

# SURVEY ON THE ECONOMY AND HOUSING AFFORDABILITY: SEPTEMBER 2024





## Survey Overview



- › The results presented in this report cover various issues, including the state of the economy, housing affordability, and global affairs.
- › The survey was conducted from August 29 to September 16, 2024, and gathered a total of 652 responses from Canadian executives and managers.
- › As the Modus Business Panel is 100% recruited using probability-based sampling, a margin of error can be calculated – it is plus or minus 3.8% at a 95% confidence interval.
- › The data are weighted by enterprise size and region based on the latest Statistics Canada enterprise population data.



## Key Findings

- › Nearly two-thirds of Canadian business leaders feel the country's economy is going in the wrong direction. - the Liberal Government was the biggest single reason given
- › Six in ten Canadian business managers rate the health of the economy as bad and 50% that it will get worse over the next 12 months. Not since the days of the pandemic has confidence in the economy been so low.
- › Nearly all managers say that the cost of housing is the most important negative factor impacting the Canadian economy
- › The factor having the most positive impact according to 4 in 10 Canadian business leaders is the quality of graduates from Canadian universities.
- › Two factors were seen as contributing most to the high cost of housing by over half of Canadian business leaders: The supply of housing and the level of immigration.
- › Over 50% of employers are maintaining WFH flexibility because of housing costs.
- › Almost 6 in 10 say they have increased prices as a direct result of housing costs.
- › Almost three-quarters of business leaders say Trump would have a negative impact.
- › Fully two-thirds of managers think our economy is too dependent on that of the US.
- › Most Canadian business leaders see an end to US global economic dominance on the horizon. A slim majority continue to see the US dollar at risk.



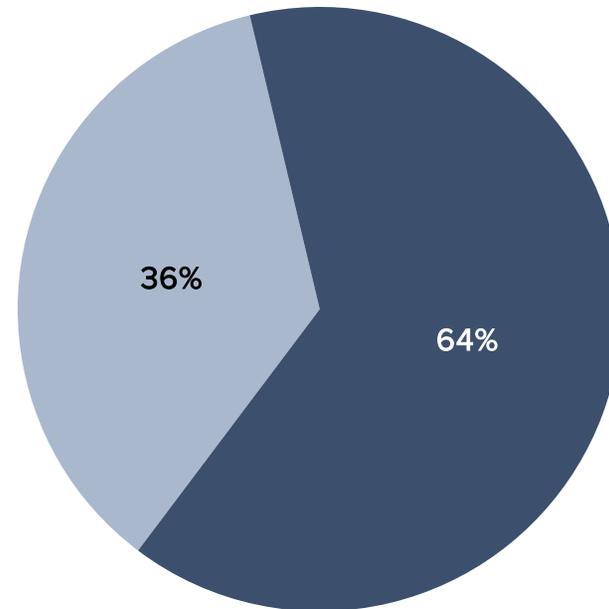
## Direction of the Canadian economy

Nearly two-thirds of Canadian business leaders feel the country's economy is going in the wrong direction.



All things considered do you think the Canadian economy is headed in the right direction, or do you feel things are going in the wrong direction?

■ Right direction    ■ Wrong direction

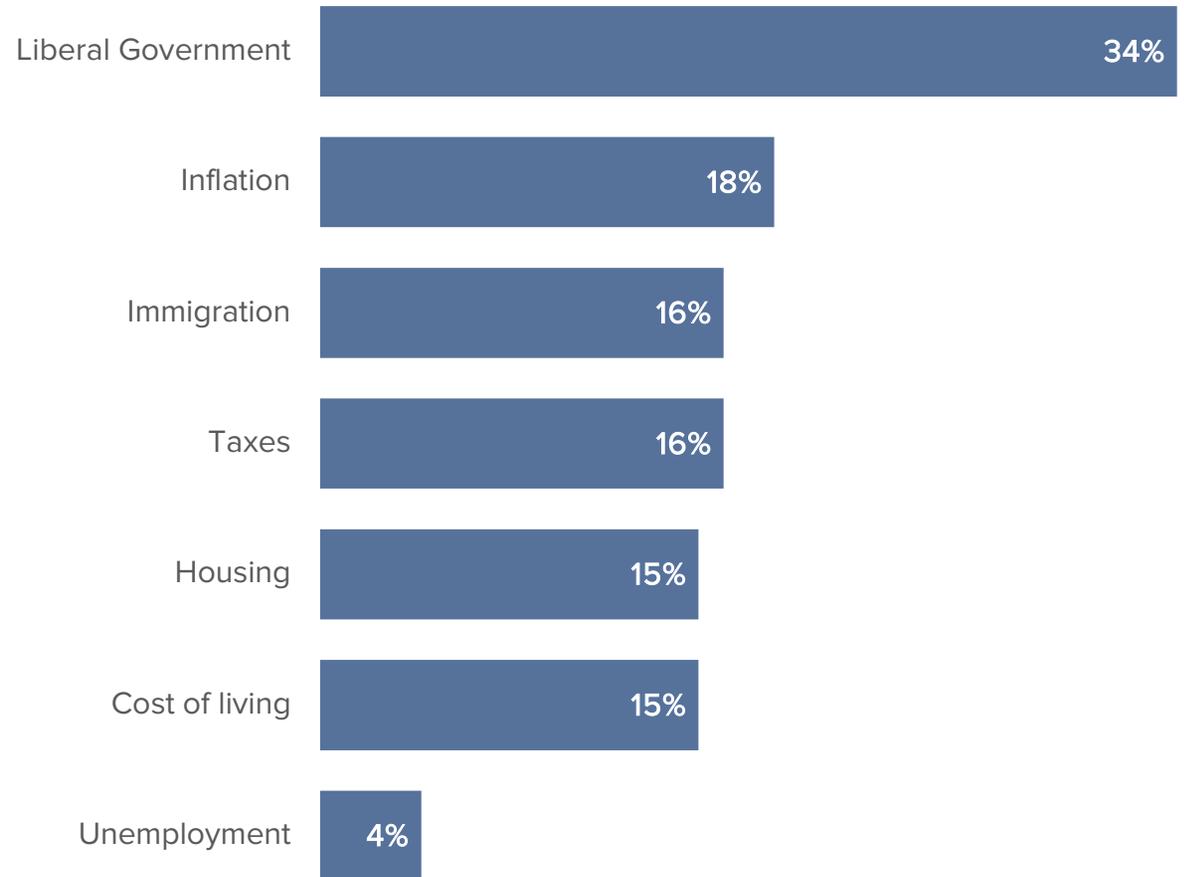


## Reasons Given for Canada Moving in the Wrong Direction

In answer to this open-ended question, the Liberal Government was the biggest single reason given for the country moving in the wrong direction. Inflation, immigration, taxes, housing and cost of living were the other major reasons.



What are the main reasons you say that the Canadian economy is moving in the wrong direction?

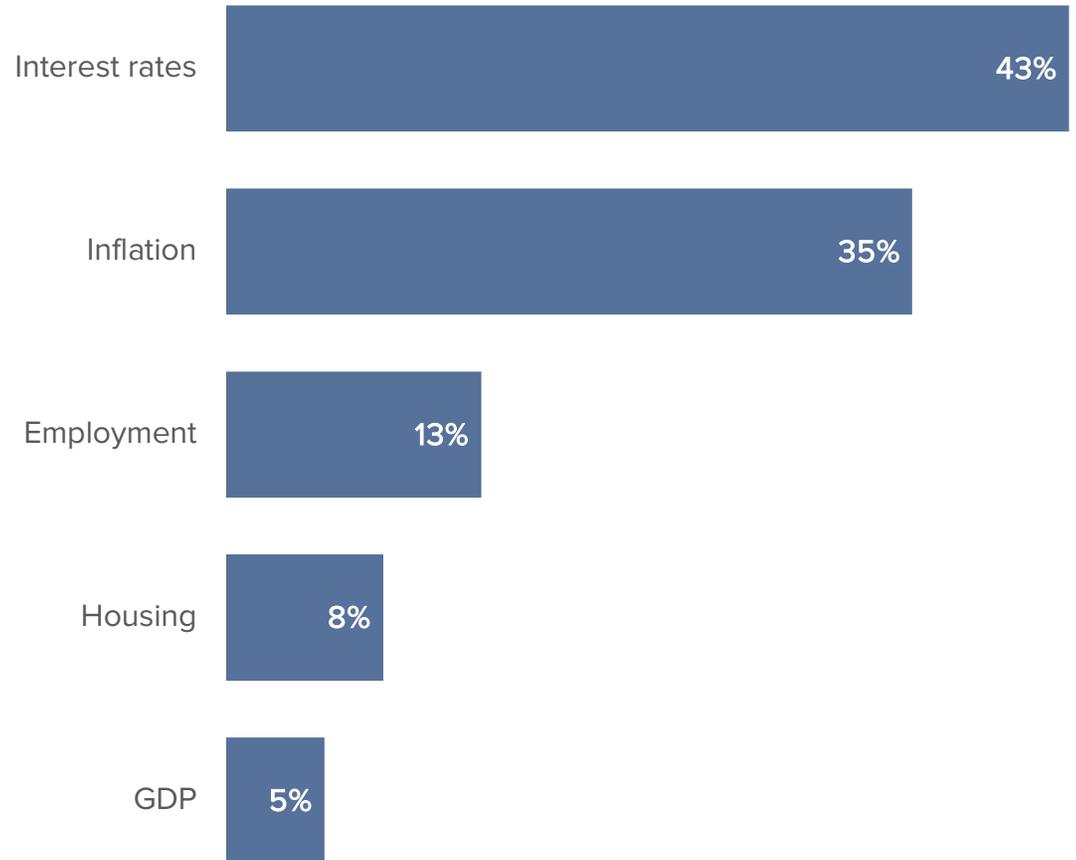


## Reasons Given for Canada Moving in the Right Direction

For those who felt that the country is moving in the right direction, (lower) interest rates and inflation were the main reasons.



What are the main reasons you say that the Canadian economy is moving in the right direction?

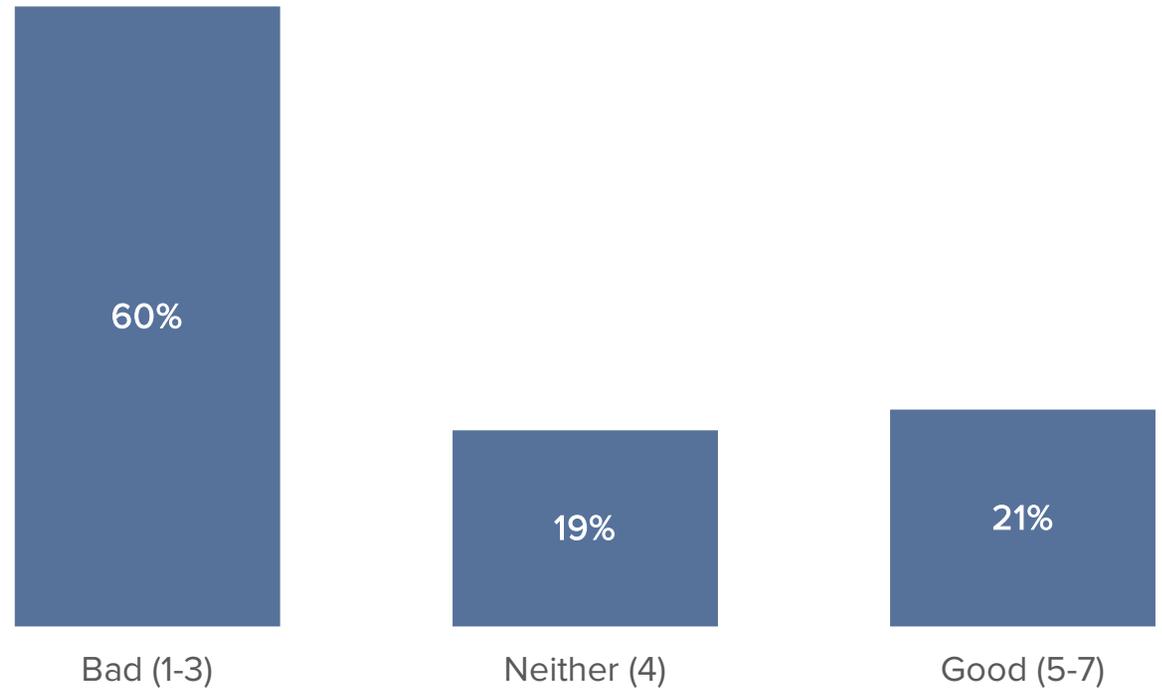


## Health of the Canadian Economy

Six in ten Canadian business managers rate the health of the economy as bad with only 1 in 5 rating it as good.



How would you rate the current health of the Canadian economy?



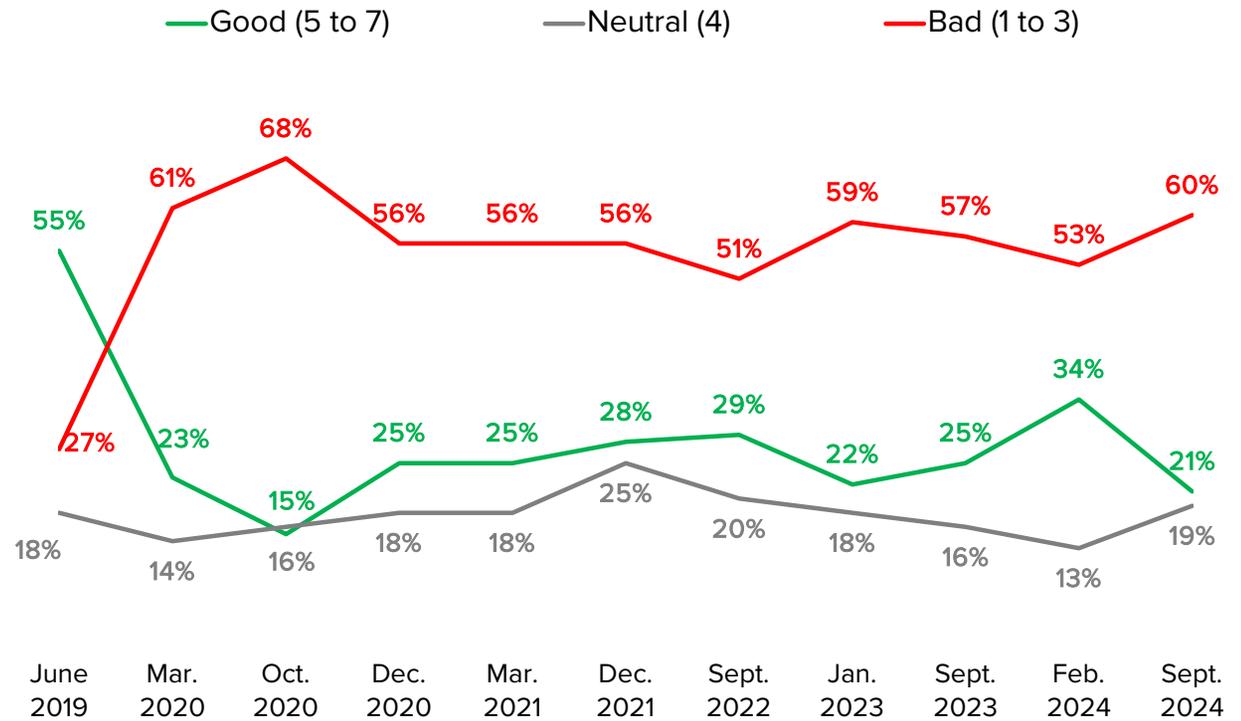
## Tracking: Health of the Canadian Economy

Not since the days of the pandemic has confidence in the economy been so low.

- › In September 2024 60% of managers and executives felt that the economy was in bad shape while only 21% thought it was in good shape.



How would you rate the current health of the Canadian economy?



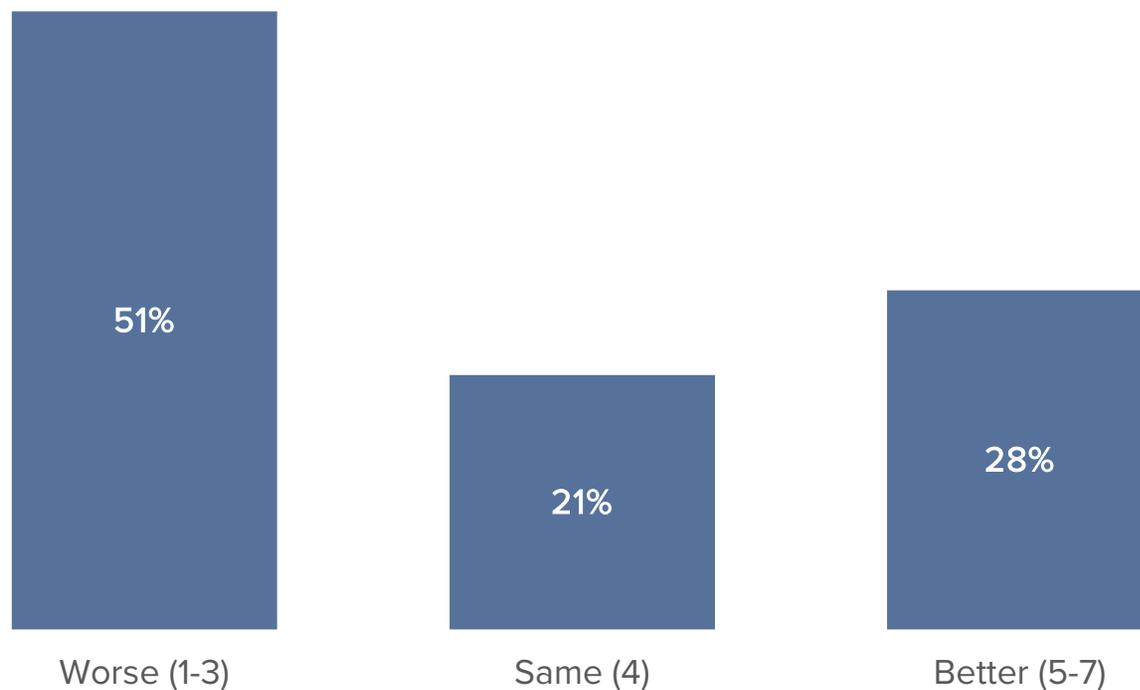
## Outlook for the Canadian Economy over the Next 12 Months

Canadian business leaders are a little more optimistic about the future but not much

- > 50% think the outlook for the Canadian economy will be worse over the next year and only about three in ten think it will be better.



What do you think will be the general outlook for the Canadian economy over the next 12 months?



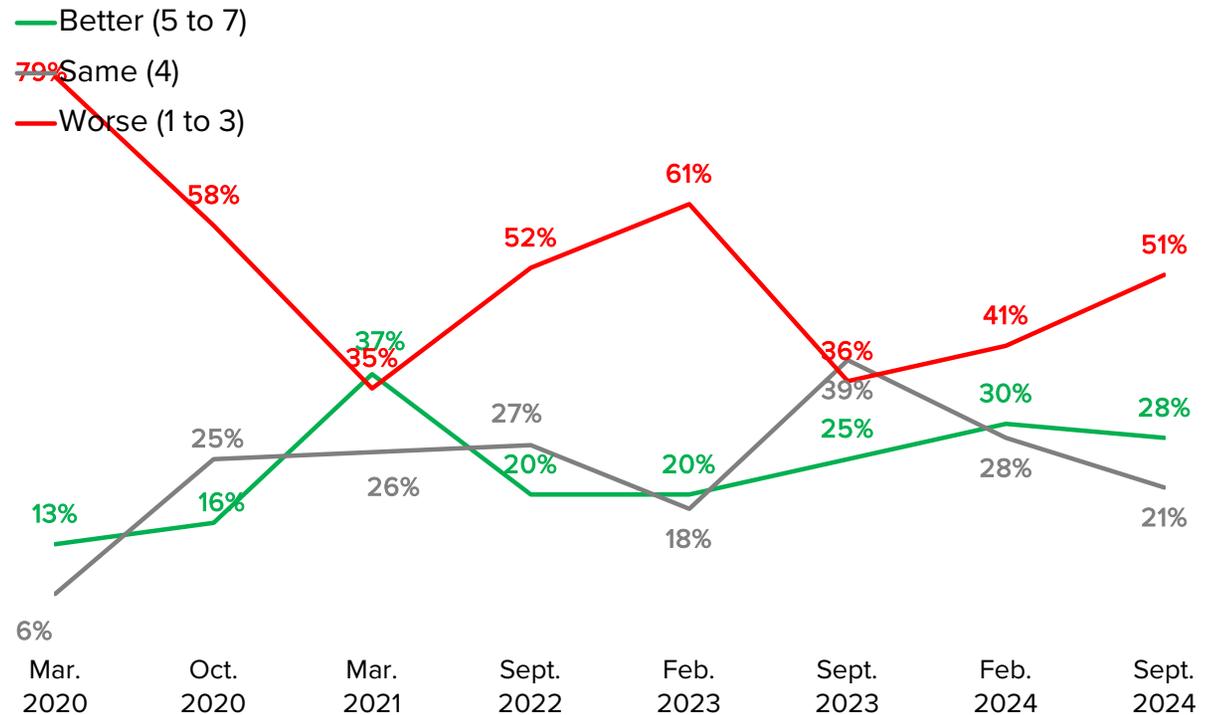
## Tracking: Outlook for the Canadian Economy

Pessimism about the future of the economy has been getting worse over the last year

- > In September 2023 only 36% thought the economy would get worse over the next 12 months
- > This pessimism increased to 41% 6 months later and to 51% in our latest survey
- > That said, there is still a steady 25-30% who think things will improve



What do you think will be the general outlook for the Canadian economy over the next 12 months?

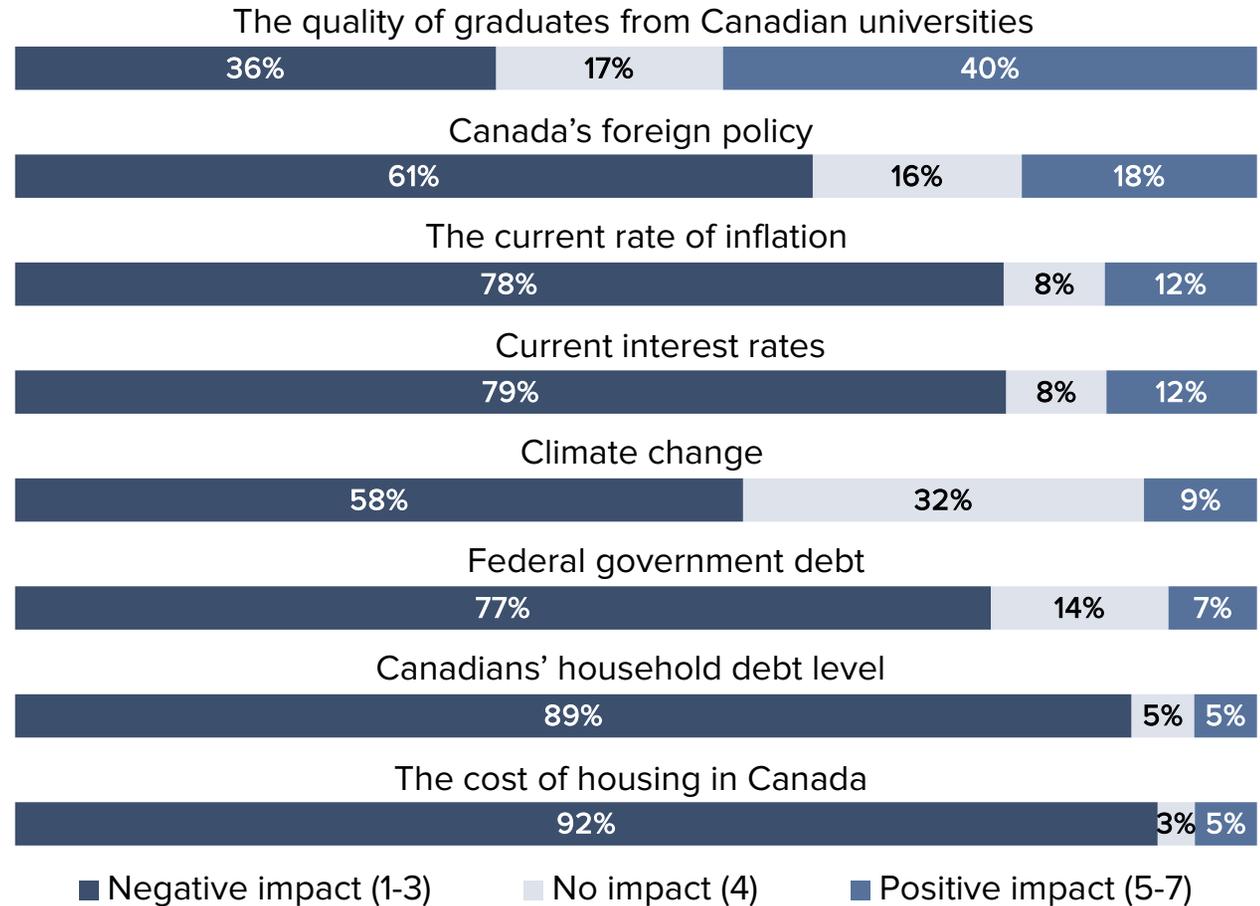


## Factors Impacting the Canadian Economy

- > The factor having the most positive impact according to 4 in 10 Canadian business leaders is the quality of graduates from Canadian universities.
- > The two factors seen as having the greatest negative impact on the Canadian economy are the cost of housing with 92 per cent of Canadian enterprise leaders thinking this way; and Canadians' household debt level with almost 89 per cent thinking this.



How would you rate the impact of the following on the Canadian economy?



Canadian enterprises (n=650)

Modus Research 10

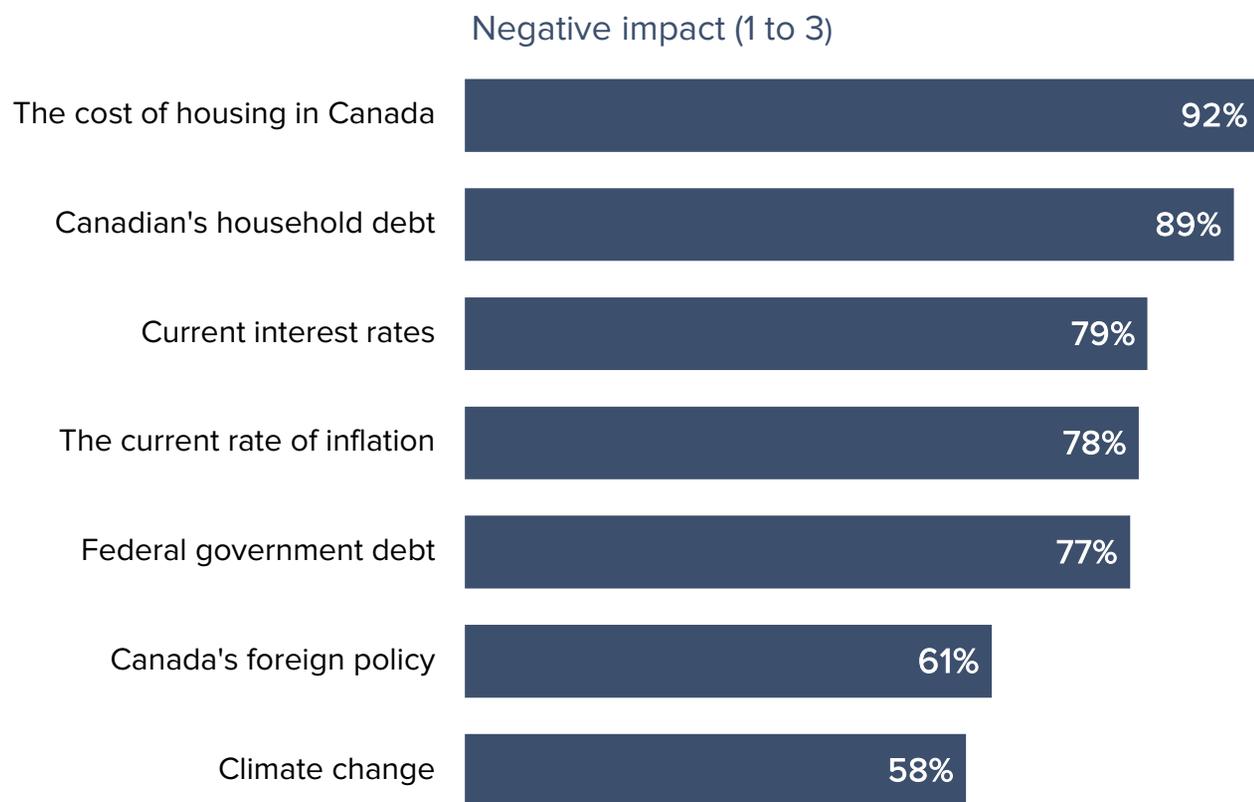
## The Cost of Housing is Nearly Universally Considered a Drag on the Canadian Economy.

Business leaders were asked to rate the impact of a number of important factors on the Canadian economy.

- > Nearly all say that the cost of housing is the most important negative factor impacting the Canadian economy.
- > Household debt is not far behind, as a widely held concern.
- > Interest rates, inflation, and federal debt continue to be seen as drags on the economy in nearly equal measure.



How would you rate the impact of the following on the Canadian economy?



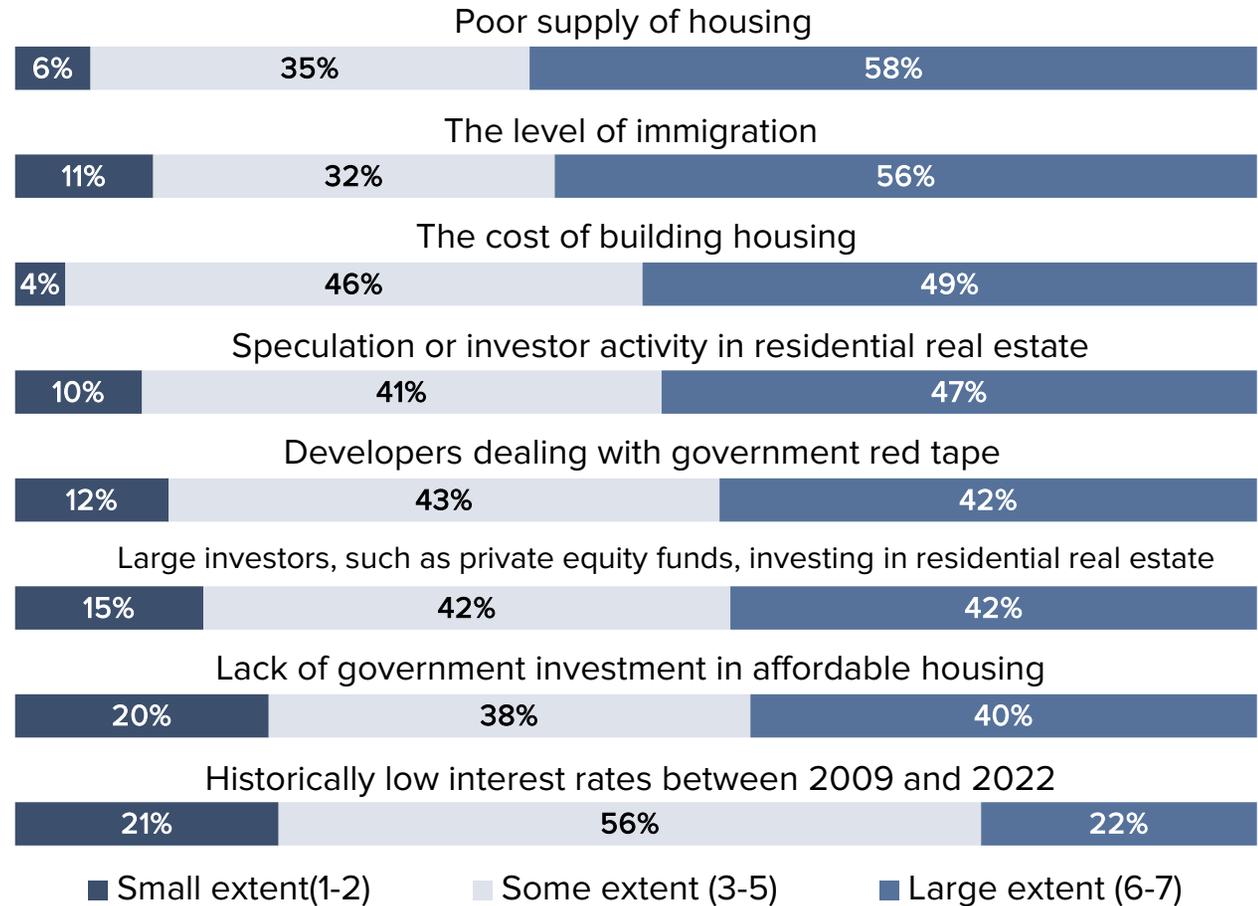
## Factors Contributing to the High Cost of Housing in Canada

Two factors were seen as contributing most to the high cost of housing by over half of Canadian business leaders: The supply of housing and the level of immigration.

- > Only slightly less than half felt that the cost of building and speculation contributed.
- > Important factors (but less so) are red tape, large investors, and lack of government investment.



In your view, to what extent have each of the following contributed to the high cost of housing in Canada?



Canadian enterprises (n=650)

Modus Research 12

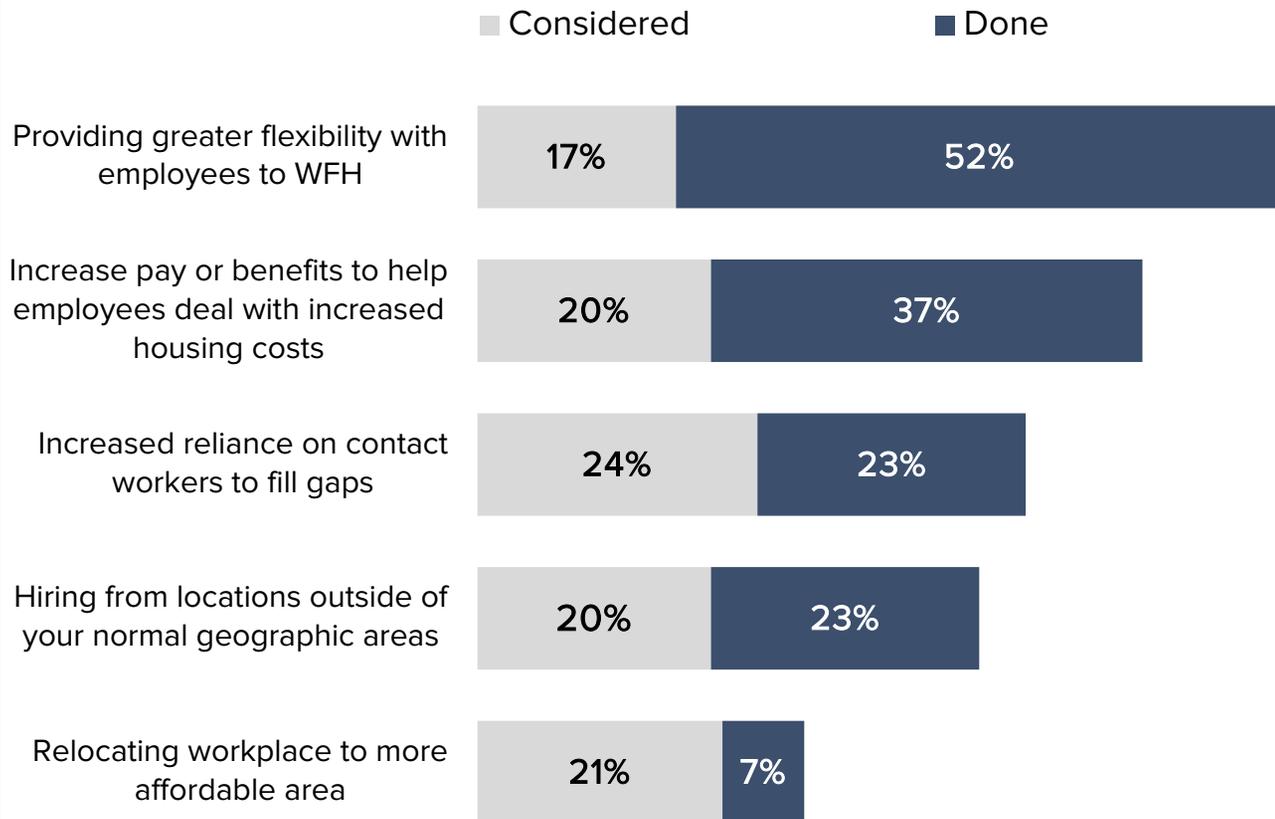
## Housing Costs Having A Significant Impact on How Businesses Handle Employees

While the pandemic initially drove flexible working arrangements, housing costs are causing employers to maintain that with over half providing WFH flexibility.

- > The high cost of housing is also driving up employee costs for over one-third of businesses
- > For about a quarter of businesses increased housing costs is either creating greater reliance on contract workers or forcing them to hire from locations outside their normal geographic area.



Over the past year, has your company done or considered any of the following as a consequence of the high cost of housing for your employees?



## Housing Cost, According to Business Is a Significant Driver of Inflation

Almost 6 in 10 say they have increased prices as a direct result of the impact of housing costs.

- > Half also report that housing costs make it more difficult to recruit qualified employees.
- > Over a third say it is making employee retention more difficult as well.

These results suggest that Canada's housing market is having a major economic impact.



Has your company experienced any of the following as a result of the impact of housing costs for your employees?

Increased the prices of your company's products or services

59%

Greater difficulty recruiting the right people

50%

Greater difficulty retaining employees

39%

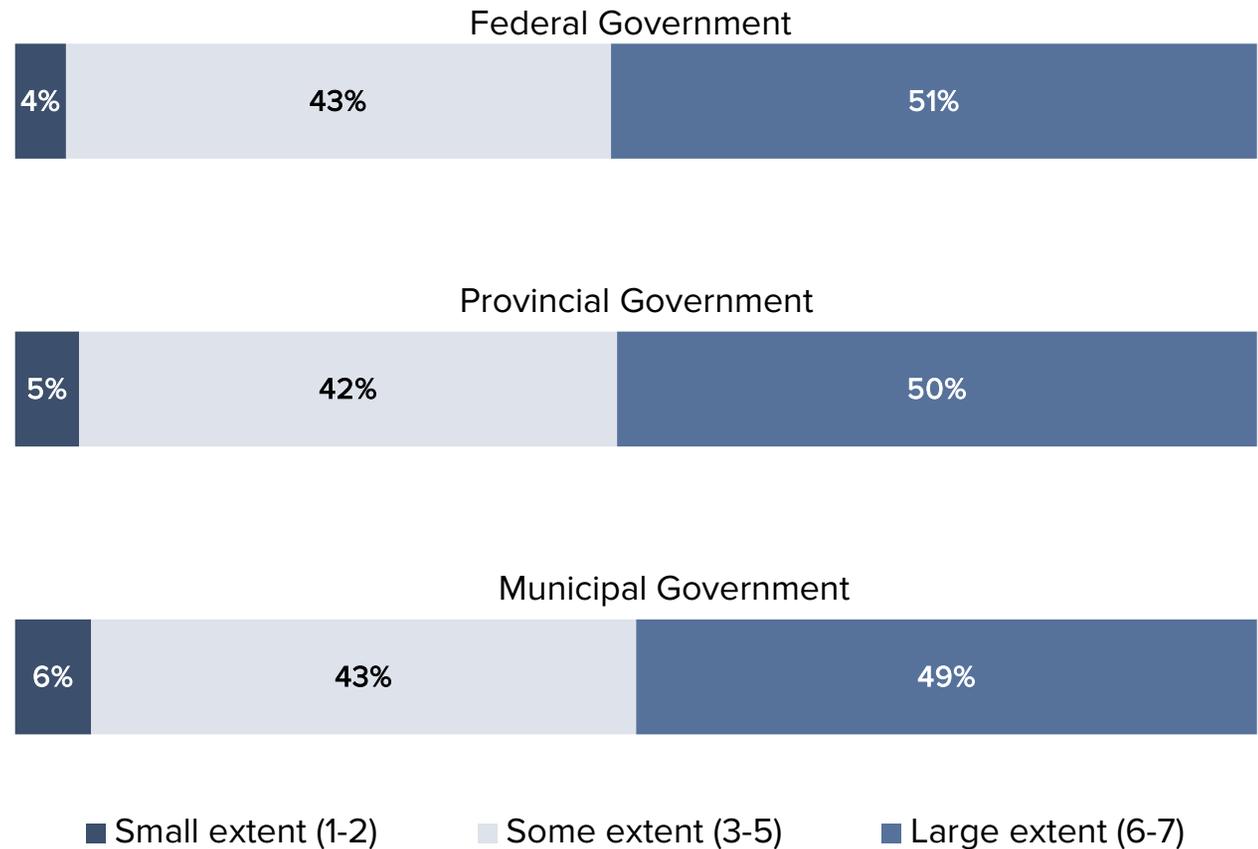
## Government Impact on Improving Housing Affordability in Canada

All three levels of government are viewed the same way when it comes to the extent they can improve housing affordability.

About half of business leaders think governments can improve this issue with proper policies. Only a tiny percentages (under 7%) think that government can only help to a small extent.



Overall, to what extent can each level of government, with the proper policies, help to improve housing affordability in Canada?



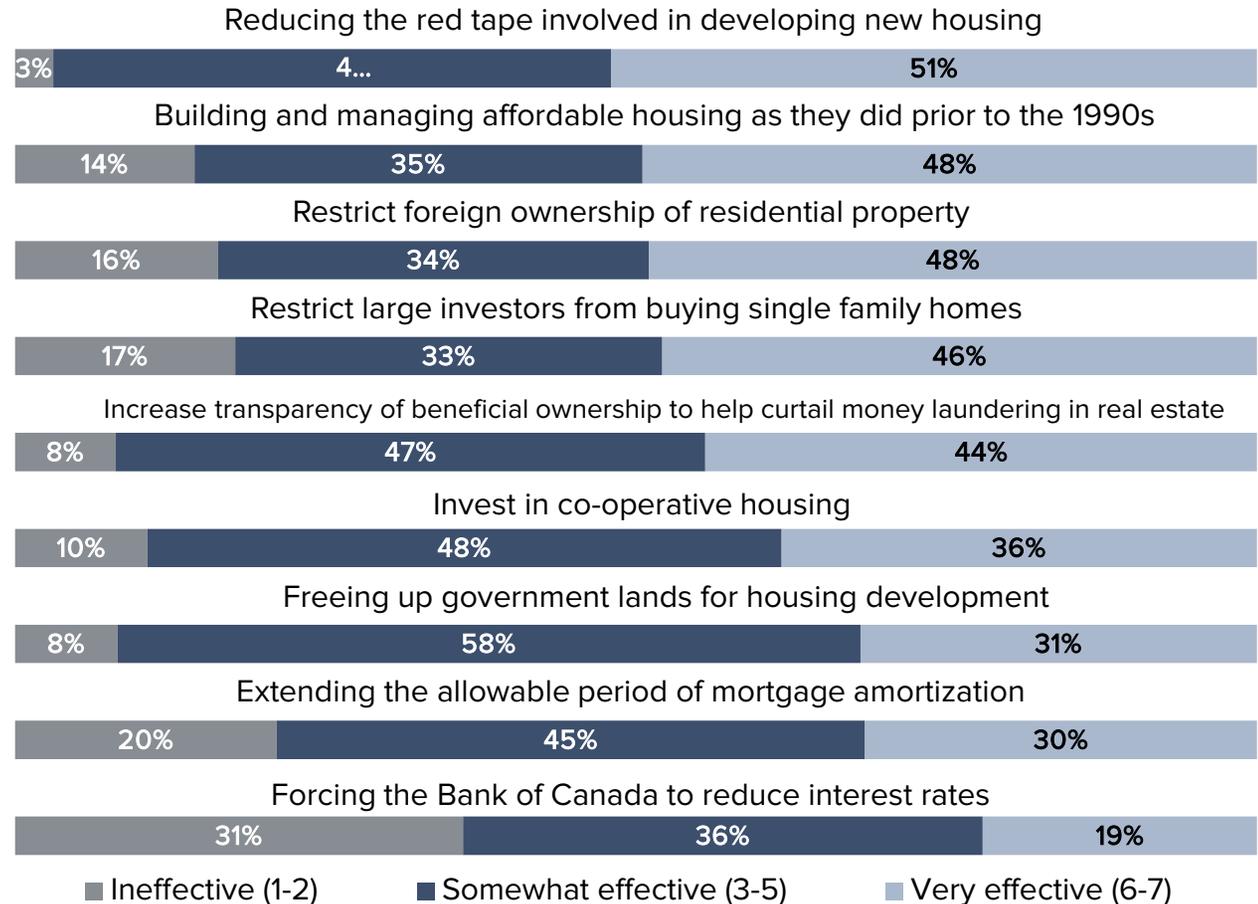
## Policy Measures Effectiveness in Improving Housing Affordability

About half of Canadian business leaders felt that the most effective policies for improving housing affordability would be:

- Reducing red tape involved in developing housing (51%)
  - Building and managing affordable housing (48%), and
  - Restricting foreign ownership of residential property (48%).
- › Rated as a little less effective were restricting investors from buying family homes (46%) and increasing transparency to curtail real estate money laundering (44%).
- › The least effective measure was forcing the BOC to reduce interest rates at only 19%.



Please rate the effectiveness of each of the following policy measures in terms of their potential for improving housing affordability.



Canadian enterprises (n=650)

Modus Research 16

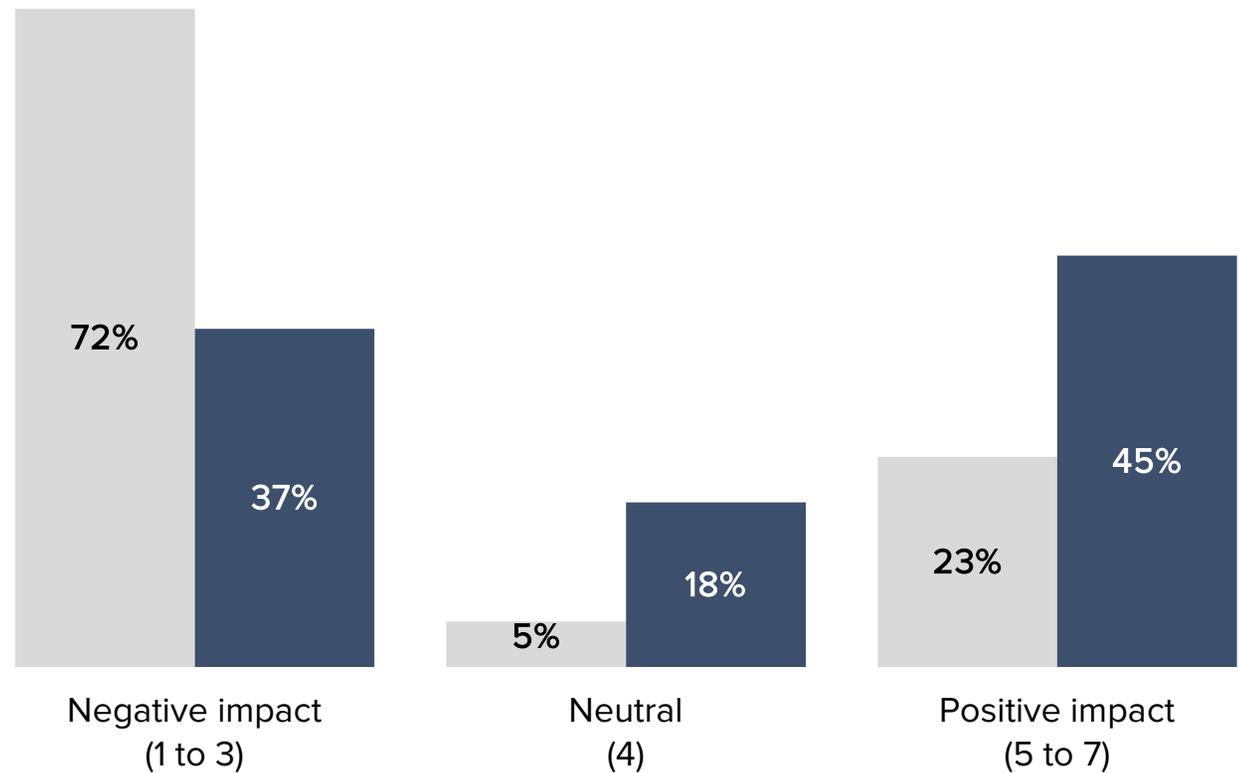
## Canadian Business Leaders are Quite Concerned about Trump's Election and its Impact on the Economy

When asked what impact either Trump or Harris would have on the Canadian economy, almost three-quarters of business leaders say Trump would have a negative impact.



What impact, if any, would the election of either Kamala Harris or Donald Trump as President of the United States have on the Canadian economy?

■ Trump ■ Harris



Canadian enterprises (n=652)

© Modus Research 17

## Two-thirds of Canadian Business Leaders say Canada is too Dependent on the US Economy

With persistent concerns among Canadian business leaders over the state of the economy, The Business Monitor has explored various dimensions of these ongoing concerns.

One dimension that concerns a large number of business leaders is the dependency of the Canadian economy on the US economy.

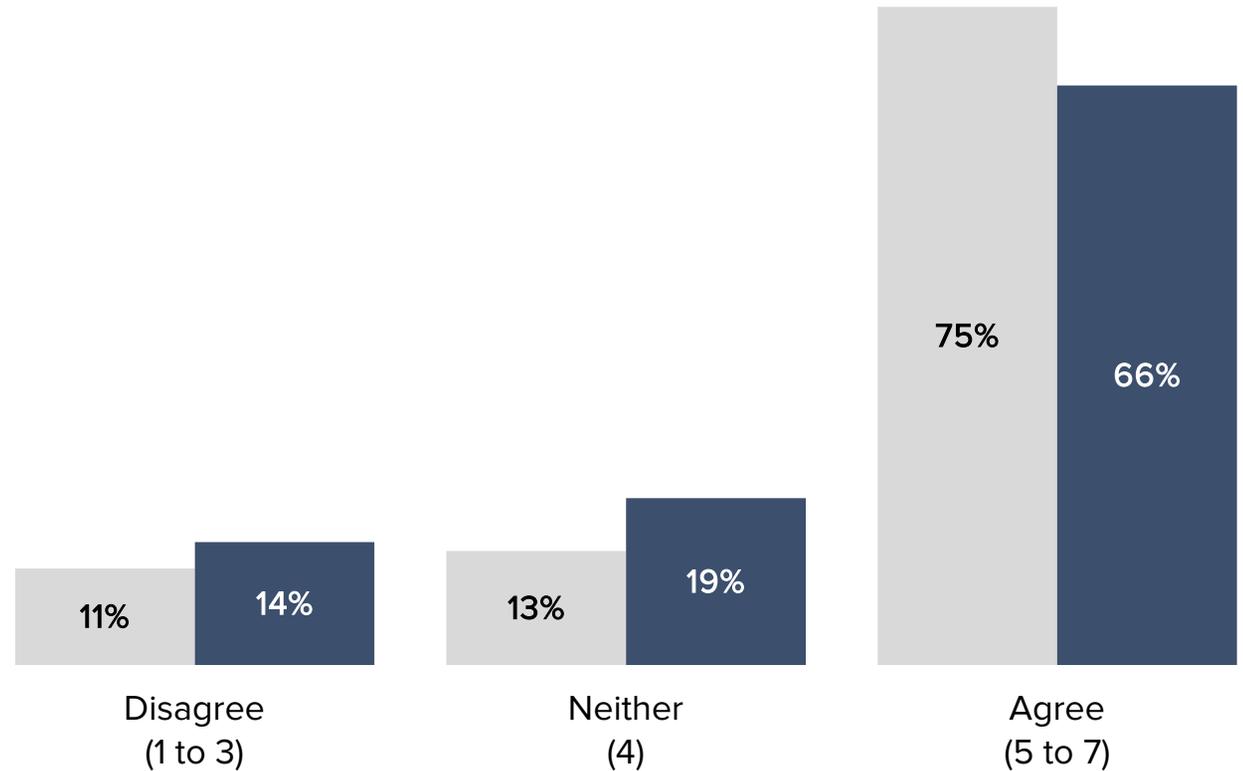
- > Fully two-third think our economy is too dependent on that of the US.
- > This was even higher at three quarters in February.



How strongly do you agree or disagree with the following statements?

The Canadian economy is too dependent on the US economy

■ February 2024 ■ September 2024



Canadian enterprises (September, n=652; February, n=886)

© Modus Research 18

## A Solid Majority say China will Overtake the US as the World's Leading Economy

Most Canadian business leaders see an end to US global economic dominance on the horizon.

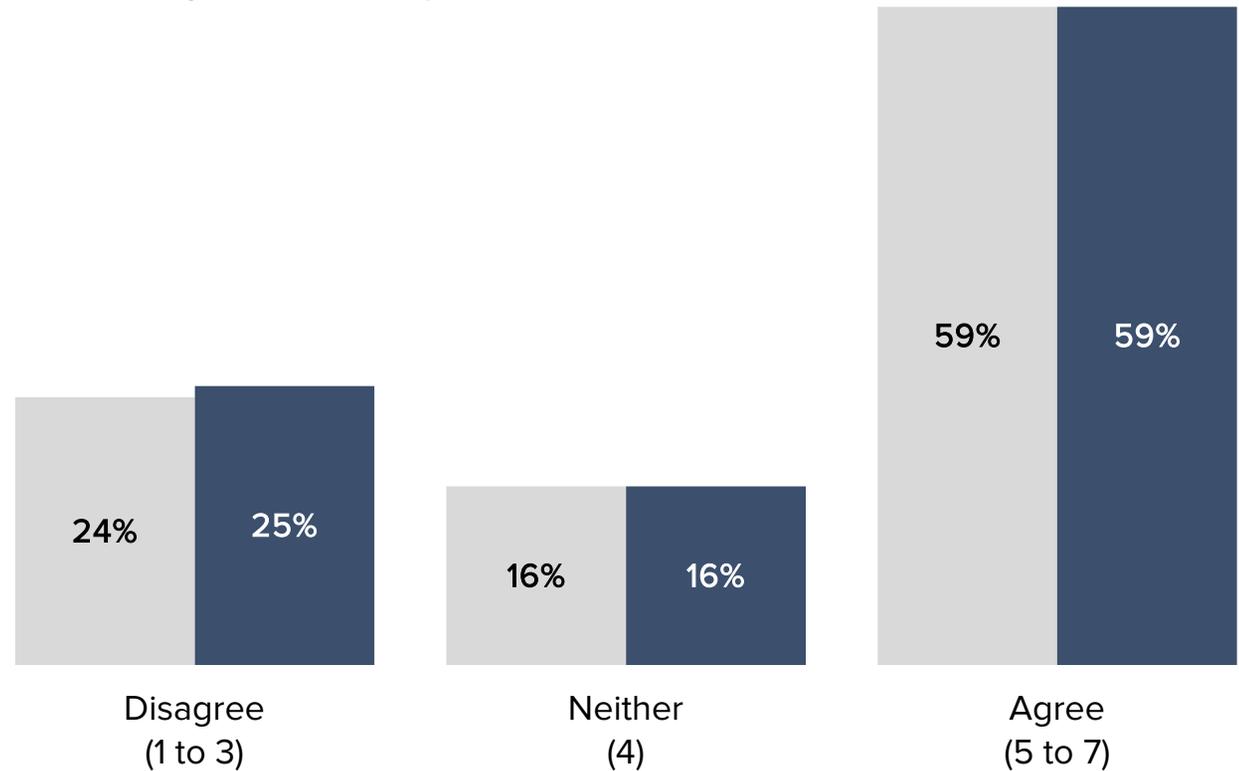
This result is virtually unchanged since February.



How strongly do you agree or disagree with the following statements?

**China will eventually overtake the United States as the world's leading economy**

■ February 2024 ■ September 2024



Canadian enterprises (September, n=652; February, n=886)

© Modus Research 19

## A Slim Majority Continue to see the US Dollar at Risk

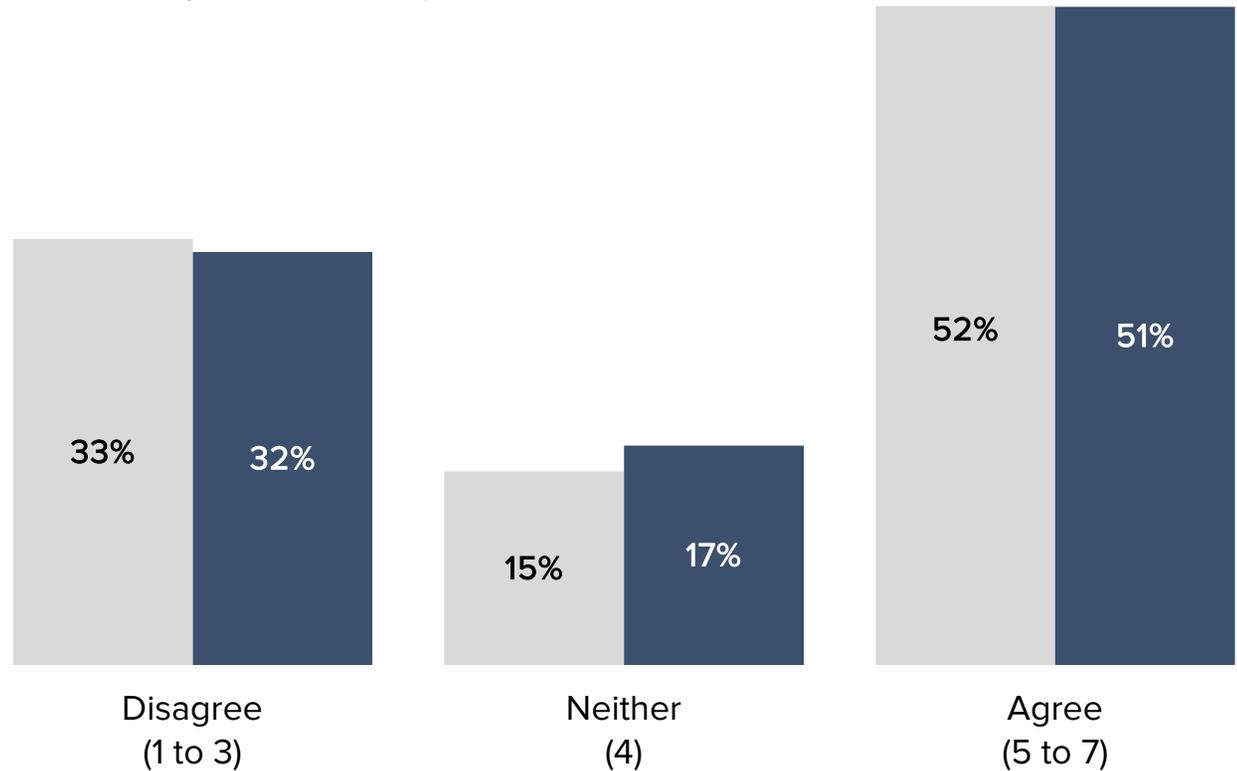
This result is virtually unchanged since February.



How strongly do you agree or disagree with the following statements?

The US dollar is at risk of losing its status as the world's reserve currency

■ February 2024 ■ September 2024



Canadian enterprises (September, n=652; February, n=886)

© Modus Research 20

## Concern over Armed Conflicts Negatively Impacting the Economy

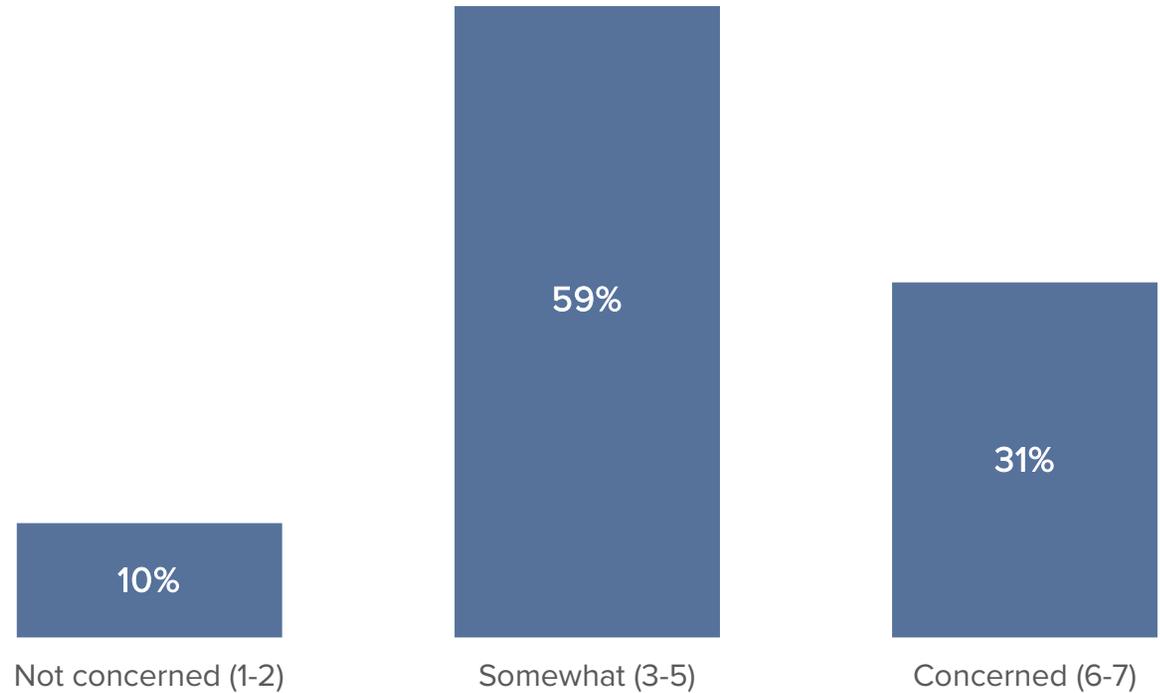
Canadian business leaders are concerned over conflicts negatively impacting the economy.

Looking at those with a high concern (31%) and those with some concern (59%), fully nine out of ten business leaders have some level of concern.

Only one in ten say they are unconcerned.



There are many armed conflicts taking place in the world today. Overall, how concerned are you that these conflicts are having a negative impact on the Canadian economy?





*Real answers from real people*