discussions. Housing-related concerns were raised very frequently by participants in all regions. Housing is no longer primarily a big city or an Ontario and BC concern. It is now a huge issue in all parts of the country. Many cited how during the pandemic housing prices and rents had surged in smaller communities as well.

When asked what their biggest housing related concern, the overwhelming response was cost/affordability. Several were concerned with future generations and young people being able to own a home, and many were concerned that they themselves would never be in a position to own a home, writing home ownership off as a reality given the current costs and future uncertainty. Participants also expressed concern about the availability of housing, rising interest rates, and maintenance.

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, and the rising costs of mortgages. Some also worried about where they might live when they retired and wanted to downsize.

E. Deficit and debt concerns

Most participants were vaguely aware of Canada's deficit and debt. Overall, most were not very concerned with either and did not feel they were affected personally by the national debt. They were much more concerned about their personal debts as opposed to the government's. Most found Canada's deficit understandable and unavoidable, especially given necessary spending during the pandemic. Participants were often relieved to know that Canada's debt and deficit compared favourably with those of other G7 countries.

Some who were concerned about the deficit and debt worried about how they could impact future generations. Even among those who agreed that the government at times needs to run a deficit, there was a consensus that there needed to be some sort of plan to eventually get the deficit under control. Some felt that the government needed to better control its spending, especially when it comes to spending outside of Canada on foreign aid. There was no desire for any drastic action to quickly eliminate the deficit.

F. Fall priorities

Participants felt that the Fall Economic Statement should acknowledge that Canadians are struggling and should focus on affordability. They wanted to hear increased transparency and hope for the future. When asked for specific initiatives they would like included some mentioned such things as cutting taxes, implementing a guaranteed national income, more investments in the future of the young people, student debt relief and better job opportunities, support for lower- and middle-income families, and social programming to help those in need.

Opinions were split on whether the Fall Economic Statement should focus on short-term or medium- to long-term priorities. Although most felt the Economic Statement should focus on a longer-term economic strategy, many felt a shorter-term focus was necessary in order to address the acute affordability issues facing Canadians to create stability following the pandemic.

Key findings – quantitative phase

A. Assessment of the economy

When rating the current state of the Canadian economy, two in ten (21%) say it is good (score of 7 to 10), over three in ten (34%) are neutral (score of 5 or 6), and over four in ten (43%) say it is bad (score of 1 to 4).

Minorities of Canadians in all regions continue to rate their provincial economy positively; pluralities in most locations rate it as negative, with the exception Quebec, which is divided between rating their provincial economy as negative or neutral. Half of Atlantic Canadians rate their province's economy as negative.

Eight in ten Canadians (79%, up from 69% in February/March) have a negative perception of the current cost of groceries. Three-quarters (77%) have a negative impression of the current price of gasoline, and almost six in ten (58%) give a negative rating to the cost of utilities.

Over four in ten (43%, up from 31% earlier in the year) indicate inflation/rising prices/cost of living is the most concerning economic issue. Housing affordability is a distant second, at just over one in ten (13%). Seven percent now specifically mention rising interest rates.

B. Government action

A plurality of 37 percent of Canadians believe it will take one to two years for the current period of high inflation to get under control. Two in ten think it will take a year or less, one-quarter think it will take more than two years, and six percent feel this is a permanent situation.

Most Canadians believe that the policies of the federal government can have a major impact on the inflation rate – just under six in ten (57%) say this is closest to their view. Around one-quarter (23%) think inflation is largely driven by global factors and that government policies have little impact on it. A significant 20 percent do not know.

When asked to rate the importance of 12 issues for the federal government to consider when making budget decisions, the most important are related to bringing the cost of living (88%) and inflation (84%) under control, making the cost of living more affordable (88%), and improving the health care system (87%).

C. Financial well-being

Half (50%, up from 43%) Canadians give a positive rating (score of 7-10) to their own personal financial situation; three in ten (30%) give a neutral rating, and two in ten (20%) are negative to some extent.

The rising cost of living is once again the most stressful of the items rated, with over four in ten saying it is a major source of stress (82% at least moderate, up from 73% in February/March 2022), and three-quarters (75%) are stressed to some extent by the quality of the healthcare system. Seven in ten (71%) are concerned about the cost of groceries. Canadians are least stressed by terrorism (34%), their ability to pay monthly bills (33%), lack of career advancement (32%) or job security (29%).

Three in ten parents (31%) say it is a major source of stress whether their kids will be able to afford a place to live when they are older, and one-quarter (26%) say this about the quality of the environment when their kids are older.

Over one third of Canadians (36%) are now at least somewhat *less* confident that they can manage paying their bills and buying the things they need, compared to this time last year. Just over one in ten are at least somewhat more confident and half are just as confident.

When Canadians are asked about the one expense, they have that makes it the most challenging for them to make ends meet, one-quarter each cite groceries (24%) or housing (24%) costs. Fewer than one in ten say gasoline (8%) or utilities (7%) are the expenses they find most challenging to meet. Three in ten say they have no difficulties paying their expenses currently.

Three in ten (29%, down somewhat from 34% earlier in the year) are extremely or somewhat worried about personal or family job loss.

D. Taxes and fiscal policy

Majorities agree (score 7 to 10) with most statements 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 (71%). Two-thirds (66%) agree they should provide more permanent health care funding to provinces, even if adds to the deficit.

There is minority agreement with three new statements added this wave: that the federal government is trying to support Canadians in difficult economic times (43%), that the federal government understands the economic issues Canadians are facing (35%) and that the federal government should provide more financial aid to help Ukraine defend itself from Russia, even if it adds to the deficit (32%).

Three-quarters think big corporations (77%, up seven percentage points since February/March) and the top one percent of income earners (74%) should be paying more tax. Seven in ten (70%) now think financial institutions should be paying more, up from six in ten earlier in the year. As previously, about half think small businesses (51%) and middle-income earners (51%) are paying the right amount of tax, and six in ten (59%) think lower income earners should be paying less.

E. Housing

Over eight in ten (83%) Canadians agree (score 7 to 10) it is very difficult for people to buy a house in the current economic climate, and seven in ten (71%) agree the federal government has a responsibility to address the lack of affordable housing in the country. One-quarter (25%) 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 (77%) of homeowners agree it was extremely important they own a home, and just over half (53%) agree the cost of living in their home is affordable. Just over half of renters (53%) 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.

As was the case in February/March of this year, the top priority for the federal government related to housing is increasing the availability of affordable housing (76%) followed by continued supports for first time buyers (74%). Seven in ten feel each of four other housing policies are priorities: increasing transparency in real estate transactions (71%), cracking down on large landlords buying up housing (71%), extending the temporary ban on foreign ownership of homes (71%) and making mortgage payments more affordable (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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