

Recent Economic and Social Developments

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Canada's economy has been resilient as it emerges from the COVID-19 pandemic. Economy-wide output has strengthened substantially since mid-2021, supported by higher goods production and a robust recovery in many client-facing services. The unemployment rate has been below its pre-COVID baseline since early 2022, while the proportion of Canadians in their prime working years who are employed reached record highs at mid-year. Despite this strong recovery, many challenges remain as households and businesses continue to adjust to rising prices, supply disruptions and tight labour markets.

A new release, "[Research to Insights: Recent Economic and Social Developments](#)" presents several of the key economic and social developments that may inform trends, including the impact of population aging. Here are some highlights from the release.

Population aging amplifies pressure on labour supply

Despite rising payrolls, job vacancies approached the one million mark in the second quarter of 2022, as the job vacancy rate reached a record high (+5.7%). The ratio of unemployed persons to job vacancies, a key indicator of labour market tightness, trended down to a record low of 1.0 in June, down from 1.9 a year earlier. In the second quarter, 44 employees were hired for every 100 job vacancies.

While the events of the pandemic have contributed to current labour market imbalances, population aging is also having a substantial impact on the supply of workers as more Canadians reach age milestones where rates of labour force participation fall off rapidly. If the age distribution of the working age population in August 2022 had been identical to that in August 2019, there would be about 370,000 more people in the labour force than was actually observed.

Pressures on affordability mount as borrowing costs rise

While many households benefitted considerably from emergency support programs, the steep rise in consumer inflation has weighed heavily on household finances. In April 2022, when headline inflation was at 6.8%, nearly three in four Canadians reported that rising prices were affecting their ability to meet day-to-day expenses, while three in ten Canadians were very concerned about whether they can afford housing or rent.

About one-quarter of Canadians in the spring reported that they have had to borrow money from friends or relatives, take on additional debt, or use credit to meet day-to-day expenses.

While headline inflation eased from June to September, prices for many day-to-day necessities continued to edge higher. Grocery prices, measured year over year, were up 11.4% in September, their largest yearly increase in over four decades. Annual price increases for food have outpaced headline consumer inflation since December 2021.

Drivers of investment and productivity less certain

Improvements in business productivity matter for material well-being. Over the last four decades, increases in labour productivity have been responsible for about 90% of the increase in Canada's gross domestic product per capita and have closely tracked real wage growth. Investment and higher productivity will be needed to offset the impact of the aging population on Canada's workforce and to sustain current living standards.

After rising sharply in the early stages of the pandemic, labour productivity declined for seven consecutive quarters before edging up in the second quarter of 2022. Productivity was 1.3% below pre-pandemic levels, while non-residential business investment has been slow to recover from declines early in the pandemic. Capital expenditures on oil and gas extraction were \$9.3 billion in the second quarter. While the largest outlay since 2018, spending in the second quarter was less than half of peak levels reported in late 2014.



Challenges to social cohesion remain as public health measures are lifted

Mental health has not recovered from declines during the pandemic, particularly among youth. Canadian adults who were already experiencing mental health difficulties were two times more likely to report a decline in mental health because of the pandemic. Less than 6 in 10 Canadians report a strong feeling of meaning or purpose.

Hate motivated crimes have increased by 27% since the start of the pandemic, to 3,360 instances. Racialized groups were more than twice as likely to report having experienced discrimination since the beginning of the pandemic, compared with the rest of the population.

The product "[Research to Insights: Recent Economic and Social Developments](#)" is now available as part of A *Presentation Series from Statistics Canada About the Economy, Environment and Society (11-631-X)*.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).