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Recent developments in the Canadian economy: Fall 2024



by Guy Gellatly and Carter McCormack

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Recent developments in the Canadian economy: Fall 2024

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Abstract

This article provides an integrated summary of recent changes in output, consumer prices, employment, and household finances. It highlights changes in the economic data during the first half of 2024 and into the summer months. The article provides information on how economic conditions have changed as borrowing costs continue to evolve.

The report is based on data that are publicly available as of September 27, 2024. Monthly information on government, business, and financial market developments is available at [Canadian Economic News](#) (Statistics Canada n.d.). An integrated data module designed to support the analysis of current economic conditions, which includes monthly summaries for selected economic indicators, is available at [Canadian Economic Tracker](#) (Statistics Canada n.d.). Presentations on selected topics, including recent trends related to inflation, growth, productivity and household debt, are available at [A Presentation Series from Statistics Canada about the Economy, Environment and Society](#) (Statistics Canada n.d.).

This article is the latest in a series focusing on challenges and opportunities currently shaping Canada's economic landscape. For the other articles in the series, see "[Research to Insights: Challenges and Opportunities in Innovation, Technology Adoption and Productivity](#)," "[Canada's gross domestic product per capita: Perspectives on the return to trend](#)," and "[Housing, wealth and debt: How are young Canadians adapting to current financial and housing pressures?](#)"

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Overview

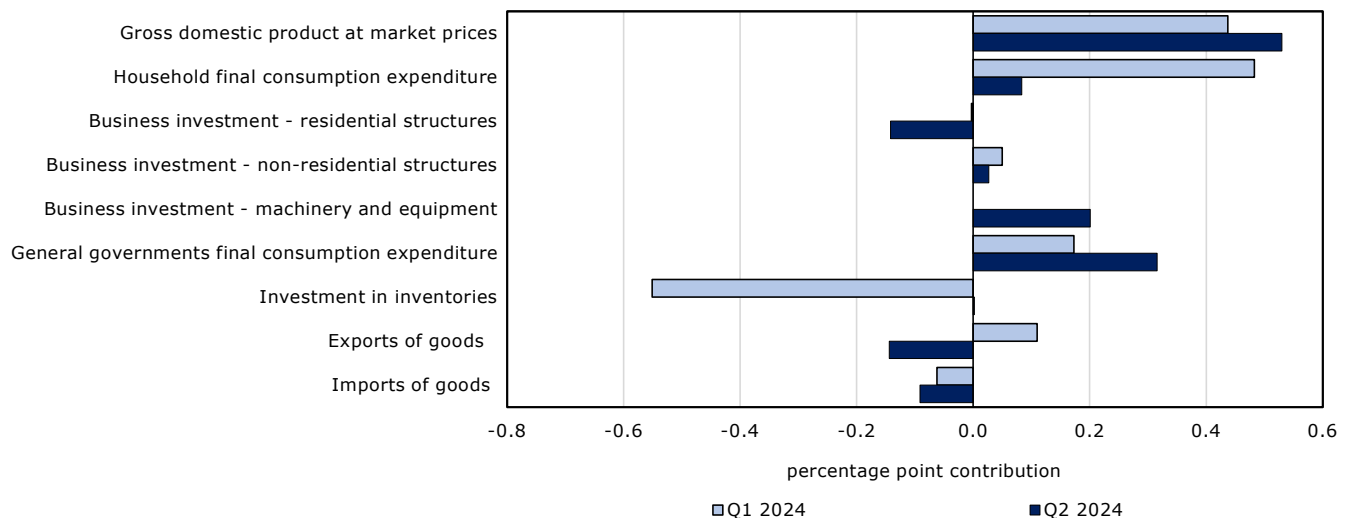
Economic activity expanded at a moderate pace during the first half of 2024 as increases in household spending, non-residential business investment, and government consumption expenditures supported growth. Increases in public sector activity buoyed economy-wide output in the first half while higher oil and gas extraction contributed to a rebound in goods production toward mid-year. Employment growth in the private sector slowed as the unemployment rate rose. Business labour productivity continued to trend lower.

Headline inflation fell and remained below three percent throughout the first half as price growth for many consumer products eased. Yearly price changes for consumer durables fell into negative territory while higher mortgage interest costs and rental prices continued to put upward pressure on the headline rate. Consumer inflation slowed in the summer months, decelerating to the two percent midpoint of the Bank of Canada’s target range in August. Pressures on housing affordability eased slightly during the first half while household income growth helped offset rising debt service obligations. The ratio of household credit-market debt to disposable income trended lower as mortgage borrowing advanced at a moderate pace.

Government spending and non-residential business investment support growth

Real gross domestic product (GDP) rose 0.5% in the second quarter after advancing 0.4% in the first. Increases in government consumption expenditures and non-residential business investment supported the headline increase, while lower export volumes and investment in housing detracted from growth (Chart 1). Real GDP in the second quarter was 0.9% higher than in the second quarter of 2023.

Chart 1
Contributions to percentage change in real GDP, selected components



Notes: Data on gross domestic product are quarterly percentage changes; all other data are percentage-point contributions to the quarterly change in real GDP.

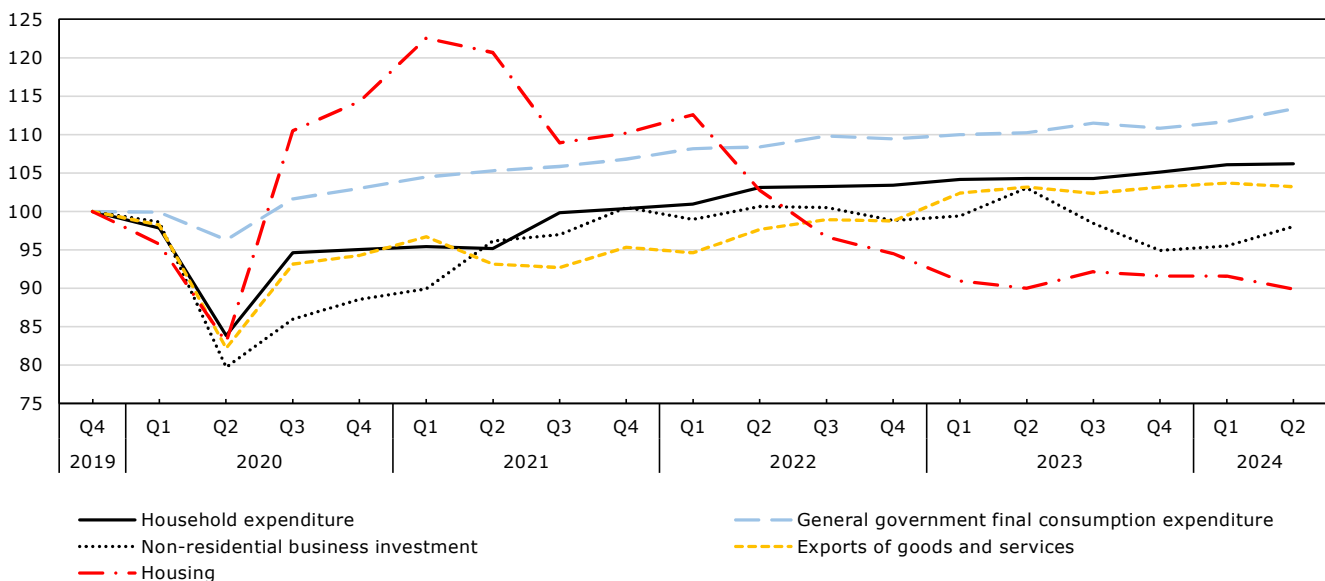
Source: Statistics Canada, table 36-10-0104-01.

Government consumption expenditures rose 1.5% in the second quarter, the largest quarterly increase since early in the pandemic. Higher wages and salaries supported the increase as hours worked rose across all levels of government. Government consumption expenditures have risen in three of the past four quarters and were up 2.8% on a year-over-year basis.

Non-residential business investment increased for the second quarter in a row after pulling back during the last half of 2023 (Chart 2). Combined business outlays on non-residential structures and machinery and equipment (M&E) rose 2.7% in the second quarter after increasing 0.6% in the first. Investment in M&E expanded 6.5%, the first increase in four quarters, as spending on aircraft and other transportation equipment ramped up, coinciding with higher imports of aircrafts and ships. Outlays on trucks, buses and other transportation equipment rebounded after contracting in the first quarter. Conversely, spending on industrial machinery and equipment fell 3.8%, more than offsetting the increase early in the year.

Chart 2
Real gross domestic product, selected aggregates

index (Q4 2019=100)



Source: Statistics Canada, table 36-10-0104-01.

Investment in non-residential structures increased 0.5% in the second quarter after advancing 0.9% in the first. Higher outlays on engineering structures supported the gain, tempered by lower spending on non-residential buildings. Business investment in intellectual property products advanced for the third quarter in a row, led by higher outlays on mineral exploration and evaluation.

Higher business expenditures on non-residential capital assets during the first half of 2024 only partly offset sizable declines in the second half of last year. Combined outlays on non-residential structures and M&E in the second quarter were down 4.9% from levels observed in same quarter of 2023 and were about 20% below peak levels reported in late 2014.

Consumers made a smaller contribution to growth in the second quarter. Household spending rose 0.2%, down from 0.9% in the first. Higher outlays on basic household services, including utilities, fuels and rental fees, were tempered by lower spending on new trucks, vans and sport utility vehicles, which contracted for the first time in eight quarters. Overall household expenditure volumes in the second quarter were 1.9% higher than in the second quarter of 2023.

Export volumes pulled back in the second quarter after advancing early in the year. Merchandise exports contracted 0.6% as lower shipments of precious metals weighed on export volumes. Shipments of passenger vehicles and light trucks fell for the fourth quarter in a row, while higher exports of crude oil and bitumen partially offset the contraction. Service exports were little changed in the second quarter after advancing 0.8% in the first. Total export volumes in the second quarter were basically unchanged from levels reported in the second quarter of 2023.

Merchandise import volumes rose 0.3% in the second after advancing 0.2% in the first. Higher imports of motor vehicles and parts led the gain, while imports of metal and non-metallic minerals also increased. Lower shipments of industrial M&E and refined petroleum products tempered import volumes, while service imports fell for the second quarter in a row. Total import volumes in second quarter were little changed (+0.1%) on a year-over-year basis.

Investment in housing contracted in the second quarter after remaining little changed in the first. The pullback in the second (-1.9%) was the largest quarterly decrease in housing investment since the first quarter of 2023. New housing construction fell 1.6% in second quarter after a 0.4% decline in the first. This followed back-to-back increases in new housing construction during the second half of 2023. Annualized housing starts were similar in these two half-year periods, averaging 248,000 during the first six months of 2024.

Renovation activity continued to pull back steadily during first half and has contracted in eight out of the past nine quarters. Ownership transfer costs, which measure the volume of activity in resale markets, fell 1.1% after advancing early in the year when resale activity picked up in Ontario, British Columbia, and Quebec. Transfer costs in the second quarter were about one third below volumes observed in early 2022 before the steep rise in interest rates.

Household income growth, measured in current dollars, advanced steadily in the first half. Household disposable income rose 1.5% in the second quarter after advancing 1.7% in the first. Income gains were mainly from higher wages and salaries as growth in investment income slowed. The household saving rate rose to 7.2% and is two-and-a-half times larger than its pre-pandemic benchmark. Households added \$25.9 billion in currency and deposits in the second quarter.

Real GDP per capita continued to trend lower in first half of 2024 as population increases, driven by temporary and permanent immigration, outpaced economic growth. Per capita growth edged down 0.2% in the first quarter and 0.1% in the second. With declines in seven of the past eight quarters, real GDP per capita in the second quarter was 2.8% below its pre-pandemic baseline. Household final consumption spending, measured on a per capita basis, has declined in six of the past eight quarters.

Real gross domestic income (GDI), a measure of the purchasing power of domestic production, rose 0.5% in second quarter as the terms of trade remained largely unchanged. Real GDI was flat in the first quarter as higher incomes from production were offset by a sizable decline in the terms of trade.

Business productivity continues to trend lower

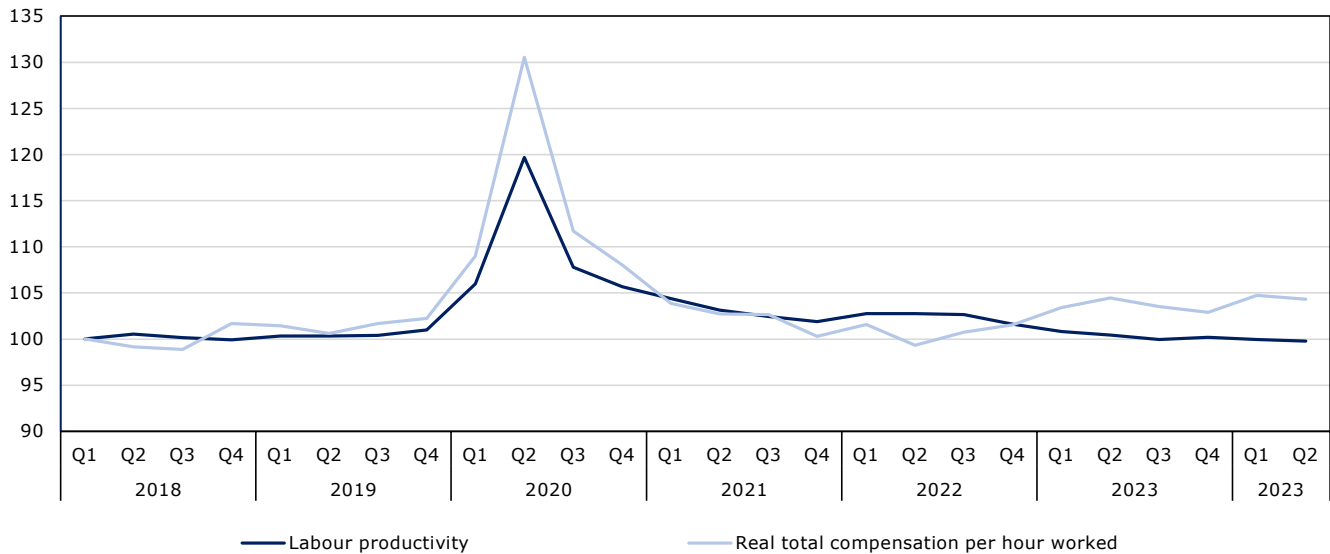
Business labour productivity, a measure of the volume of goods and services produced per hour worked, continued to trend lower in the first half, declining 0.3% in the first quarter and 0.2% in the second. Productivity has declined in seven of the past eight quarters while real total compensation per hour

worked has picked up as inflationary pressures have eased (Chart 3).¹ Business productivity in the second quarter was 1.2% below its pre-pandemic benchmark.²

Nominal unit labour costs, which measure the payments to labour required to produce a unit of output, continued to rise during the first half and were about one-quarter above pre-pandemic levels.

Chart 3
Labour productivity and real total compensation per hour worked

index (Q1 2018=100)



Source: Statistics Canada, table 36-10-0206-01.

Growth in economy-wide output led by public sector activity

Increases in public sector activity—stemming from gains in educational services, health care and social assistance, and public administration—led the growth in economy-wide output during the first half of 2024. Transportation services also contributed to growth in the first and second quarters, supported by an increase in air transportation early in the year and stronger pipeline output in late spring as the expanded Trans Mountain pipeline came-on line. Manufacturing volumes weighed on output growth in both quarters.

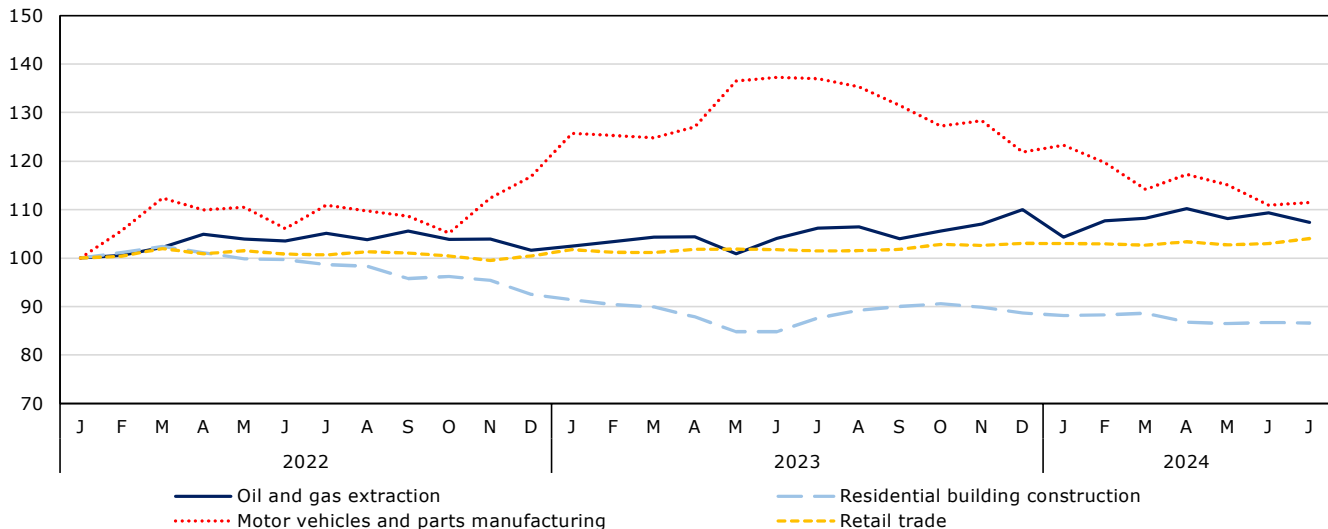
Economy-wide output rose in four of the first six months of 2024. Real GDP in June was 1.3% higher than in mid-2023, the third consecutive month in which annual growth had risen above the one percent mark. Output in service industries expanded 1.9% over this twelve-month period while production in the goods sector fell 0.5%.

1 For background on the calculation of real total compensation per hour worked, see [Real wages and productivity during the COVID-19 pandemic](#).
 2 For an analysis of recent trends related to innovation, technology use and productivity, see [Research to Insights: Challenges and Opportunities in Innovation, Technology Adoption and Productivity](#).

After extreme weather impacted production early in the year, oil and gas extraction ramped up into the spring months. Output in the oil sands expanded from February to April before maintenance at upgrading facilities impacted production in May. Despite stronger production in June, output at the mid-year mark was 1.8% below record levels reported at the end of 2023. Support activities for mining and oil and gas extraction rebounded during the first half as rigging and drilling services increased (Chart 4).

Chart 4
Real gross domestic product, selected industries

index (January 2022=100)



Source: Statistics Canada, table 36-10-0434-01.

Retooling at multiple assembly plants continued to weigh on manufacturing output during the first half of 2024. Output as assembly plants and parts suppliers contracted in four of the first six months of the year and, in June, was 9.0% below levels at the end of 2023. Lower production at fabricated metal manufacturers also weighed on factory volumes in the first half, while output at petroleum refineries ramped up toward mid-year after maintenance activities impacted production early in the spring. Total manufacturing volumes in June were 3.9% below their recent peak in May 2023.

After expanding in February and March, construction activity slowed towards mid-year. Activity in the construction sector in June was at its lowest level in three-and-a-half years. Residential building construction pulled back early in the spring and, in June, remained 24% below peak levels reported in the spring of 2021. Repair construction posted five consecutive declines from February to June, while non-residential building construction edged lower in the spring. Engineering construction advanced steadily from January to May before declining at mid-year.

Retail volumes were relatively flat during the first half as strong growth in April was offset by sizable declines in May. In June, retail volumes were basically unchanged from levels in December 2023 as weaker first-half activity at motor vehicle and parts dealers offset higher volumes at gasoline stations. Activity at accommodation and food services establishments expanded in the first half, buoyed by higher volumes at food services and drinking places.

After notable, back-to-back gains in December 2023 and January 2024, activity at real estate agents and brokers moderated in the ensuing months before picking up in June. At the mid-year mark, activity at agents and brokers was up 3.4% from levels at the end of 2023 but remained about one third below

levels in early 2022 before interest rates began to rise. Legal services, which derive much of their activity from real estate transitions, rose in five of the first six months of the year.

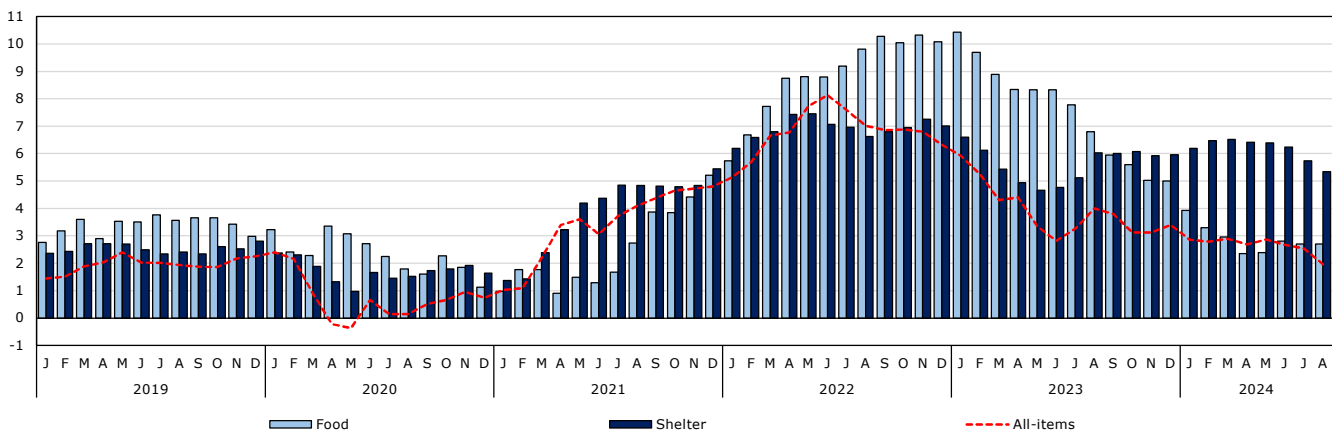
Economy-wide output rose 0.2% in July, supported by increases in retail trade, finance and insurance, and public sector industries. Manufacturing output increased in July as production rose at chemical and food manufacturing plants. Lower construction activity weighed on growth in the month as non-residential, engineering, and residential building construction all posted declines. Measured year-over-year, economy-wide output grew by 1.5% in July, up from 1.3% in June. Output in the business sector rose 1.1% in the twelve months to July while activity in non-business sector industries expanded 2.8%.

Consumer inflation slows to the two-percent target in August

Consumer inflation edged below three percent in early 2024, fluctuating between 2.9% and 2.7% from January to June. Yearly price changes for consumer durables fell into negative territory during the first half while higher mortgage interest costs and rental prices continued to put upward pressure on the headline rate. Consumer inflation slowed in the summer months, decelerating to the two percent midpoint of the Bank of Canada’s target range in August. Excluding shelter costs, the yearly growth in consumer prices averaged 1.3% during the first eight months of 2024.

Food price inflation moderated during the first half, easing from 3.9% in January to 2.3% in April before edging higher during the spring and summer months. Yearly increases in grocery prices fell below the two percent mark from March to May before accelerating to 2.4% in August (Chart 5). Price growth at restaurants slowed during the first eight months of 2024, falling below four percent in July and August.³

Chart 5
Consumer price index
 year-over-year percentage change



Source: Statistics Canada, table 18-10-0004-01.

Shelter inflation continued to accelerate in early 2024. Measured year-over-year, shelter costs were up 6.2% in January before rising to 6.5% in February and March. Annual price growth ticked down to 6.4%

3. For information on the measurement of food prices, see [From Shelf to Statistic: An Overview of Food Price Measurement in the Consumer Price Index](#)

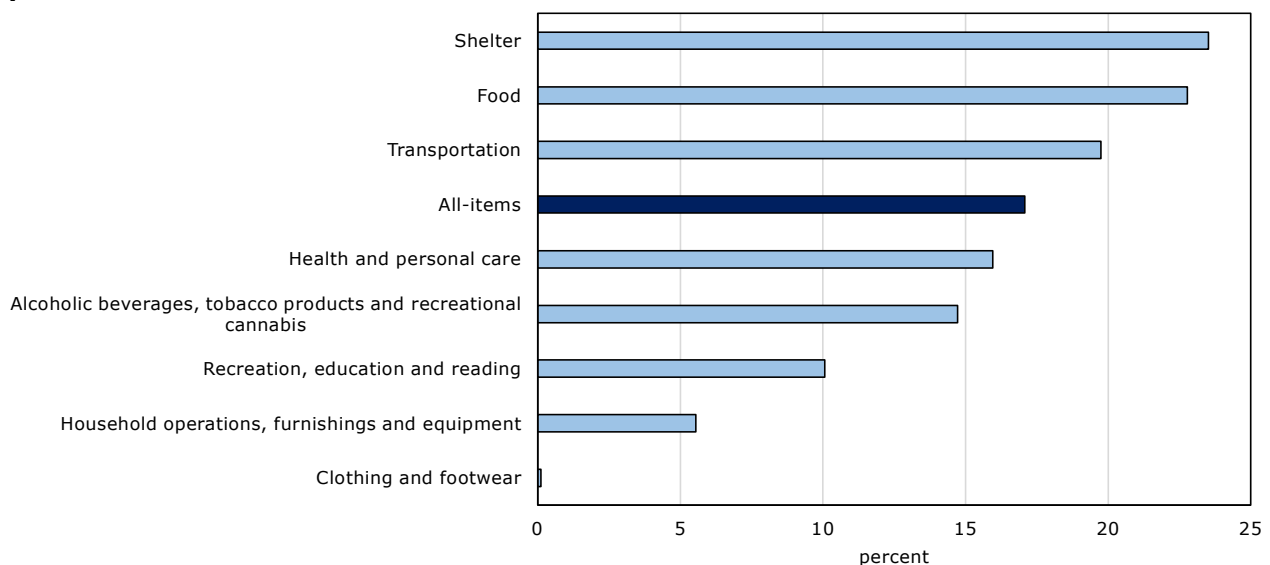
in April and May before easing during the summer months. Shelter costs in August were 5.3% higher than in August 2023.⁴

Higher mortgage interest costs and rental prices remain key sources of inflationary pressure. Mortgage interest costs were up 18.8% in the twelve months to August, edging below the twenty percent mark for the first time in twenty months as homeowners continue to adapt to the changing interest rate environment. Annual price growth for rented accommodation, which reflects both new and existing rental contracts, accelerated to 8.6% in August, matching the high reported in May. In contrast, yearly price changes for homeowner’s replacement costs, which partly reflect new housing prices, have remained in negative territory for sixteen consecutive months.

Changes in goods prices have tempered overall price growth. Price increases for goods, measured year-over-year, eased during in the first half, slowing from 1.3% in January to 0.3% in June before edging into negative territory in August (-0.7%). Prices for passenger vehicles fell on a year-over-year basis from June to August, while annual price changes for household appliances have been in negative territory for seventeen consecutive months.

While headline inflation has cooled to the mid-point of the target range, the cumulative price increases that have occurred in the three and a half years since inflationary pressures began to ramp up have created ongoing affordability challenges for many families.⁵ From January 2021 to August 2024, the all-items CPI rose by 17.1%, equaling the cumulative increase in the headline rate that occurred during the ten years prior to 2021. Cumulative price increases since early 2021 have been more pronounced for household essentials, notably food and shelter. Shelter costs are up 23.5% since early 2021 while food prices have risen 22.8% (Chart 6). Other CPI components have seen much slower price growth. Prices for household operations, furnishings and equipment have risen almost 6% since inflation began ramping up while prices for clothing and footwear are basically unchanged.

Chart 6
Cumulative increase in Consumer Price Index by major component, January 2021 to August 2024



Source: Statistics Canada, table 18-10-0004-01.

4 For a comparative analysis of different approaches to measuring owned accommodation, see [Evaluating different approaches to measuring owned accommodation in the Consumer Price Index](#).

5. For information on cost-of-living pressures, see [The Daily — Nearly half of Canadians report that rising prices are greatly impacting their ability to meet day-to-day expenses](#).

Producer prices have edged higher over the first half as rising prices for energy and industrial metals supported price growth. Industrial product prices, which measure the prices that manufacturers receive as goods leave the factory gate, were up 2.9% on a year-over-year basis in June 2024, their third consecutive month in positive territory. Prices for raw materials used by manufacturers were up 7.2% in the twelve months to June. Both input and industrial product prices eased in the summer months.

Cost-related obstacles continue to cloud the outlook for many businesses. Over one-half of businesses during the first and second quarters expected that rising inflation would continue to be an obstacle in the near term, while about four in ten businesses anticipated challenges related to rising interest rates and debt costs.⁶ The number of businesses anticipating these obstacles eased in the third quarter but remains elevated. Businesses continue to adjust their pricing expectations as cost pressures evolve. In the first and second quarters, about one in four businesses reported that they plan to increase selling prices for their goods and services during the next three months; by the third quarter, one in five businesses anticipated doing so.

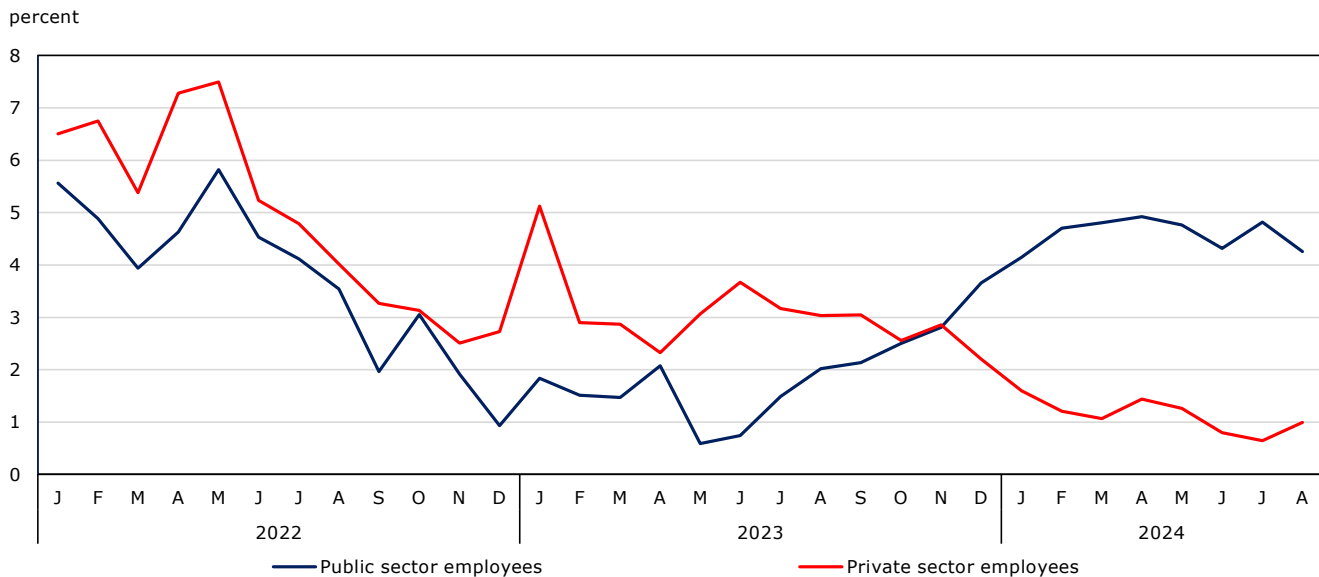
Slower employment gains among private sector employees

Employment rose by 192,000 during the first six months of 2024 on gains in January, February, and April. Net gains among private sector employees were modest in the first half, accounting for about 40% of the cumulative increase. Employment rose in health and social assistance (+85,000) and in finance and insurance, real estate, rental and leasing (+75,000). Over two-thirds of cumulative employment gains in the first half were in part-time work.

Headline employment was little changed from May to August as gains among public sector employees eased. Private sector employment fluctuated during the summer months as losses in July were offset by gains in August.

⁶ For information on near-term business obstacles and expectations, see [The Daily — Canadian Survey on Business Conditions, third quarter 2024](#).

Chart 7
Employment by class of worker, year-over-year change

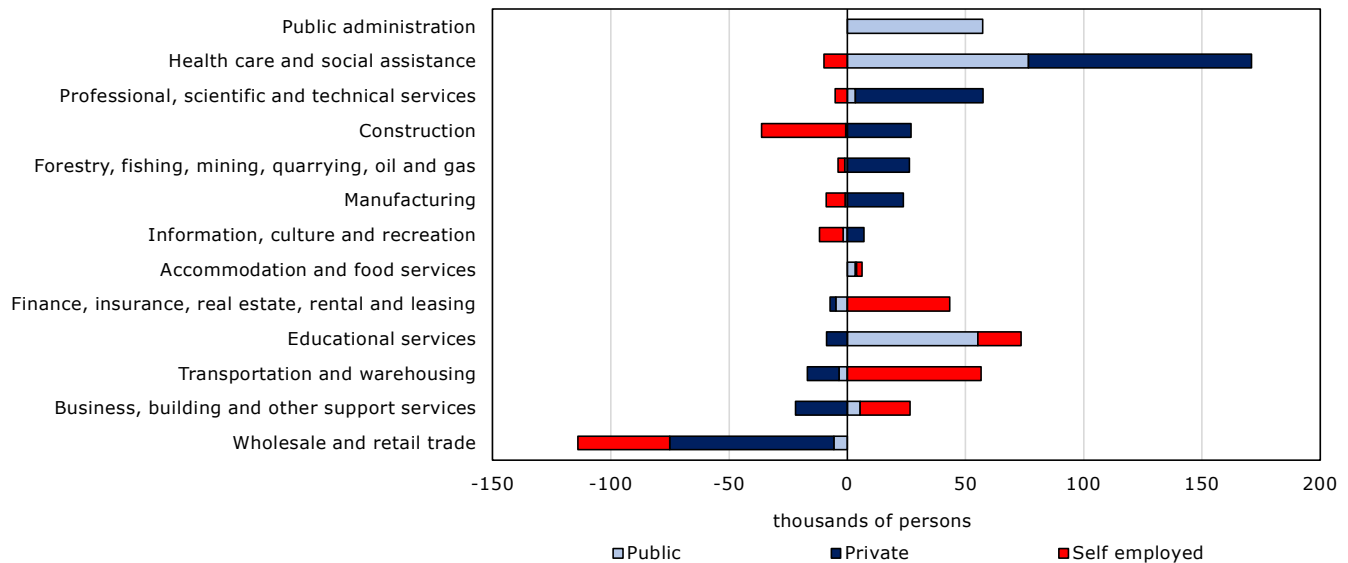


Source: Statistics Canada, table 14-10-0288-01.

Employment growth in the private sector slowed markedly over the past year (Chart 7). In the twelve months to August, the number of private sector employees rose by 1.0% while public sector employment expanded by 4.3%. Gains among public sector employees have accounted for almost 60% of the total increase in employment over the past twelve months. Industries with large increases in private sector employment during this period (unadjusted for seasonality) included health care and social assistance, and professional, scientific and technical services, while the number of private employees in wholesale and retail trade declined (Chart 8).⁷

⁷ Changes in payroll employment over the past year also underscore the extent to which employment growth has been driven by public sector industries. From July 2023 to July 2024, combined payrolls in educational services, health care and social assistance, and public administration have risen by 180,000, outpacing the total increase in payroll employment (+158,000). Payroll employment in retail trade, administration and support, waste management and remediation services, accommodation and food services and manufacturing declined over this twelve-month period.

Chart 8
Net employment change by class of worker, August 2023 to August 2024, selected industries

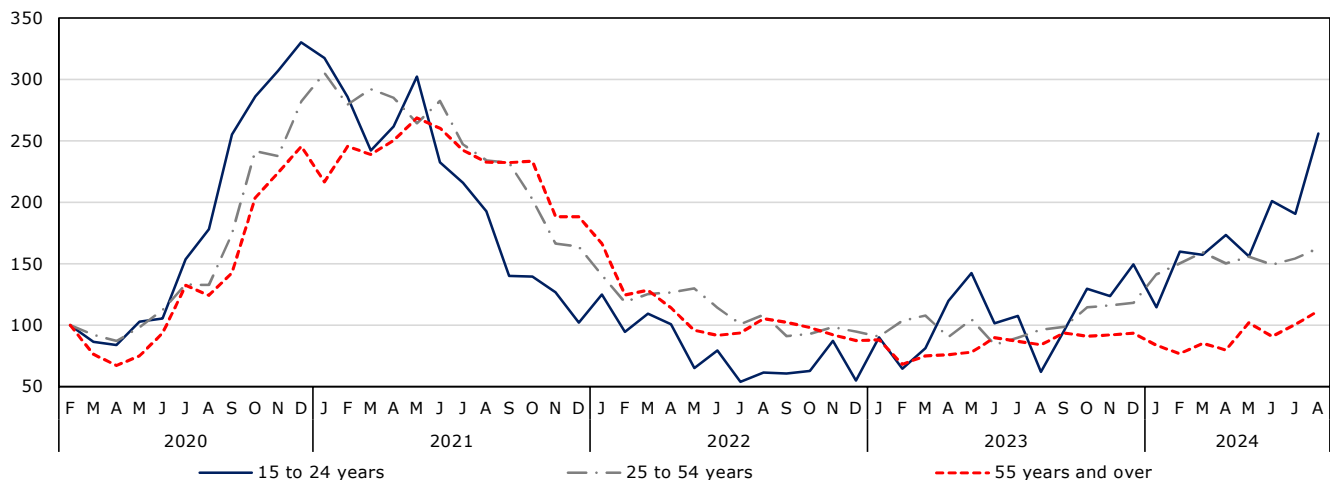


Source: Statistics Canada, table 14-10-0026-01.

Unemployment continued to trend higher in the first half of 2024 and into the summer months. The unemployment rate rose from 5.7% in January to 6.6% in August. There were 1.46 million unemployed persons in August, an increase of 272,000 or 22.9% from August 2023. Longer duration unemployment has also increased as labour market conditions became more challenging. Persons experiencing unemployment spells of 27 weeks or more accounted for 19.6% of all unemployed persons in August, up from 13.2% in August 2023. Over the past year, longer duration unemployment has increased among young and core-age workers (Chart 9).

Chart 9
Index of unemployed persons who have been searching for work or on temporary layoff for 27 weeks or more

index (February 2020=100)



Source: Statistics Canada, table 14-10-0342-01.

The summer of 2024 was particularly challenging for students seeking employment. From May to August 2024, the unemployment rate for returning students averaged 16.7%, the highest rate since 2012, excluding the first year of the pandemic.

The employment rate—the percentage of working-age people who are employed—has continued to trend lower as the working-age population expands at a robust pace. The employment rate fell from 61.6% in January to 60.8% in August on declines in seven out of the first eight months of the year.⁸ Among youth, the rate fell from 56.0% to 53.7% largely reflecting declines among young men.

Unmet demand for workers trends lower as wage growth remains robust

The number of job vacancies continued to trend lower during the first half of 2024, declining from 662,900 in January to 549,300 in June. The pullback in unfilled positions was broad-based across industries with a notable decrease in accommodation and food services. Total vacancies at mid-year were down 45% from the peak of just over one million in the spring of 2022. Over 70% of the decline in vacancies over the past year was for positions requiring a high school diploma or less.⁹

The unemployment-to-job vacancy ratio edged up to 2.6 in June, marking the fifth consecutive monthly increase.¹⁰ The job vacancy rate was 3.1% at mid-year, slightly below its pre-pandemic average in 2019. Unfilled positions fell to 526,900 in July as the unemployment-to-job-vacancy ratio edged up to 2.7. The job vacancy rate edged down to 3.0%.

Growth in averaged offered wages, measured year-over-year, remained robust during the first half of 2024. Offered wages for vacant positions expanded 7.3% in the first quarter and 6.8% in the second. Average hourly wages for all employees in June were 5.4% higher than in mid-2023, while the growth in average weekly earnings for payroll employees in the twelve months to June was 4.2%.¹¹ Household disposable income, which also includes net property income and net income from transfers, has expanded by 7.0% over the past four quarters.

Household debt-to-income ratio continues to trend lower

After expanding by \$588.5 billion in the first quarter, household net worth edged up \$42.4 billion in the second as housing and financial markets softened. Household net worth, at \$17.0 trillion, was 37.6% above pre-pandemic levels at mid-year. Average net worth per household in the second quarter was little changed at just over one million.¹²

8 The employment rate stood at 62.4% in early 2023 after trending higher in 2021 and 2022.

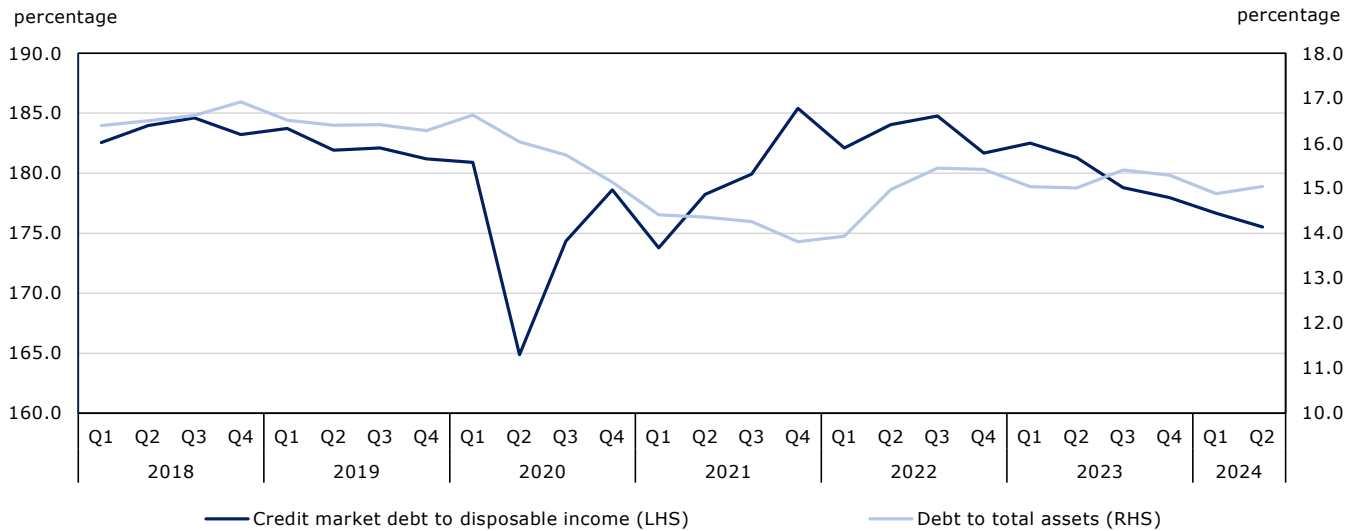
9 For an overview of changes in the occupational composition of job vacancies, see [The Daily — Job vacancies, second quarter 2024](#).

10 The ratio stood at 1.0 in mid-2022 when the labour market was experiencing historic levels of tightness.

11 For background on the analysis and interpretation on income data from the Survey of Employment, Payrolls and Hours and the Labour Force Survey, see [Earnings and Wages – A guide to using indicators from the Survey of Employment, Payrolls and Hours and the Labour Force Survey](#).

12 In early 2024, the wealthiest 20% of households accounted for about two-thirds of household wealth. For information on the distributions of household income, consumption, net saving, and wealth, see [The Daily — Distributions of household economic accounts for income, consumption, saving and wealth of Canadian households, first quarter 2024](#)

Chart 10
Household leverage indicators



Notes: RHS refers to right hand scale and LHS refers to left hand scale. Estimates of credit market debt to disposable income are seasonally adjusted; estimates of debt to total assets are not adjusted for seasonality.
Sources: Statistics Canada, tables 38-10-0238-01 and 38-10-0235-01.

Household credit market borrowing slowed from \$27.5 billion in the first quarter to \$25.1 billion in the second. Credit market borrowing in mid-2024 was over 50% below levels observed in early 2022 when interest rates were beginning to rise. The ratio of household credit market debt to disposable income continued to edge lower in the first half, declining from 176.7% in the first quarter to 175.5% in the second (Chart 10). The household debt service ratio was 14.97% in mid-2024, similar to levels observed in each of the preceding five quarters. Robust household income growth during this period has helped offset expanding debt service obligations.

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