



Recession or soft landing

What's in store for the Canadian economy in 2024?

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Agenda

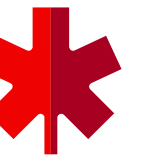


1. Canada's economic outlook
2. Ontario's economic outlook
3. Major trends

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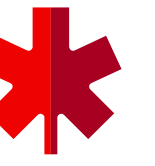


Canada's economic outlook

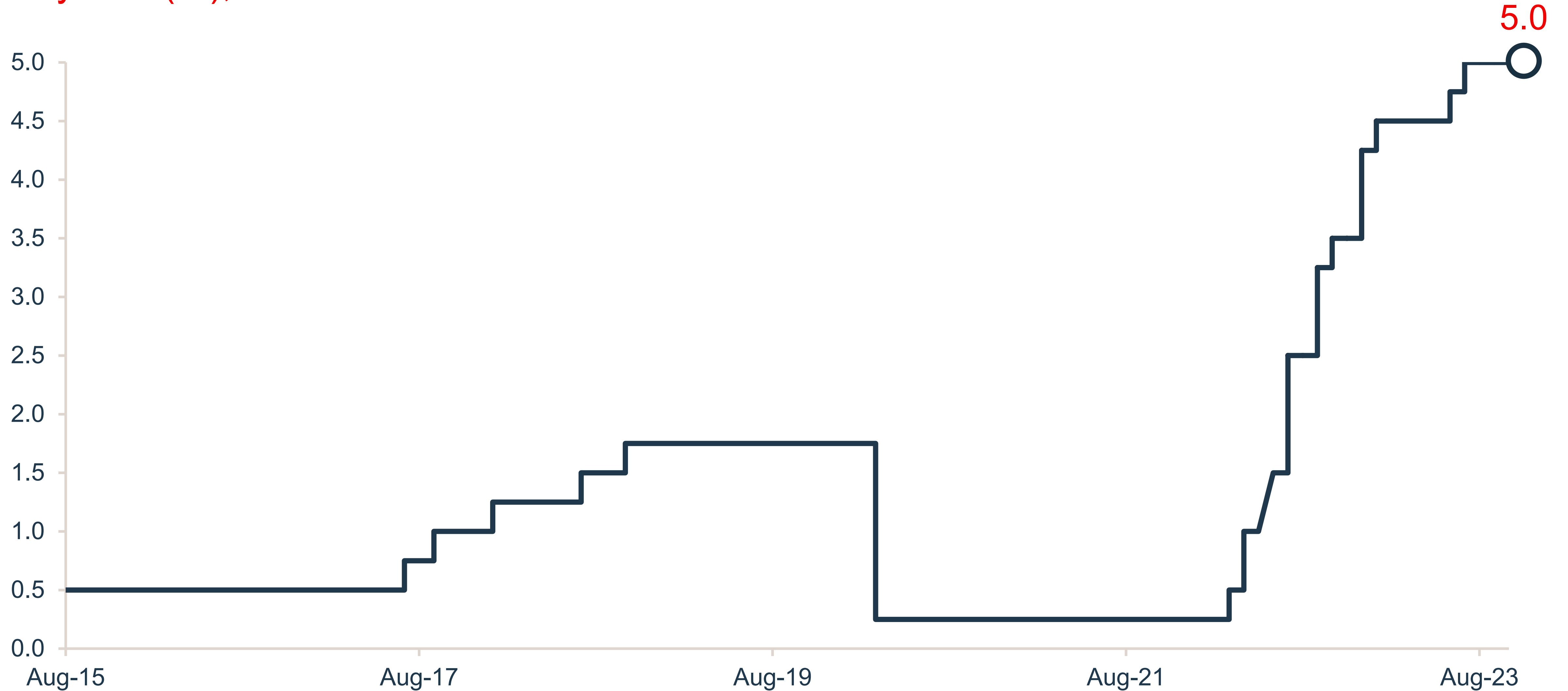


Where are
we now?

Interest rates have increased rapidly



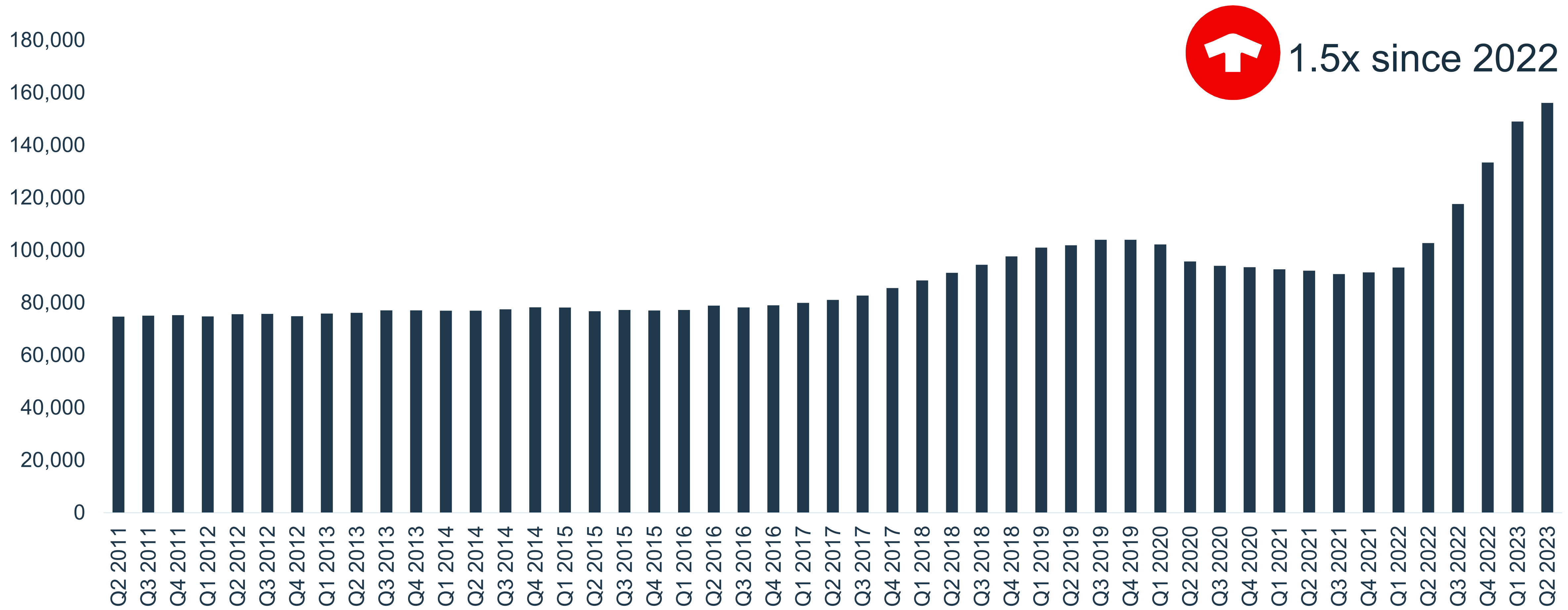
Policy rate (%), Canada



Households face higher debt payments



Interest payments (\$), quarterly, seasonally adjusted data, Canada

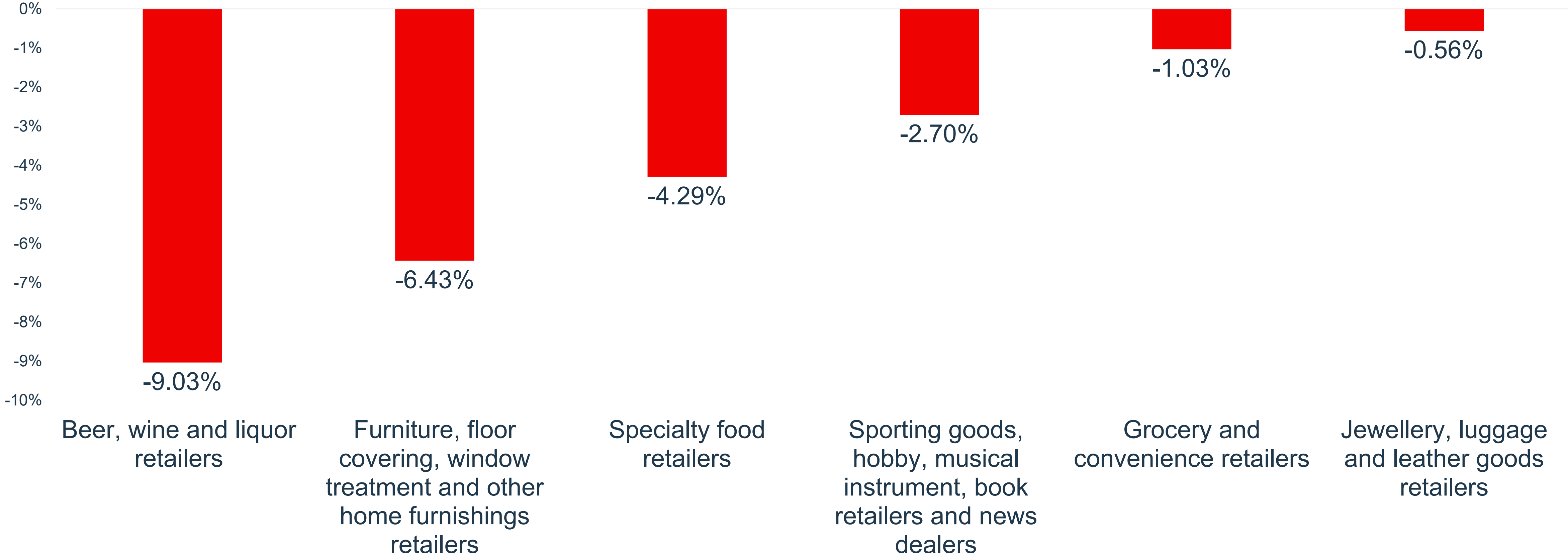


Sources : Statistics Canada; BDC.

Households reduced their consumption of certain goods



Real retail sales by category, variation between 2022 and 2023, Canada

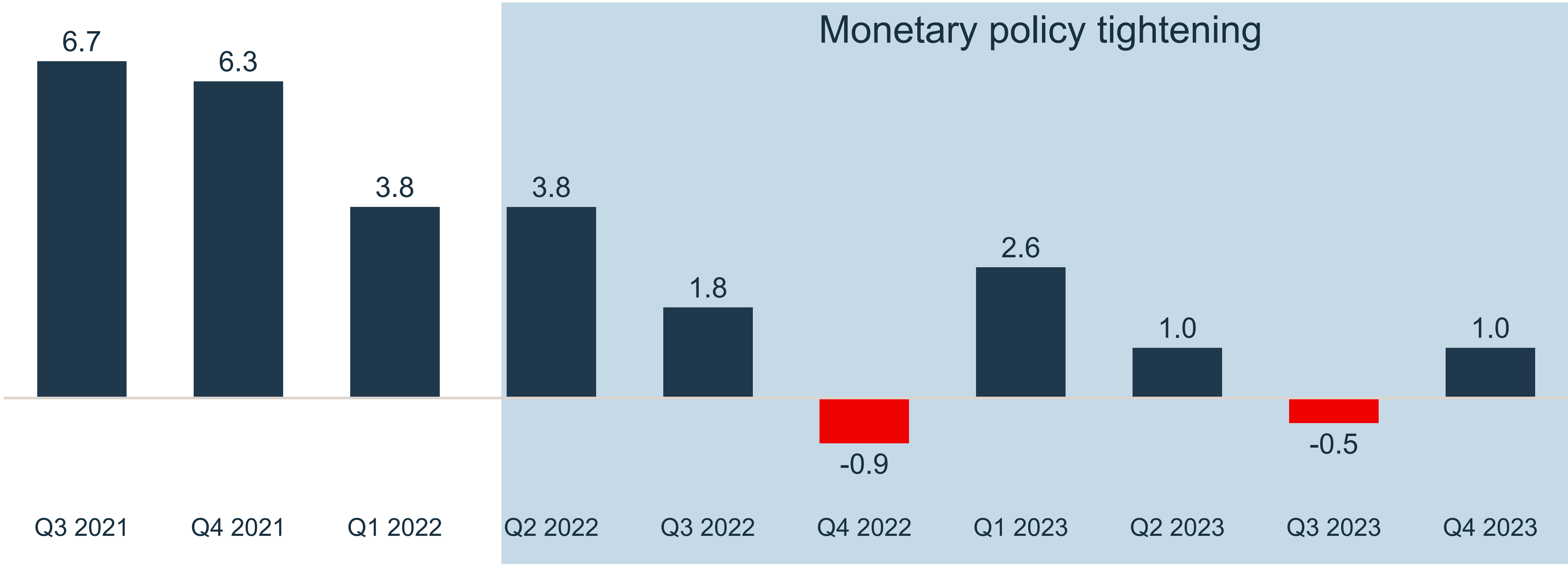


Sources : Statistics Canada; BDC.

Economic activity edged down in 2023



Real GDP growth, quarterly, (%), Canada

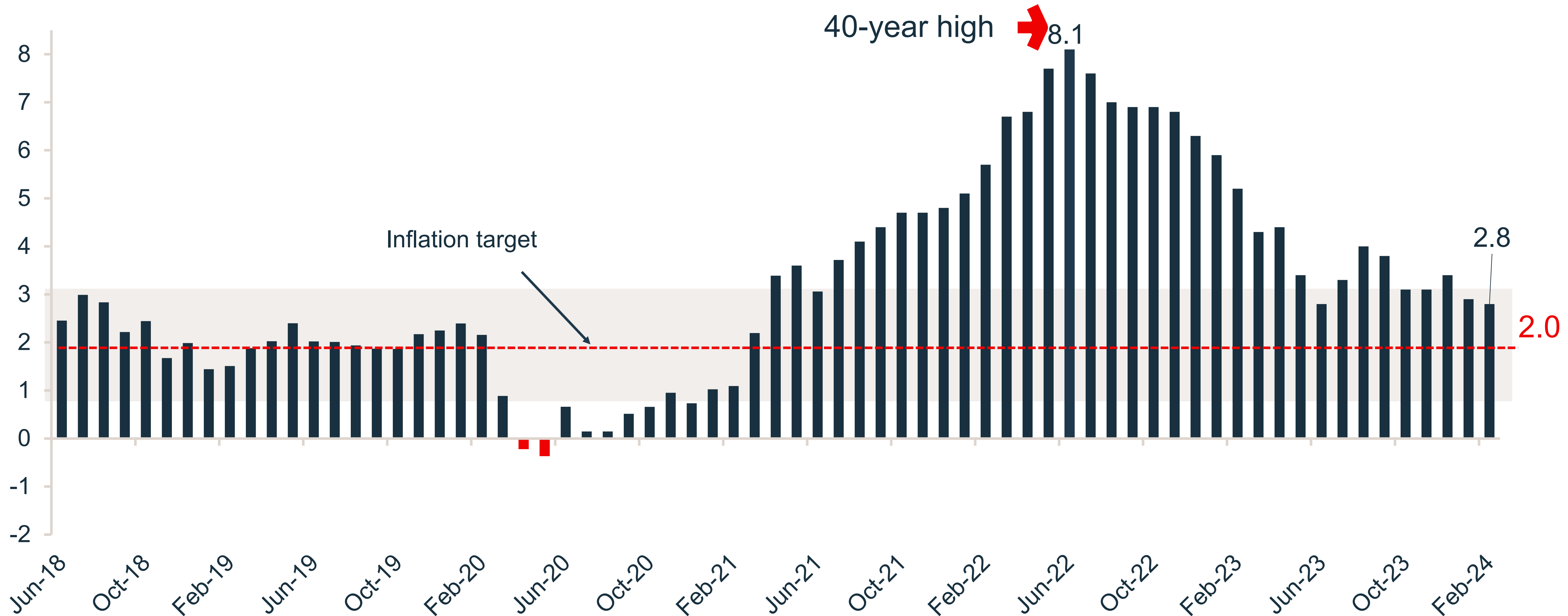


Source: Statistics Canada, BDC.
e:estimated

Inflation has fallen closer to the target range



Consumer price index, year-over-year growth (%), Canada



Inflation is lower, but challenges remain



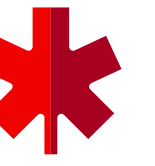
Some challenges persist:

- Food inflation: 3.3%
- Wage inflation: 5.0%*

But...

- Inflation excluding mortgage interest costs: 1.9%
- Inflation for durable goods: 0.5%
- Inflation for non-durable goods: 2.3%

Inflation is lower, but challenges remain

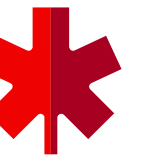


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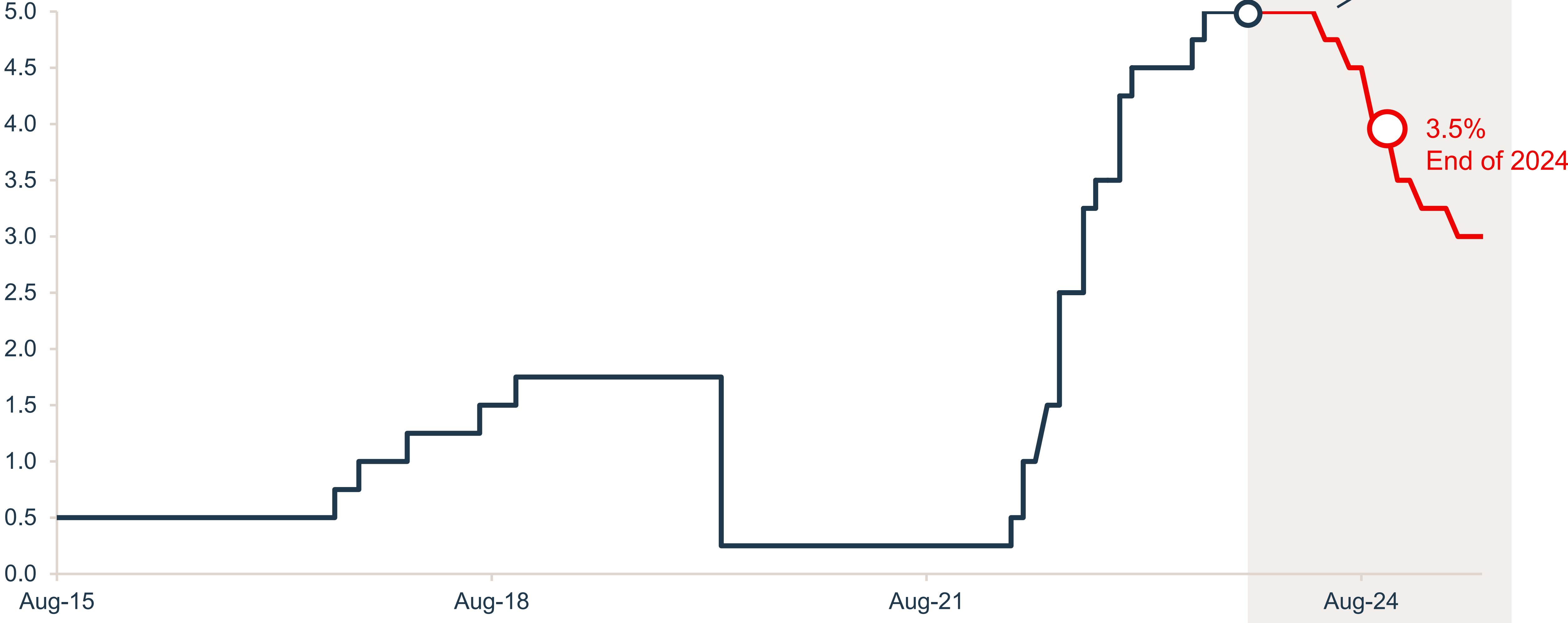


What should
we expect
in 2024?

Interest rates have likely peaked but will remain elevated



Policy rate (%), Canada

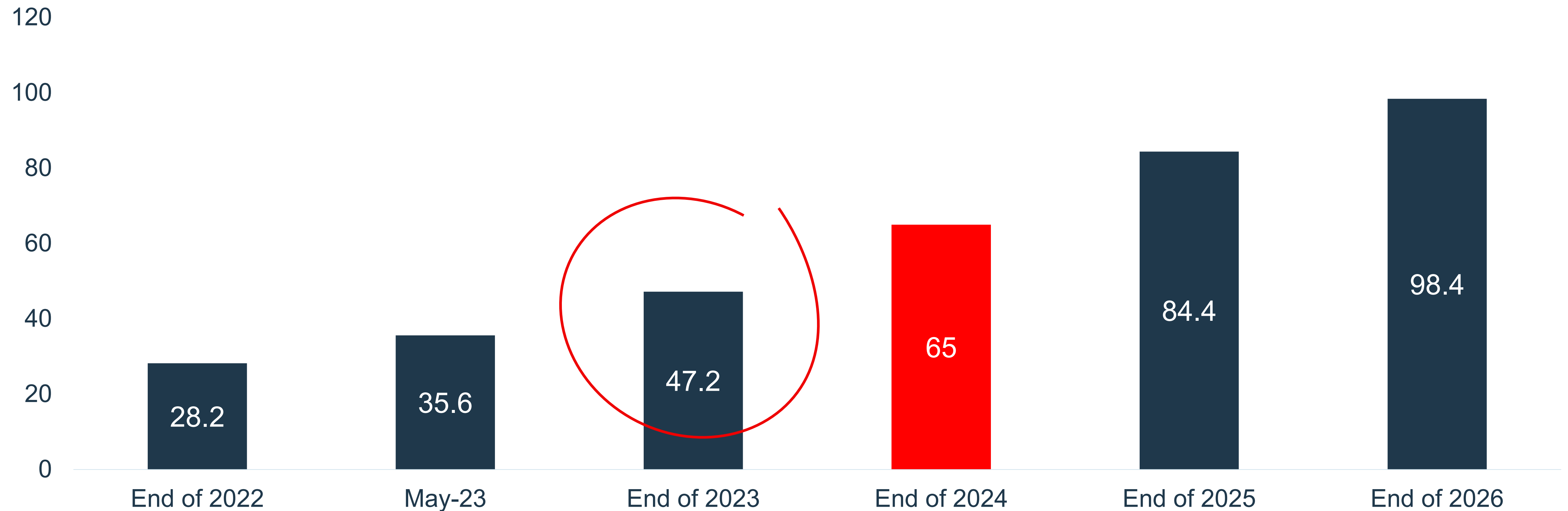


Sources: Bank of Canada, BDC.

Another portion of mortgages will be renewed at higher rates in 2024



Cumulative percentage by count of mortgages subject to a payment increase, (%)

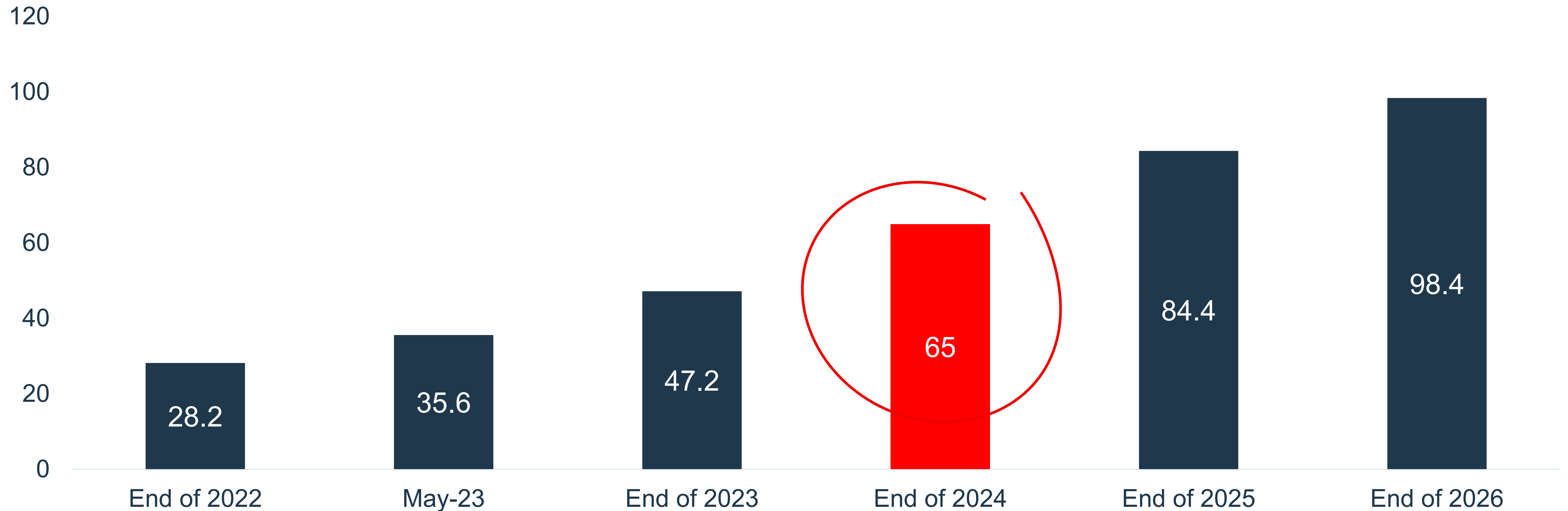


Sources : Bank of Canada; BDC.

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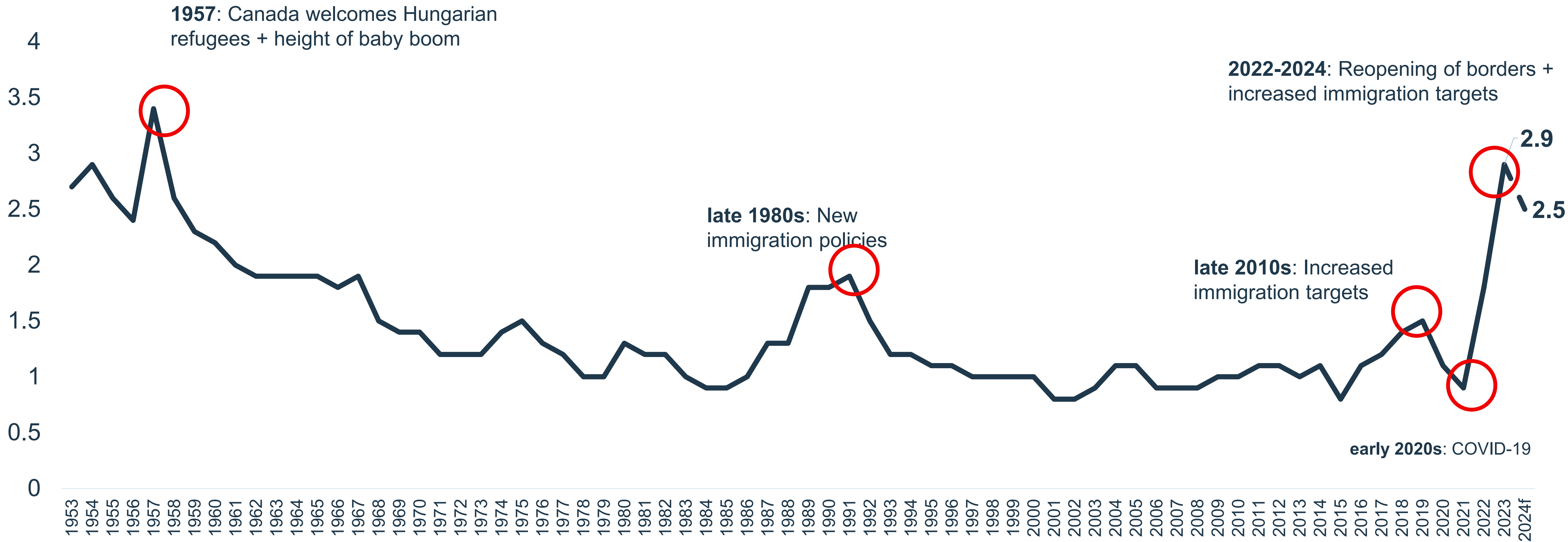
Some factors will
support the
economy

A soft landing is
in sight

Population growth is close to reaching record highs



Population growth rate, Canada, (%)

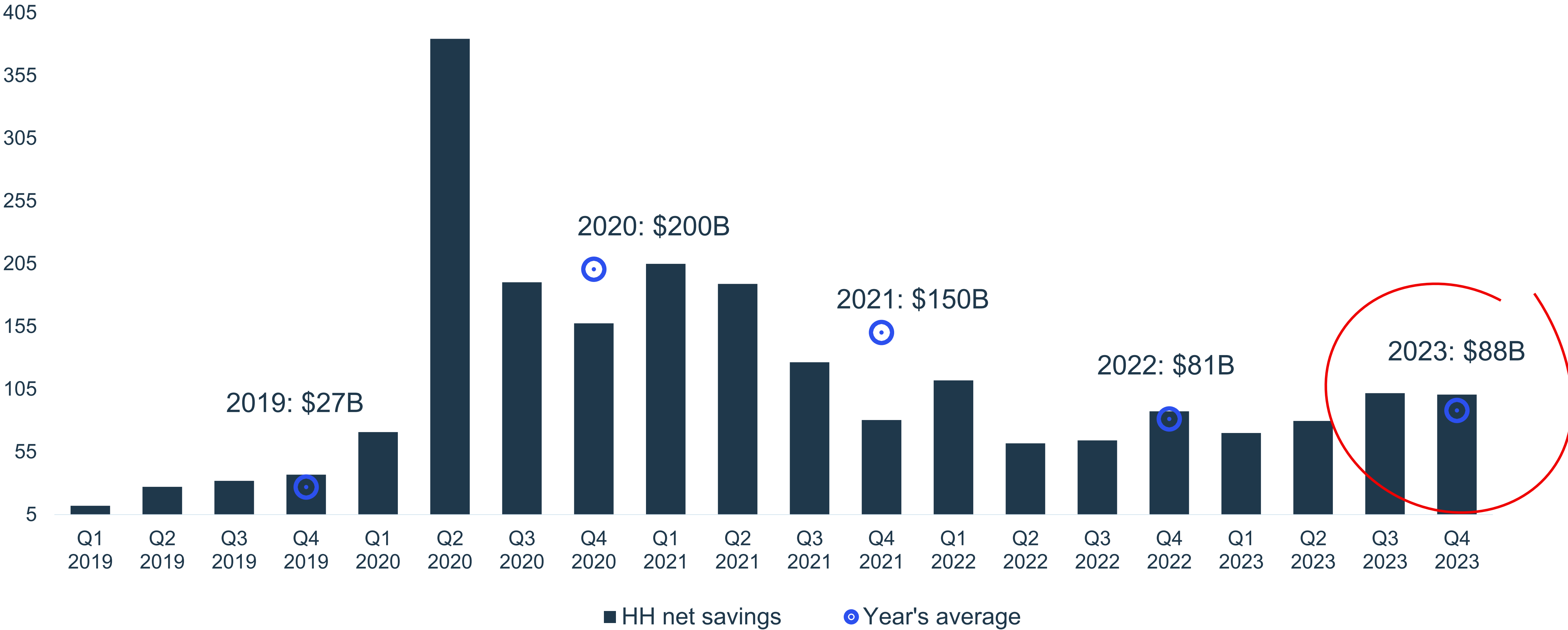


Sources : Statistics Canada; BDC.

Households' savings remain relatively high



Households' net savings, seasonally adjusted data at annual rates, in \$billions Canada

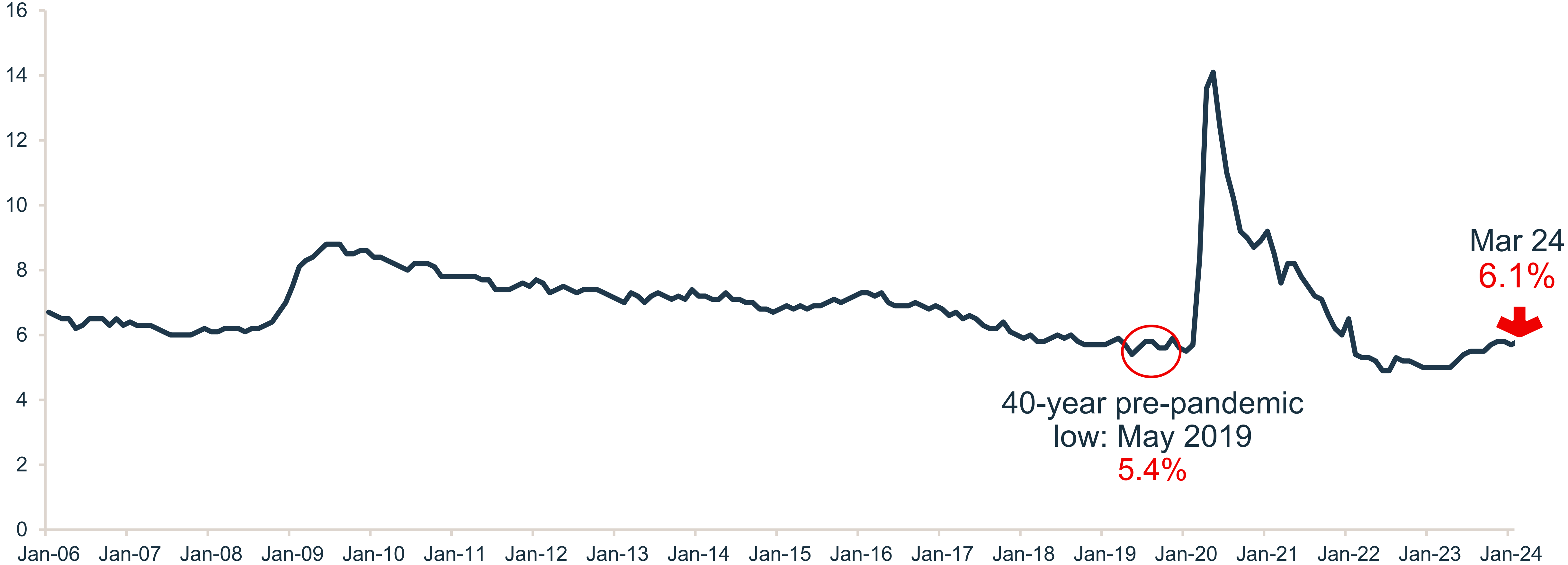


Sources : Statistics Canada; BDC.

Unemployment rate remains low



Unemployment rate (%), monthly, Canada

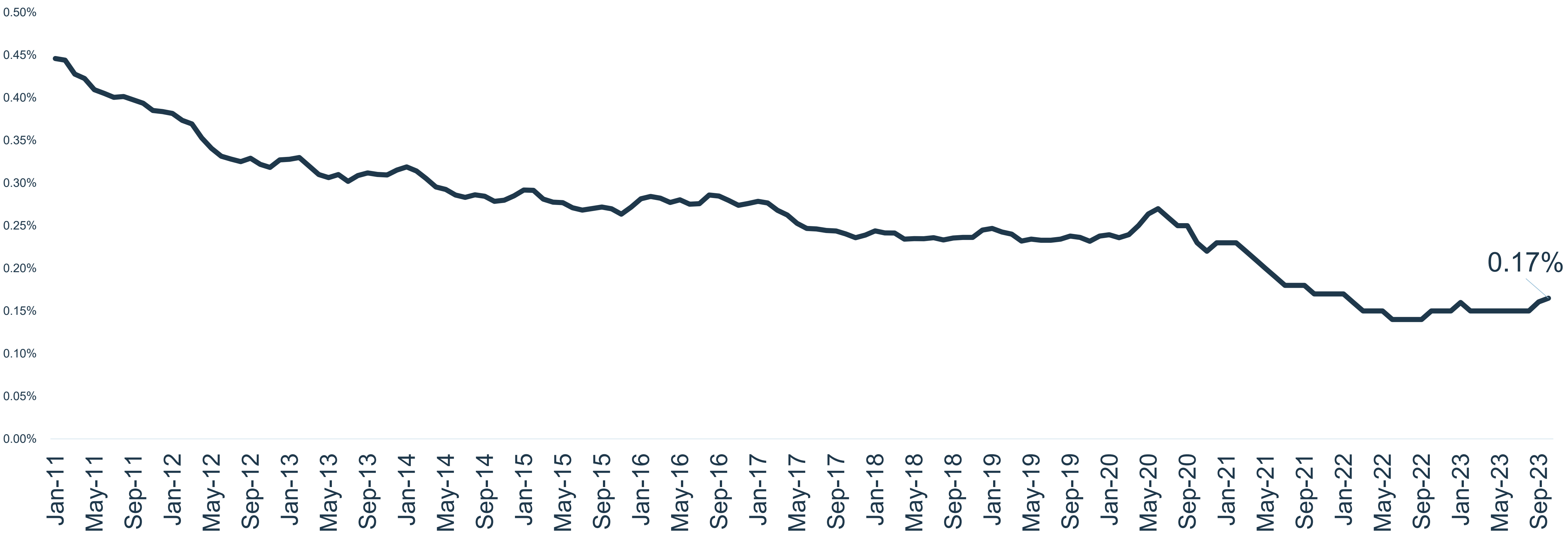


Source: Statistics Canada, BDC.

Households are in good financial standing

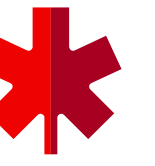


Share of mortgages in arrears by 90 days or more, Canada



Sources : Canadian Bankers Association; BDC.

Rate cuts will help prevent a recession

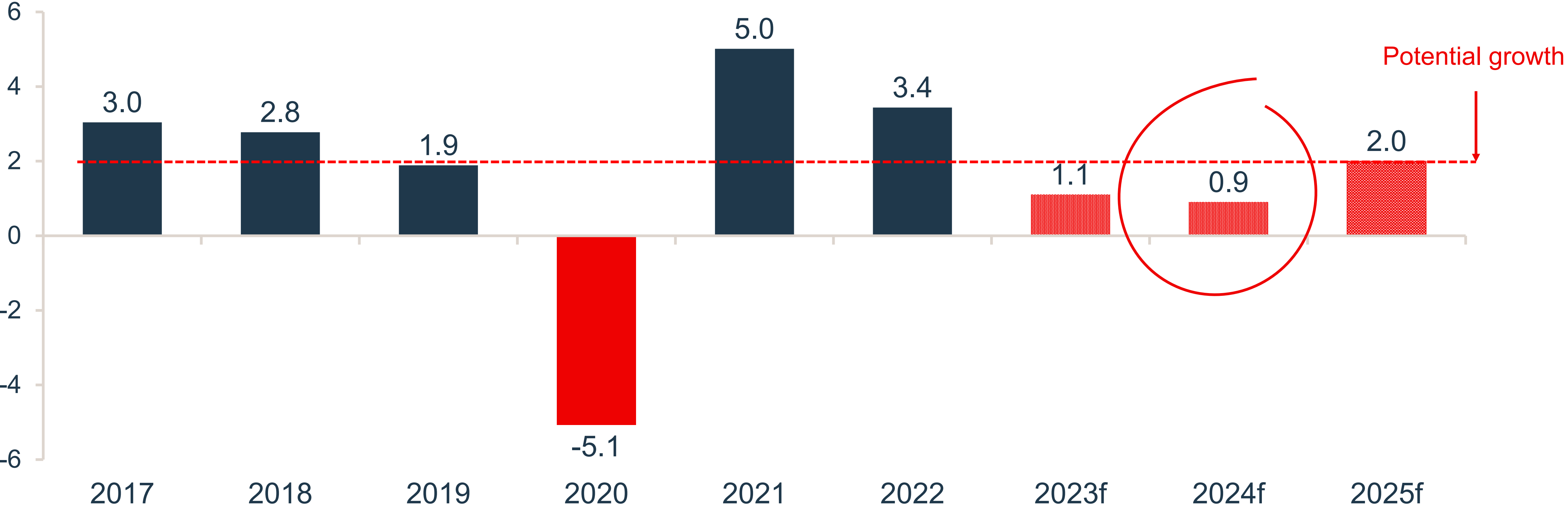


- Lower interest rate will stimulate both demand and supply in the housing market
- Businesses will gain more confidence in the economic outlook
- Consumers will adjust their inflation expectations lower and their confidence in the outlook will increase

The Canadian economy will slow down in 2024, but growth will remain positive



Canadian annual real GDP growth (%)



Sources: Statistics Canada via Refinitiv, BDC.
f: Forecast.

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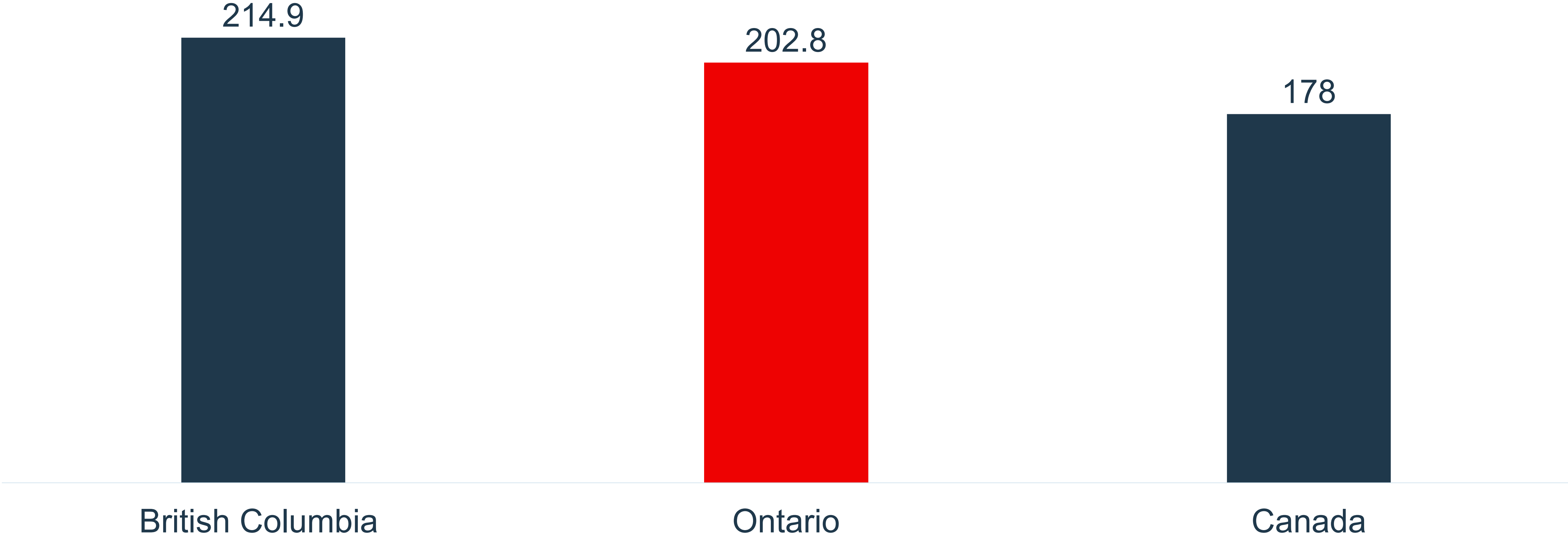


Ontario's economic outlook

Higher interest rates have a significant impact on Ontarians



Debt to disposable income ratio, Q3 2023, (%)

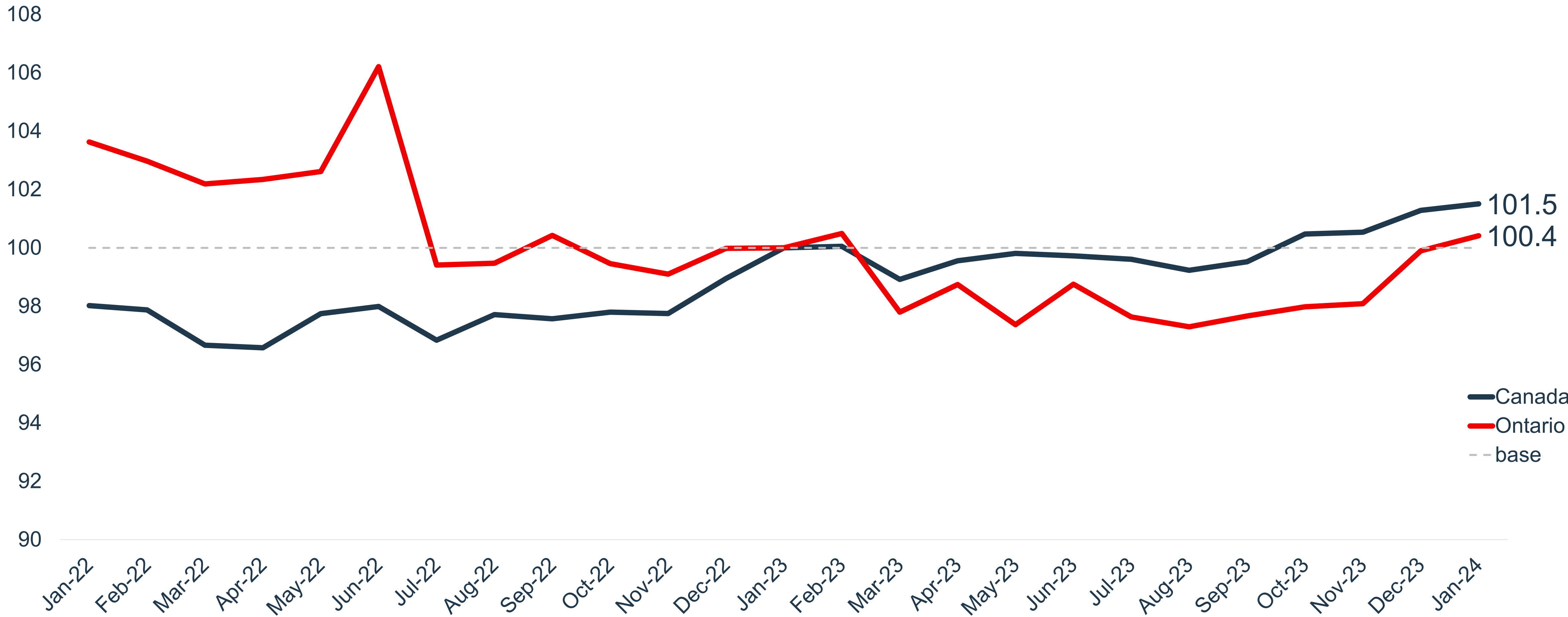


Source: Statistics Canada, BDC.

Ontarians are spending less than the Canadian average



Total real retail sales, monthly, in \$ billions, jan2023=100, Ontario and Canada

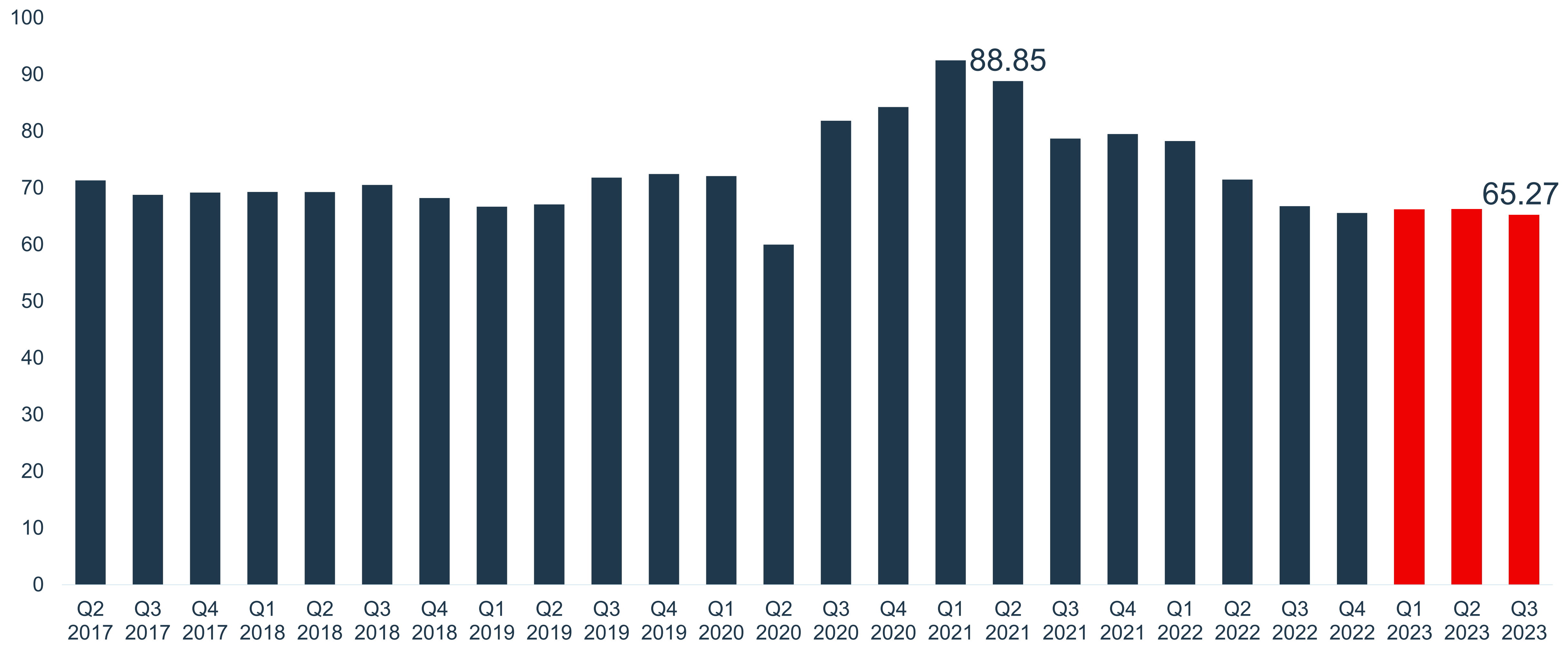


Source: Statistics Canada, BDC.

Residential investments adjusted lower



Business gross fixed capital formation, residential structures, seasonally adjusted, \$billions, Ontario

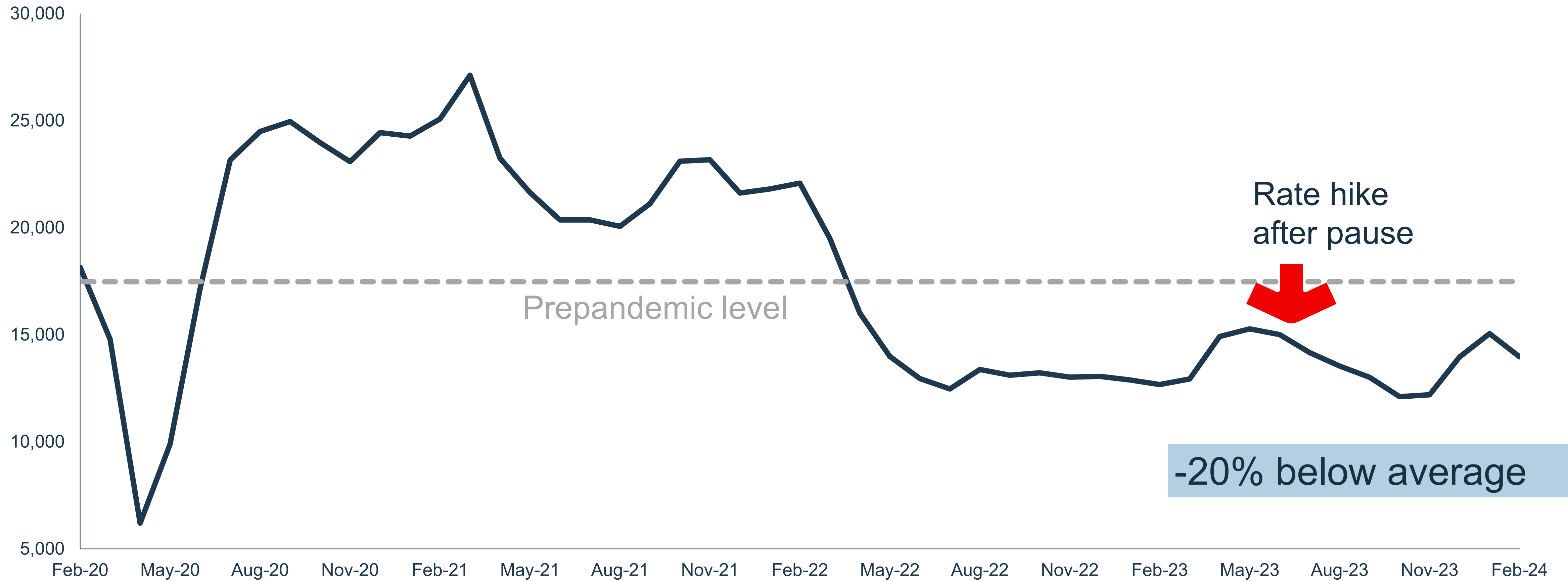


Source: Ontario Government, BDC.

The housing market is very sensitive to interest rates: sales declined

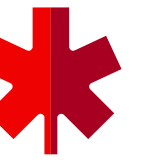


Residential sales, units, seasonally adjusted, Ontario

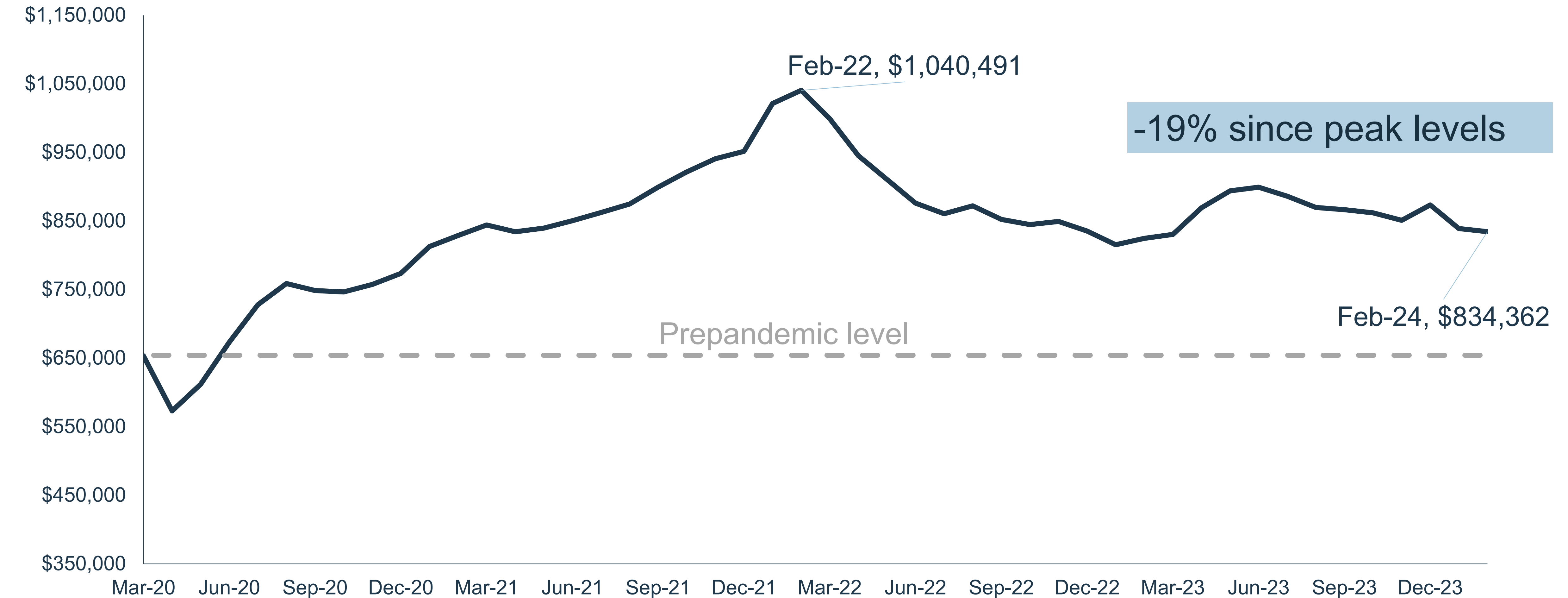


Source: CREA , BDC.

And prices have dropped from their peak levels



Average residential price, seasonally adjusted, Ontario

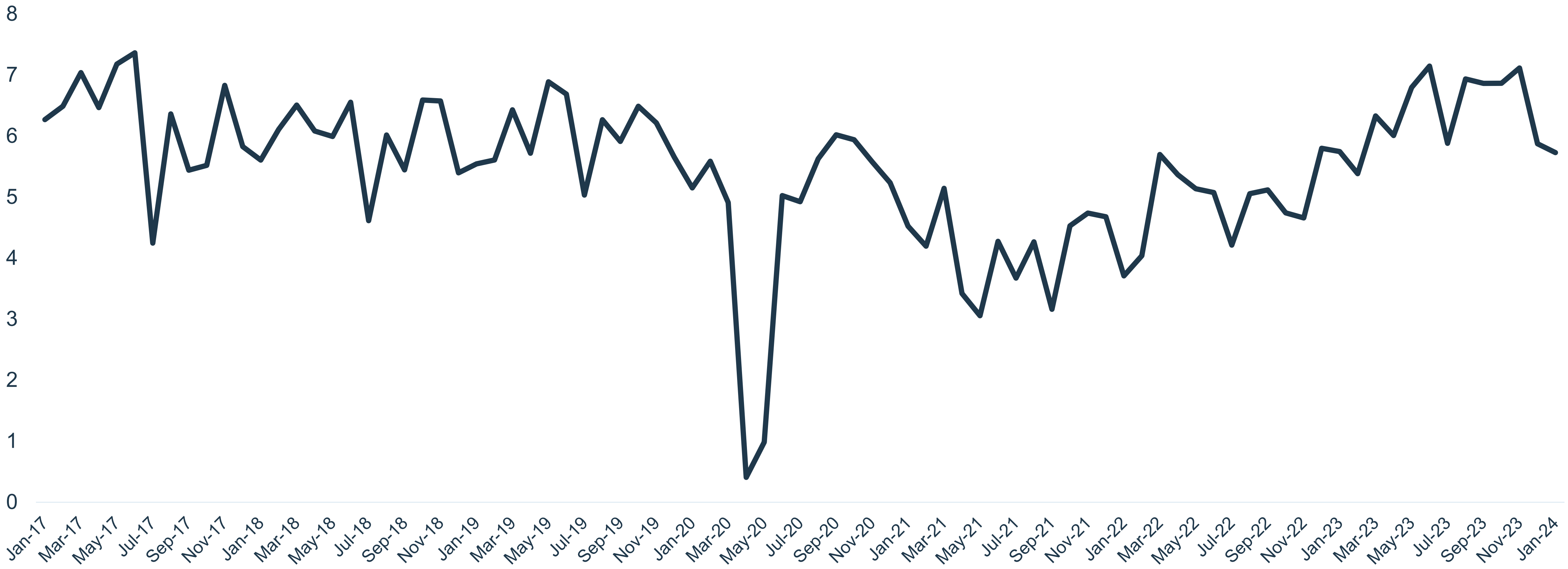


Source: CREA , BDC Economics

Manufacturing activity supported Ontario's economy in 2023



Exports of motor vehicles and parts from Ontario to the rest of the world, monthly seasonally adjusted data, in \$ billions.

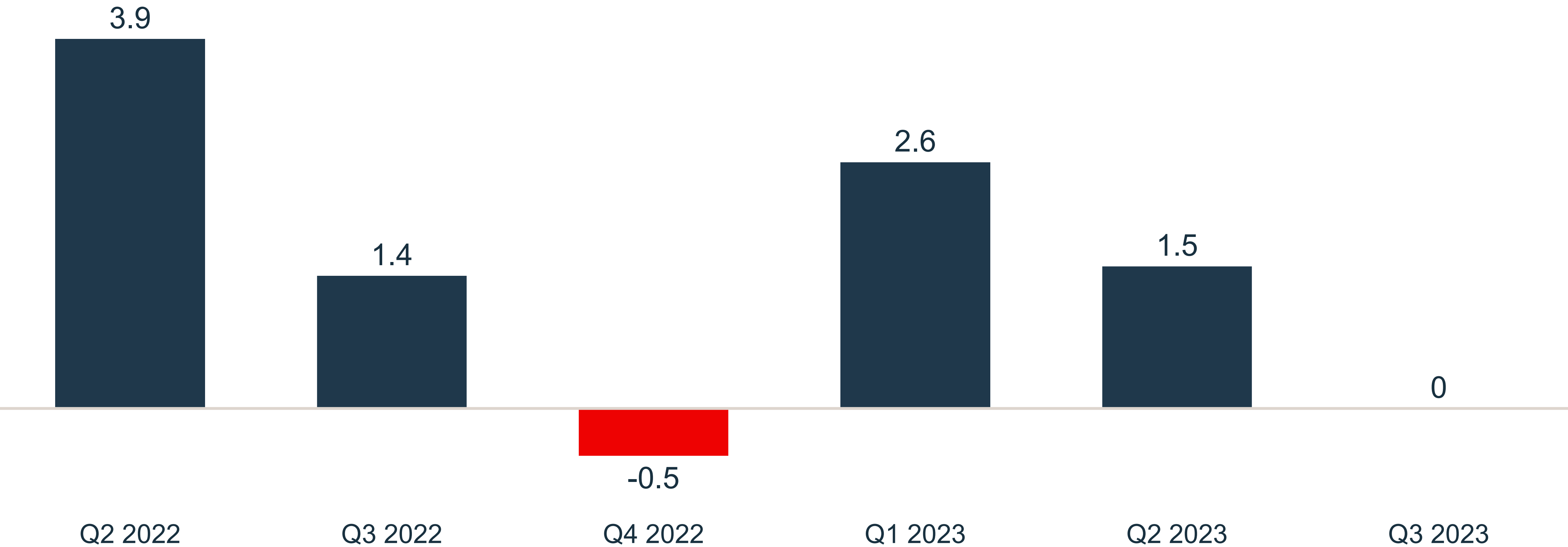


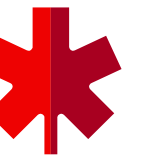
Source: Statistics Canada, BDC.

Economic activity was flat in the third quarter of 2023



Real GDP growth, quarterly, annualized rates, (%), Ontario



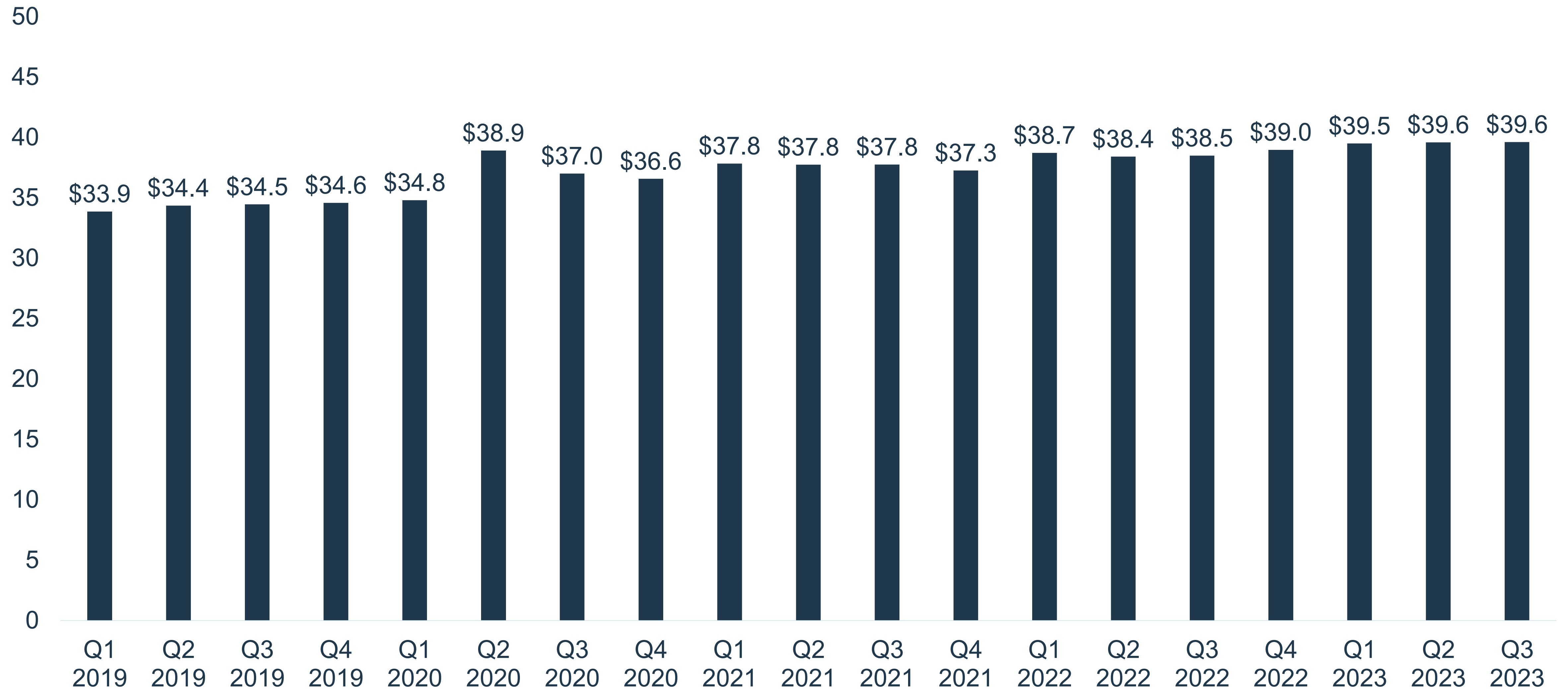


Some factors will support Ontario's economy in 2024

Households' disposable income remains high



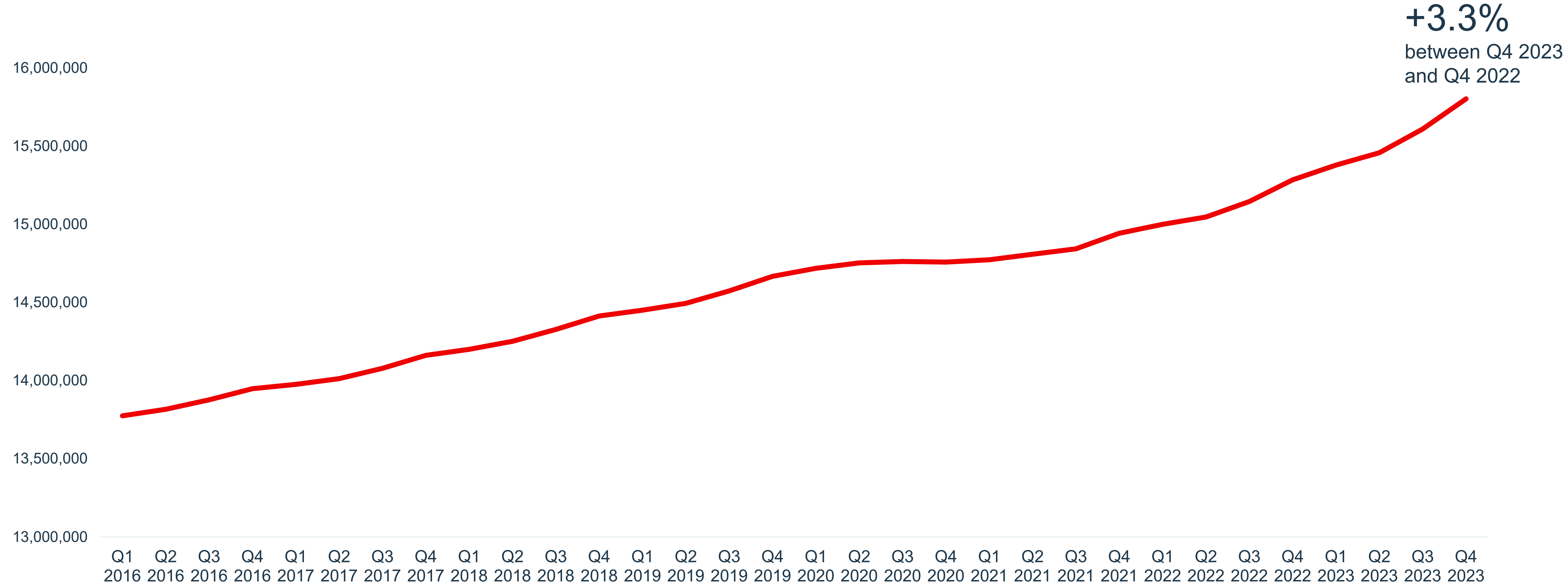
Households' disposable income per capita in Ontario , in \$ thousands



Ontario benefited from an increase in its population that will bring support to the economy



Population quarterly estimates, Ontario

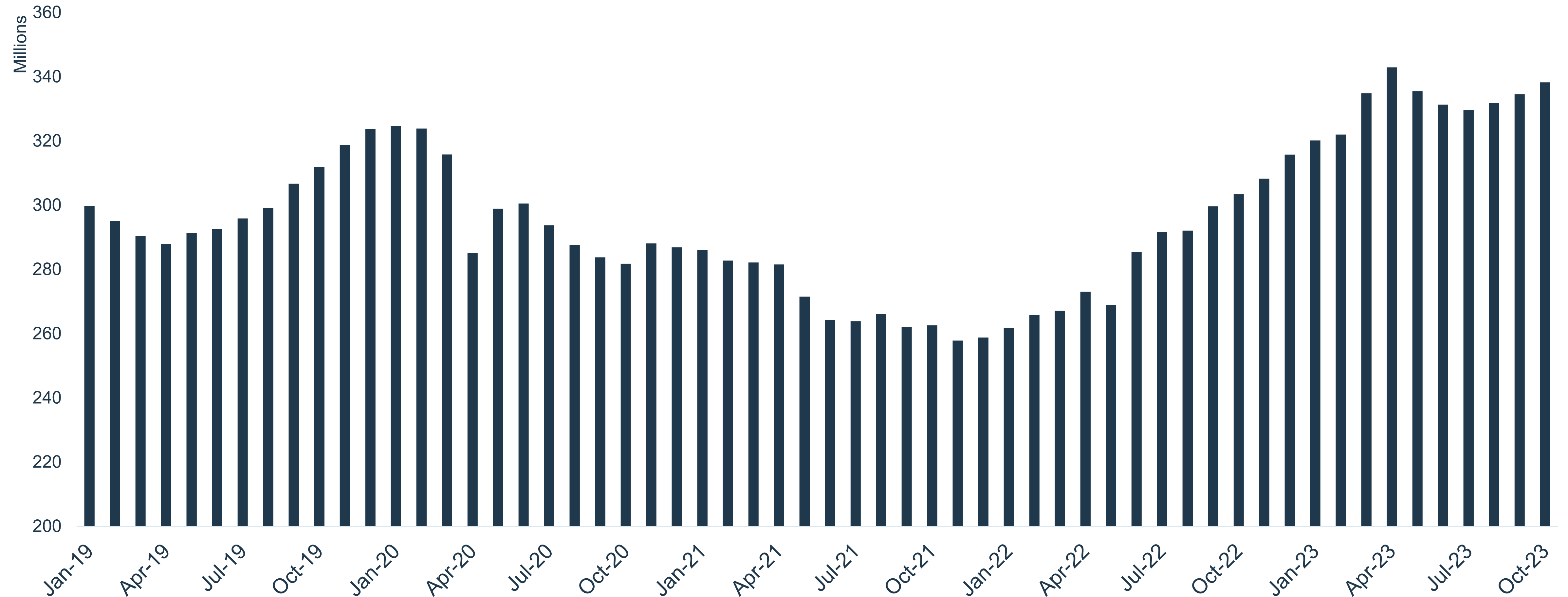


Source: Statistics Canada, BDC.

New green automotive projects will bring support to the construction sector



Investment in industrial construction, in constant dollars, seasonally adjusted, Ontario



The government will continue to support the economy



Government current expenditures, in 2012 chained \$billions and medium-term outlook for 2023-2024

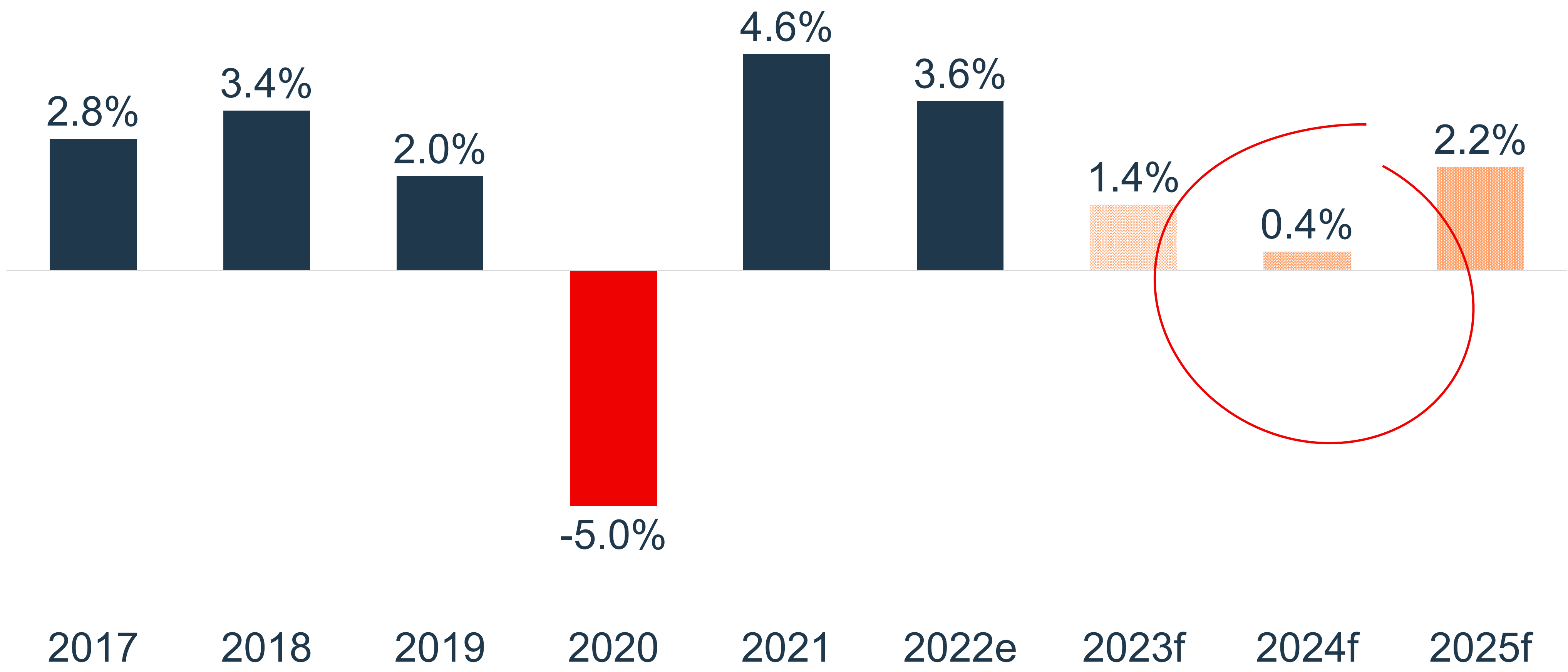


Source: Ontario Government and 2023-2024 Budget, BDC.

* excluding interest on debt

Growth will slow down in 2024 before picking up in 2025 *

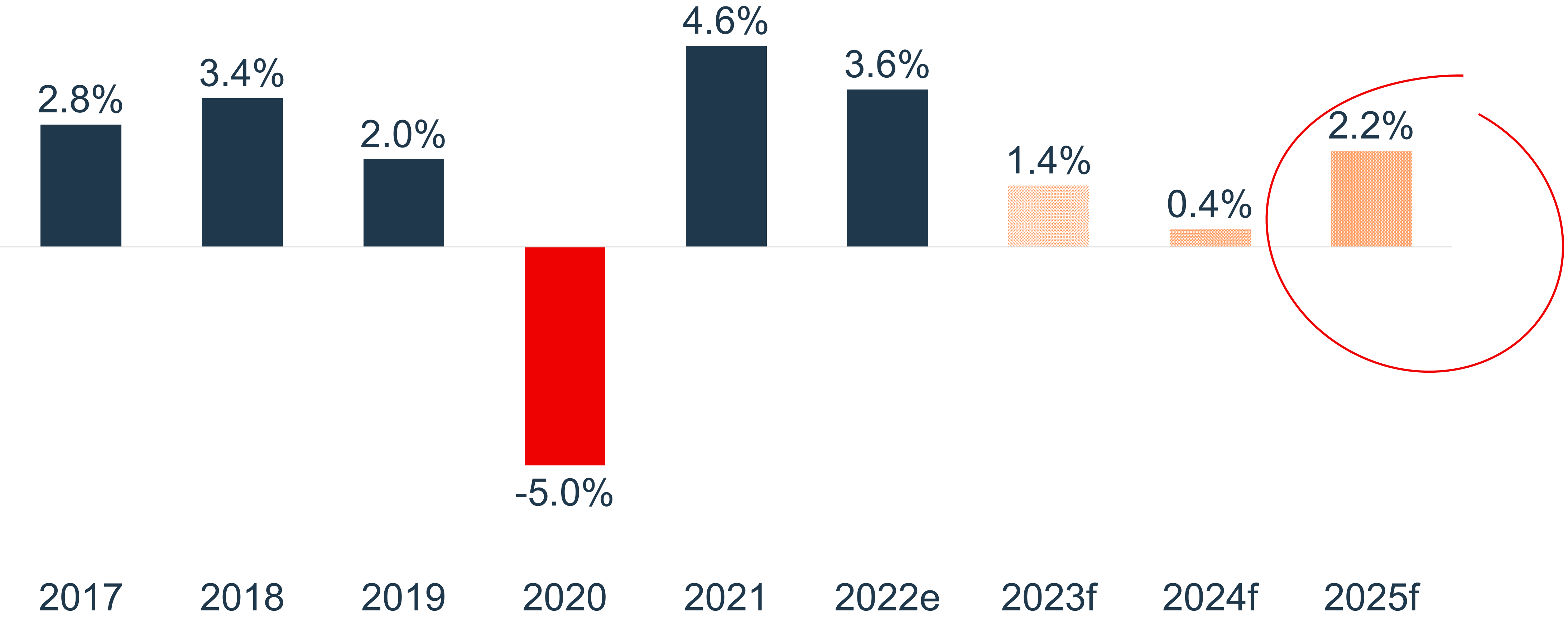
Ontario's annual real GDP growth, (%)



Source: Statistics Canada via Refinitiv, BDC.
f: forecast

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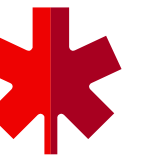


Source: Statistics Canada via Refinitiv, BDC.
f: forecast

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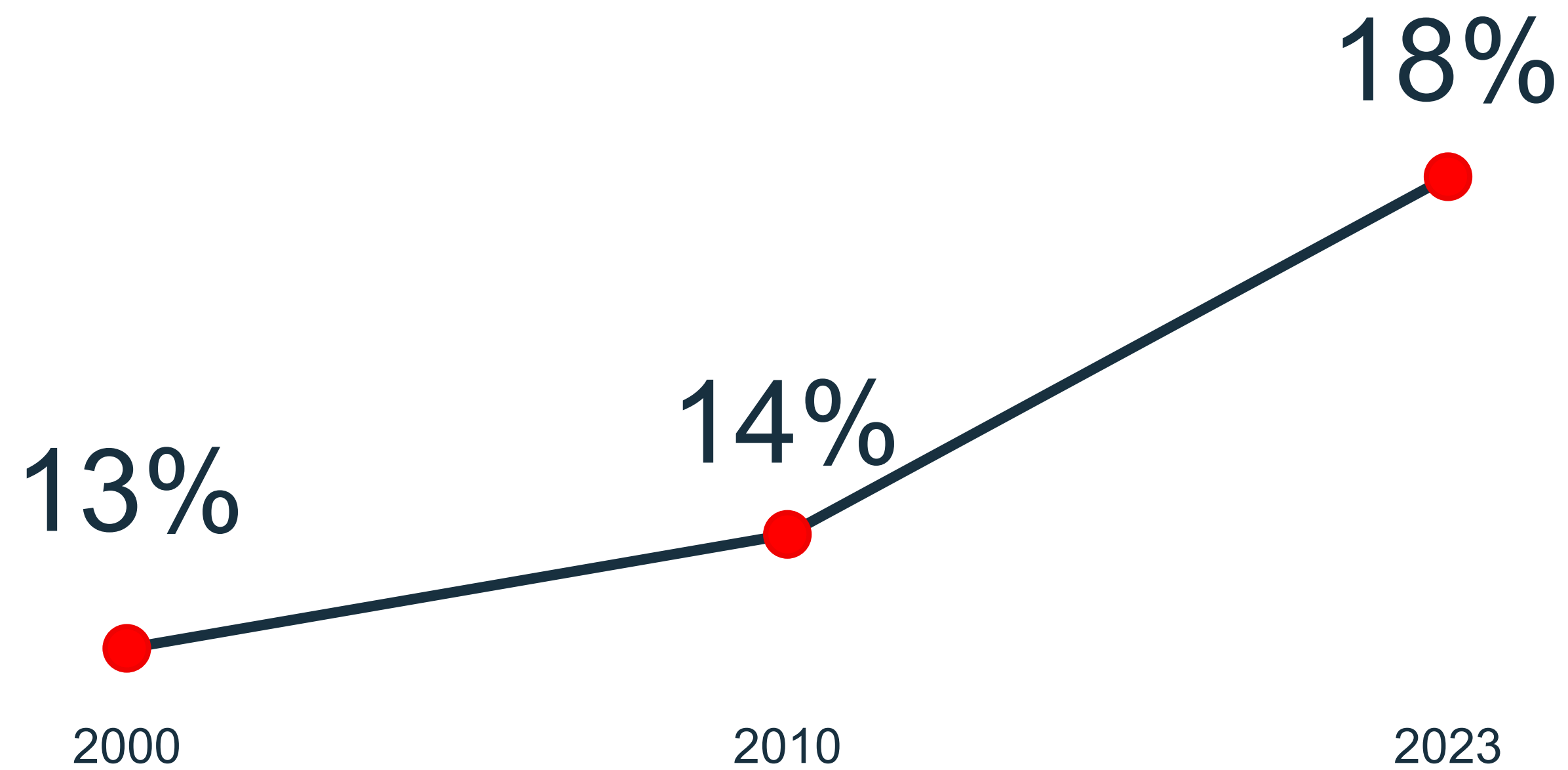
Major trends



Labour shortages

Ontario's population continues to age

Proportion of Ontarians aged
65 years and older



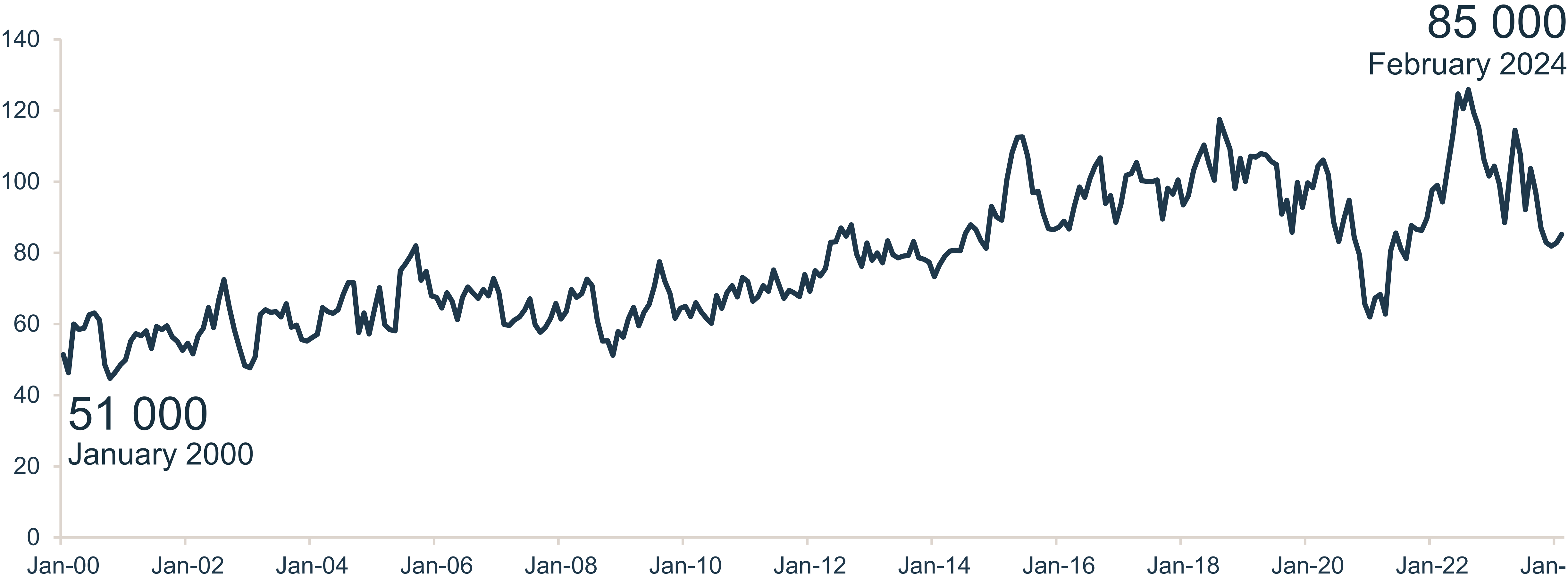
Source: Statistics Canada.



Ontarians are retiring in large numbers



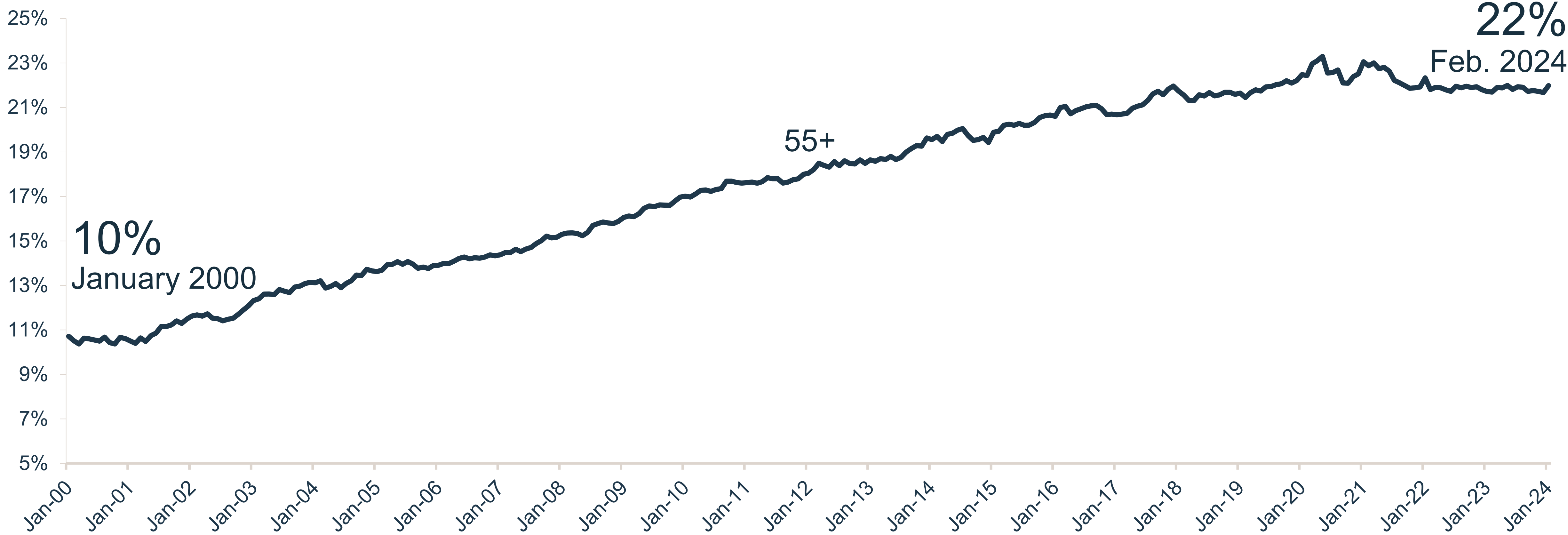
Number of workers leaving their jobs for retirement in the previous year, monthly Ontario



More than 20% of workers in Ontario will retire in the next decade



Percentage of workers that are 55 years +, Ontario

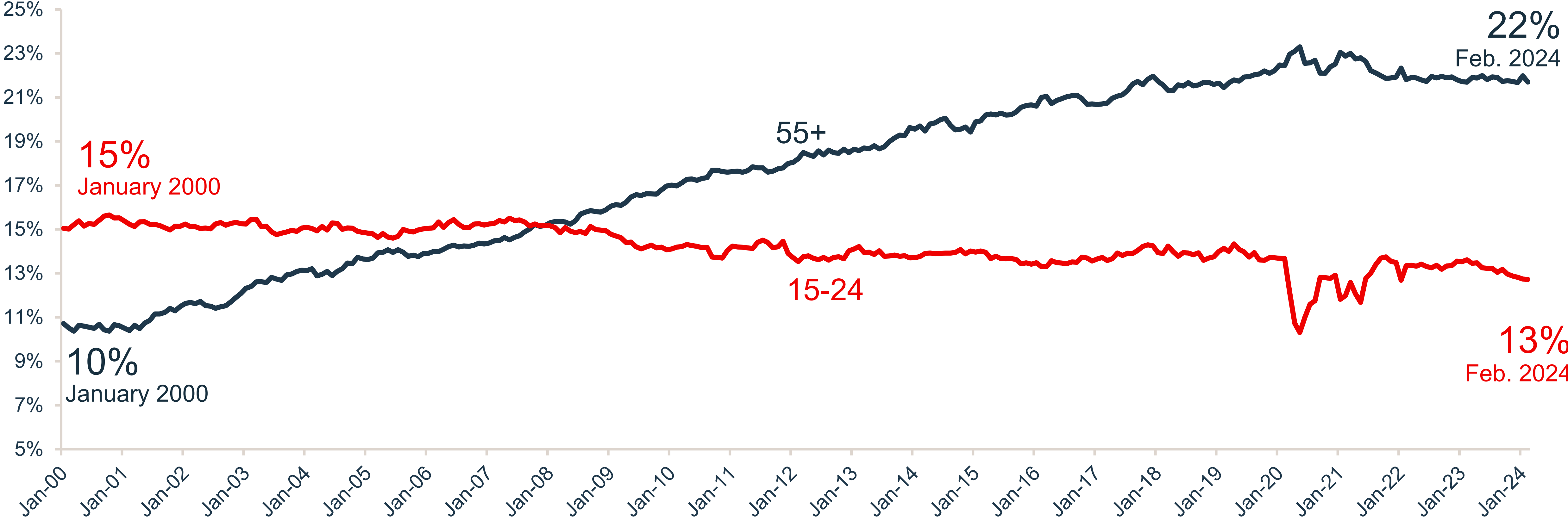


Sources: Statistics Canada, BDC.

Since 2008, near retirement workers have outnumbered their younger peers



Percentage of workers that are 55 years + and 15-24 years old, Ontario

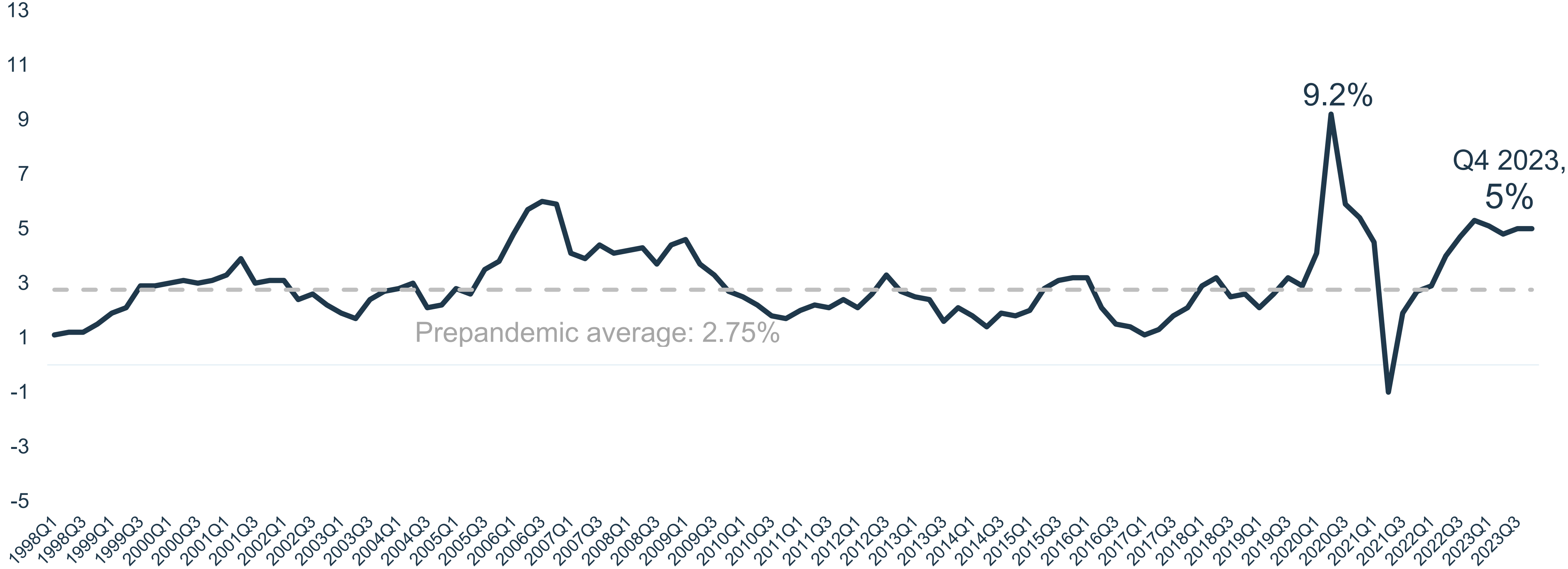


Sources: Statistics Canada, BDC.

Labour shortages put pressure on wages

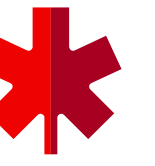


Average hourly earnings, year over year percentage, Canada



Sources: Statistics Canada, BDC.

3 Strategies



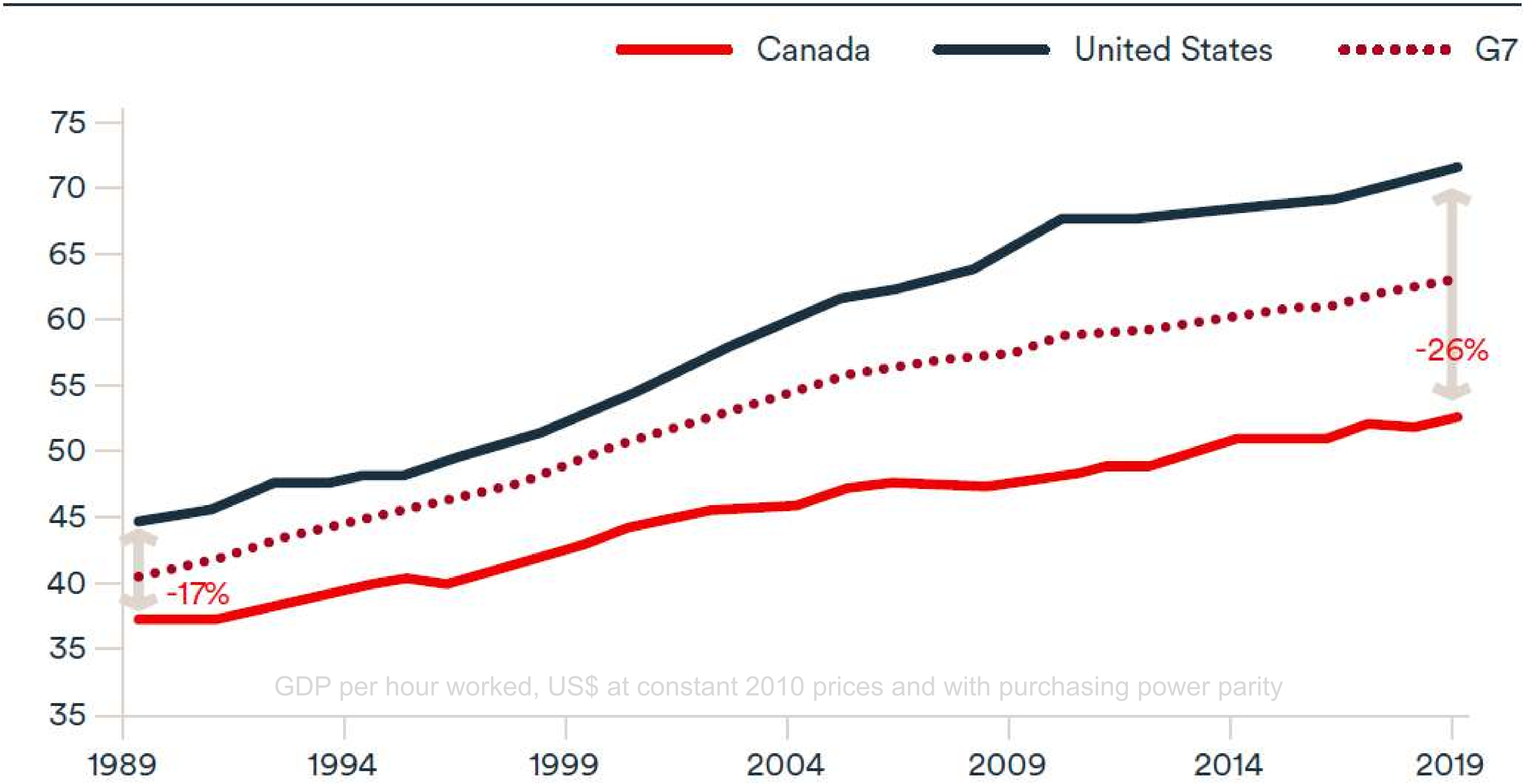
1. Invest in technology and automation

2. Develop a people strategy

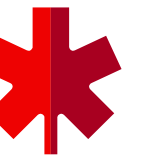
3. Expand your talent pool

Bank of Canada says the country faces a productivity 'emergency'

Canada has fallen behind most of its G7 peers



SOURCE: OECD



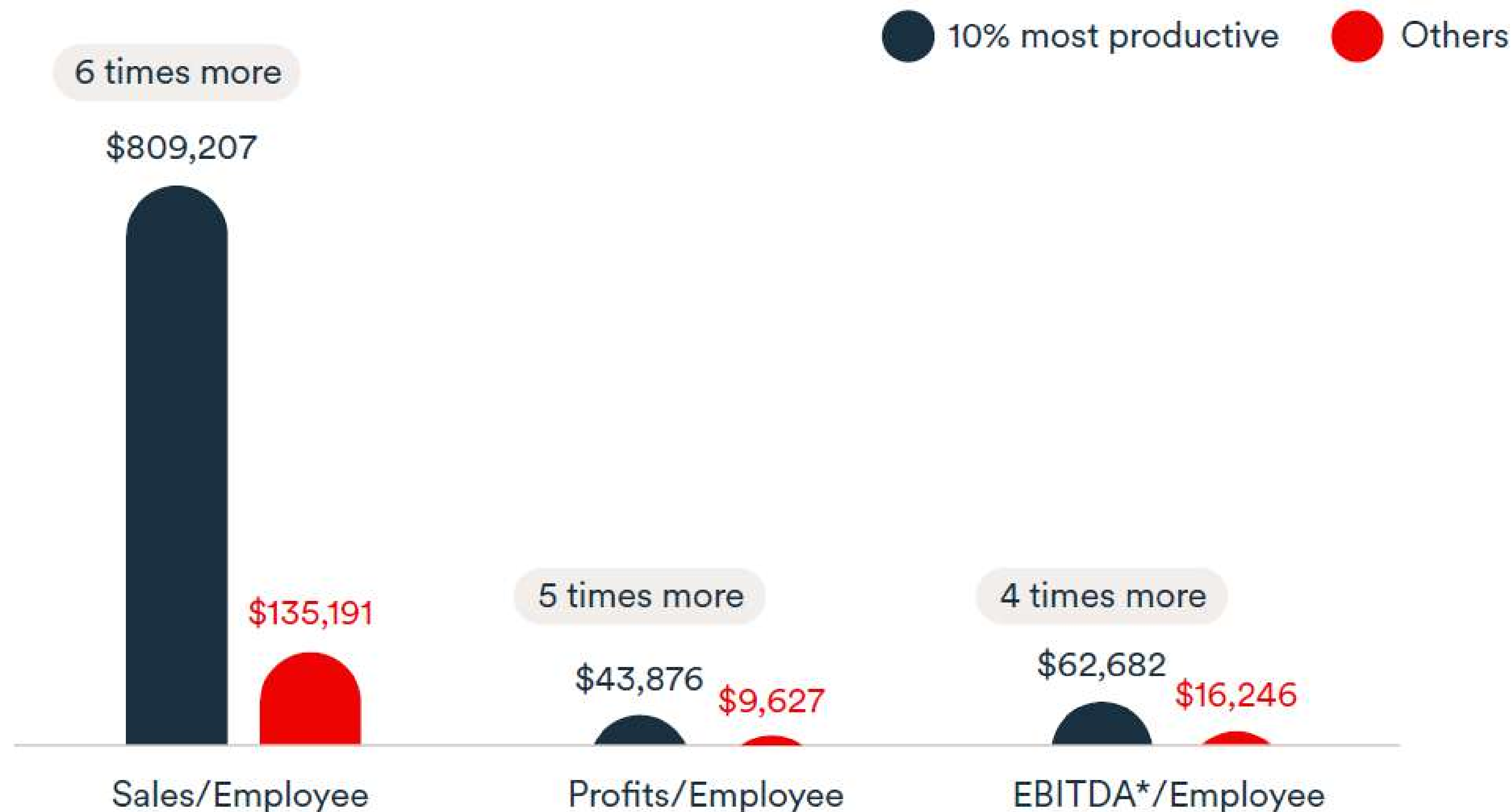
Today's World

Productivity improves financial performance

Financial indicators of Canadian SMEs that are highly productive in relation to other firms in the same industry

Compared to their peers in the same industry, with the same number of employees (about 10), for instance, the most productive 10% of Canadian SMEs generate:

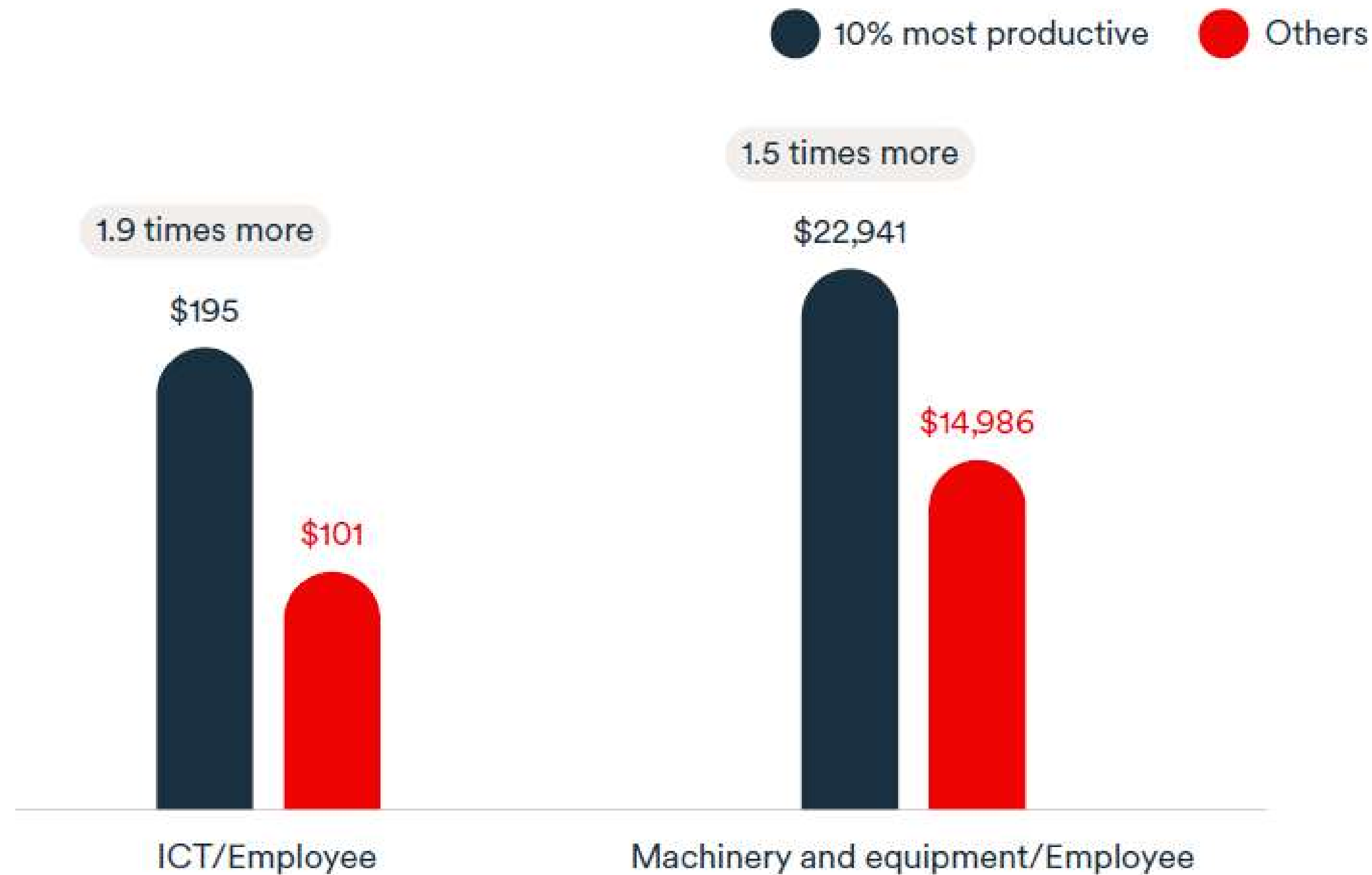
- ✓ 6x more sales,
- ✓ 5x more profit, and
- ✓ 4x higher EBITDA



Source: Statistics Canada, special compilation based on tax data; BDC calculations

The productivity imperative

Improving productivity requires investment into ICT, Machinery and Equipment



ICT and machinery and equipment investments by highly productive Canadian SMEs compared to other firms in the same industry



Our Growing Productivity Gap

The Toronto Region faces a large & rising productivity gap with competing US metros. Our region's GDP per worker, at \$113,000, is \$72,000 per worker below the average of our US peers. Unaddressed this gap is forecast to grow to \$80,000 by 2027

*Report: Invitation to Lead TBOT

Metro	Average GDP/worker C\$(000's)
Toronto	\$113
US Average	\$185
Atlanta	\$181
Cleveland	\$167
Chicago	\$179
Detroit	\$158
Miami	\$160
New York	\$209
San Francisco	\$316
Seattle	\$263

Investments in automated manufacturing solutions need to carefully analyze the full cost of implementation.



→ Cost of purchasing a robot

→ Robot tool (End-of-arm tooling)

→ Alteration of production facilities

→ Software (licensing, integration and programming)

→ Maintenance and repairs

→ Training and change management

75+%

The diagram features an iceberg shape. The top portion, representing the visible cost of purchasing a robot, is light beige and sits above a dark blue horizontal line. The much larger bottom portion, representing hidden costs, is a darker blue and sits below the line. The text '75+%' is centered within the submerged portion of the iceberg.

Conclusion



- ➔ The Bank of Canada will keep rates elevated until prices stabilize.
- ➔ Canada's economic growth is expected to be modest in 2024. The economy could avoid a recession:
 - Interest rates should decrease around mid-year granted inflation is back to target
 - Households are managing and remain in good financial standing
 - Population growth is contributing to support overall consumption
- ➔ Ontario's economy is set to slow down in 2024 before picking up in 2025.



- Attend events to learn and network
- Start SOMEWHERE
- Engage your stakeholders in the discussions
- bdc.ca

Harnessing the Power of Industrial Automation and Robotics
A Guide for Entrepreneurs

Summary

1. What can robots do for my business?

What problems can robots help me solve?

Robots and industrial automation can be the solution to a number of problems your business may be dealing with. Although this is by no means an exhaustive list, here are a few examples of common challenges you can address with use of automation and robotics.

Problem	Percentage	Description
Labour shortage	44%	of manufacturers have automated or robotized certain processes to deal with the labour shortage.
Lagging competitiveness	39%	of the most productive businesses invested in automation compared to 18% of other companies.
Quality issues	42%	of businesses adopting digital technologies have improved the overall quality of their products (reduced or eliminated customer returns, etc.).
Limited capacity	55%	of entrepreneurs are working longer hours and delaying or refusing new orders, but companies that had started automating are 1.9 times more likely to see sales growth above the industry average.