



Canada Macroeconomic Report



After analyzing different economic indicators for the economy of Canada, I believe that Canada is currently right of trough in the macroeconomic cycle. I am hesitant to say I am bullish in the short term, as I do believe there are still some challenges to overcome, however I definitely see the economy in a bullish direction long-term.

As part of my research, I analyzed recent trends withing the GDP of Canada, the Core-Consumer Price Index, Consumer Spending, Unemployment Rate, Housing Price Index, and the Manufacturing Purchasing Manager Index. I also looked into factors that could cause a stall towards Canada’s economic peak, like decline in total Automobile Sales, which heavily impacts Canada’s exports. As a whole, Canada has a seen an uptick in consumer spending, a housing market boom, a growth in manufacturing, and a drop in unemployment. These factors lead me to believe that, from a statistical point of view, that most major trends are pointing in the right direction for the country’s macroeconomic outlook.

In terms of geopolitical factors, the COVID-19 pandemic remains a major concern globally, especially with the surging Delta variant. Although Canada is experiencing high vaccination rates, it too is having its own troubles in handling the virus. Along with the virus, the country has also had political divisions, given that a new election season just concluded. Eyes are now set on Justin Trudeau as he continues his post as Prime Minister. He has committed towards things like fighting climate change, in a country that relies heavily upon the exportation of fossil fuels. He has also committed to regulate the housing prices of the country as housing markets sky-rocket. These factors could bring very long-term benefits, but also short term economic set-backs.

ECONOMIC PROFILE

Country	Canada
Currency	Canadian Dollar
Population	38.01 Million
Economy	Developed
GDP	\$1.661 trillion (As of Q2 2021)
GDP Per Capita	\$43,699.03
Largest Trading Partner	United States

GDP Growth Rate (%)

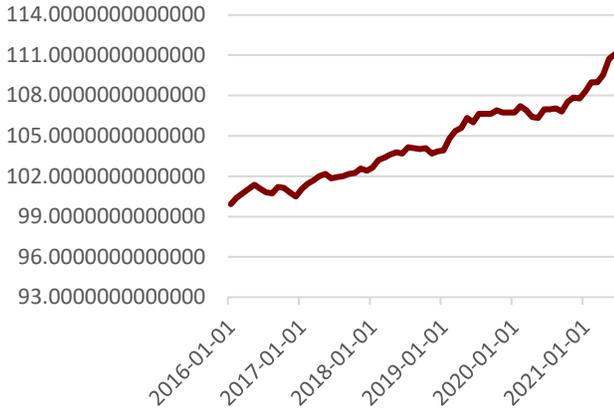


GDP Growth in USD over last 15 years (Source; Federal Reserve St Louis)



Economic Indicators

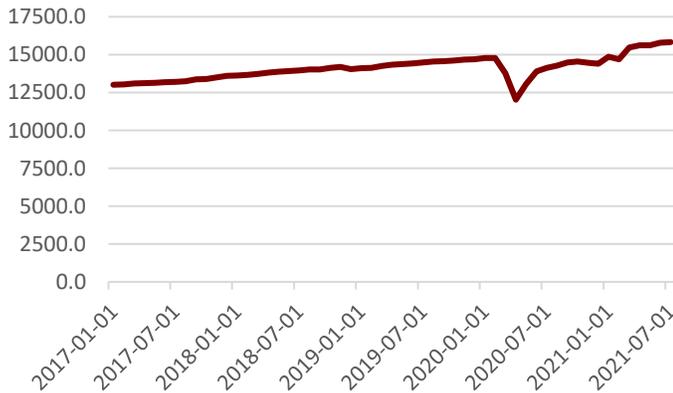
Core Consumer Price Index (CPI)



Core Consumer Price Index:

One of the biggest worries in the U.S. economy right now is inflation. The same can also be said for Canada. Over the past year, the country has been attempting to revitalize their economy through fiscal spending, an effort many have followed globally in an attempt not to repeat the measures of fiscal austerity in 2007 and 2008. However, because of this spending and continuing bottlenecks in production bot domestically and internationally, Canada has seen a significant growth in its CPI, which can be often be seen as a measure of inflationary trends. This could be a laggard before we see the economy go for a true bull run.

Consumer Spending



Consumer Spending

Consumer spending has largely been impacted by COVID-19 case numbers. However, because of the higher vaccination rates that Canada is enjoying, they have been able to weather the storm through case surges more easily, and have shown an upward trend in consumer spending. This will be something to monitor heavily if Canada is to truly take off, because we are headed into the winter where the virus could hit another peak. However, where the trend sits now, is encouraging for the prospects of the Canadian economy.

Unemployment Rate



Unemployment Rate

As of August 2021, Canada’s unemployment rate sits at 7.10%, the lowest since February of 2020 when it was at 5.9%, and it is continuing to fall in that direction. The jobs reports have been very consistent with these trends and the fall in unemployment has been somewhat dramatic in the past few months. This can be contributed heavily to Canada’s successful vaccination programs, as this has allowed many to feel comfortable in returning to work. This coupled with children going back to school will allow people to return to work sooner. With a constant growth in consumer spending, there is a reason to be optimistic about future unemployment rates.

Core Consumer Price Index (Last 5 years), Consumer Spending in USD (Last 6 years), and Unemployment Rate in % (Last 5 years) (Source: Federal Reserve St. Louis)



Economic Indicators

Total Automobile Sales:

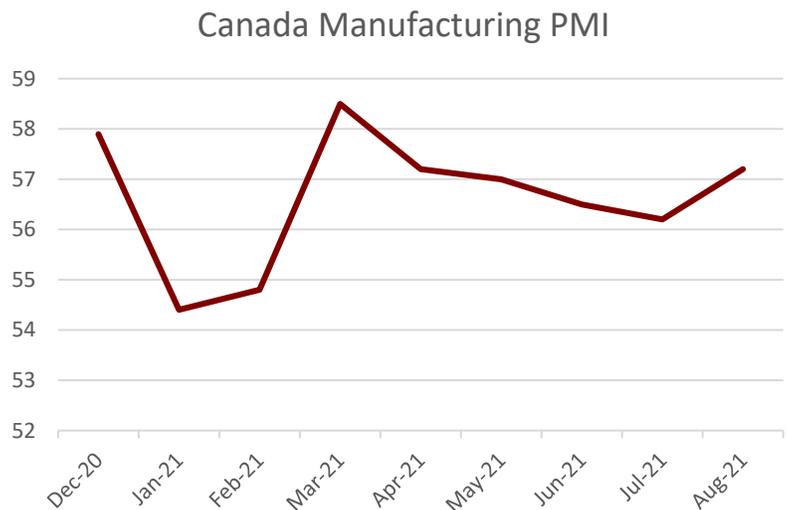
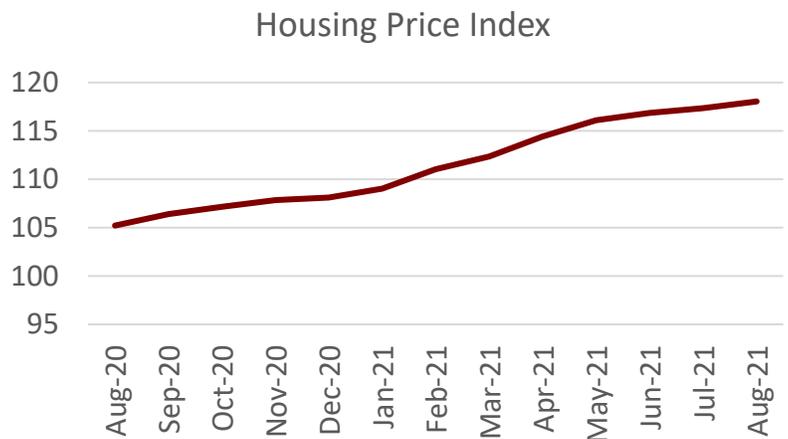
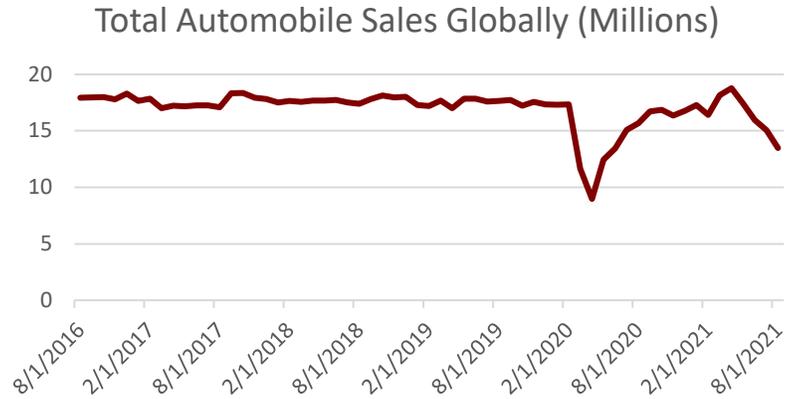
For most countries, this does not belong as a key economic factor. Canada is a different story however, as they are one of the world's largest producers of raw materials for automobiles, as well as one of the leading countries in automobile assembly. With that in mind, the computer chip shortage that is causing a decline in automobile sales could have a major impact on Canada. Since April, there has been a 28% decrease in global automobile sales. This could be a laggard on any economic uptick, but I still remain the position that the economy can overcome this.

Housing Price Index:

Like the United States, Canada is also seeing an uptick in home buying, as well as an uptick in home prices. This is generally a sign of a good and strong economy, and it is continuing to trend in an upward trajectory for Canada. However, many are worried that housing is becoming too expensive for the average Canadian, and we could see the government step in soon in order to cool the overly hot market. Even with this considered, the housing price index indicates a strong economy ahead, and it supports my bullish outlook.

Canada Manufacturing PMI:

Manufacturing Purchasing Manager Index or PMI, is an indicator that shows how strong and healthy the manufacturing of an economy is. When we look at PMI, a value above 50 indicates a manufacturing sector that is expanding, and a value below 50 is one that is contracting. Here we can see that Canada has been seeing a general uptick in its PMI since January 2021, along with a new sudden surge in this past August. This is generally very encouraging, especially coming from a country that relies heavily on specifically commodities and automobile supply chains. This is another strong indicator of a bullish outlook on the Canadian economy.



Total Automobile Sales (Last 5 years), Housing Price Index (Last Year/ in-Index Dec2016=100, SA)), and Canada Manufacturing Purchasing Manager Index (Source: Federal Reserve St. Louis)



Geopolitical Factors

Covid-19 Pandemic

Much like the rest of the global economy, Canada has felt the recent wave of COVID-19 hit their economy. Canada has had less trouble than the neighboring U.S. in getting their population vaccinated as already more than 70% of the population is now vaccinated against COVID-19. However, that is not to say that the threat of Delta has not had its effect on Canada. Canada has seen its cases move to its highest levels since April, and the country has seen major health officials fired over their response, or lack there of, to the rising case totals. One positive is that the high vaccination rates have allowed Canada to stay below the highest level of cases in prior periods during the pandemic, even with a new variant. Even with that taken into account, the virus will still be a threat to any economic growth that Canada is to experience.

Response To Climate Change

Prime Minister Justin Trudeau and the Liberal party of Canada have set an agenda item to combat climate change, as many of the leaders of large global economies have done as well. However, Trudeau is facing major blowback from the conservative wing of the country. This is much like the struggle we are seeing in the United States when it comes to this issue, however this issue applies differently to Canadians. Within Canada's top three major exports, there is both crude oil, as well as petroleum. Canada is highly dependent on the fossil fuel industry, and although the country seems more than willing to make the changes work for those in the fossil fuel industry, the losses from diminishing fossil fuels won't be reversed right away. Although this is a necessary step in the right direction for Canada, it could have major implications to how the overall economy will perform in the near future.

Trudeau Election

This past week, Justin Trudeau was reelected Prime Minister, and again he was not given his overwhelming majority in Parliament that he'd hoped for. However, this indicates that we will see many of the same policies pushed as his tenure continues. This includes the large investments to fight climate change as mentioned above, a commitment towards vaccinating more Canadians, and greater regulation in the housing market. Under Trudeau, we have seen a marginally successful vaccination plan, and that has allowed for Canada to enjoy some more normalcy. However, he now faces a new challenge with the Delta variant and is hoping that the success will continue in getting the other roughly 30% of remaining Canadians to get vaccinated. Much like the United States, housing prices in Canada have skyrocketed, and Trudeau has committed to programs that would make it easier for people to own homes. This could help home buyers, however there are some parts of this plan that some opponents are saying could rid away the competitiveness of the housing market. Trudeau has major challenges ahead of him, and depending on how he responds, the overall economy could have a significant reaction.