

Perspectives on growth, inflation and affordability

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Understanding current economic and affordability pressures

Economic activity in Canada slowed as households and businesses adjusted to higher borrowing costs. Economy-wide output was relatively flat from February to August 2023, and business optimism moderated in the third quarter. Recent employment gains did not keep pace with population growth, putting downward pressure on the employment rate. On a per capita basis, economic growth stagnated during the COVID-19 pandemic, and it will require improvements in labour productivity to return to its long-term trend and sustain living standards.

Even though headline inflation slowed, prices for consumer staples and food remained elevated and affordability challenges persisted. High housing and rental costs, owing to strong demand and weak supply, pose substantial risks to social and economic mobility, particularly for younger and more vulnerable households.

The presentation "[Research to Insights: Perspectives on growth, inflation and affordability](#)," released today, includes nine charts that highlight examples of current economic pressures and potential challenges the country is facing today.

Here are some highlights from the release.

Population growth outpaces employment gains

Both the working-age population and labour force expanded at a substantially faster pace in 2023 within the context of strong population growth. With population growth outpacing recent employment gains, the employment rate edged lower and was close to its pre-pandemic baseline. Recent population increases are not expected to alleviate the overall impacts of population aging on the labour market, as one in four workers expect to retire over the next decade.

Productivity growth key driver for improving living standards

When measured on a per capita basis, economic growth stagnated during the pandemic, as increases in real output did not keep pace with population growth. Real gross domestic product (GDP) per capita fell in the second quarter of 2023, the third decline in the past four quarters. In the four decades leading up to the pandemic, nearly the entire increase in GDP per capita reflected improvements in labour productivity. Structural trends related to population aging and work intensity suggest that productivity will remain a key driver of living standards in the post-pandemic era.

Rising homeownership and rental costs barriers to socioeconomic mobility

Rising borrowing costs have pushed many potential homeowners out of the market, straining an already hot rental market. Barriers to homeownership may have long-term economic impacts. The average per capita net worth of homeowners without a mortgage is \$1.7 million, while renters have an average per capita wealth of \$232,000.

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



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