

Canadian Economy

Sector Profile

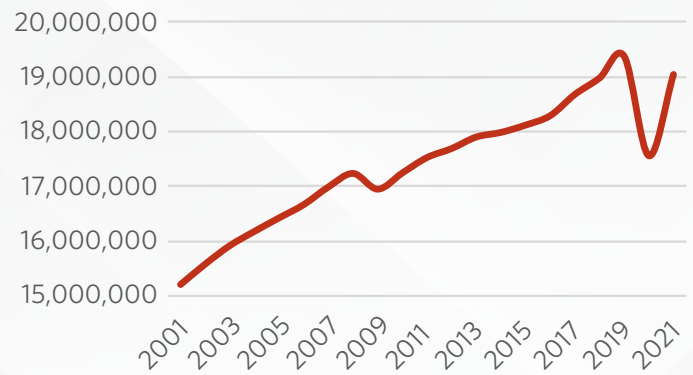
Sector Facts and Figures

Total GDP	\$1.97 trillion
Exports	\$631.2 billion
Imports	\$613.9 billion
Foreign Trade Balance <i>5-year change</i>	+\$17.3 billion 208.7%
Total Employment <i>Change since 2011</i>	19.1 million +8.7%
Real wage growth (2011-2019)	+5.6%
Labour Productivity (2019)	\$60.5/hr
Average Work Hours/Week (2019)	32.8
Greenhouse Gas Emissions (2019) <i>Change since 2009</i>	629,769kt +4.7%
Union Coverage Rate	31%
Unifor Members	315,000
Number of Unifor Bargaining Units	2,904
Average Bargaining Unit Size	107

Current Conditions

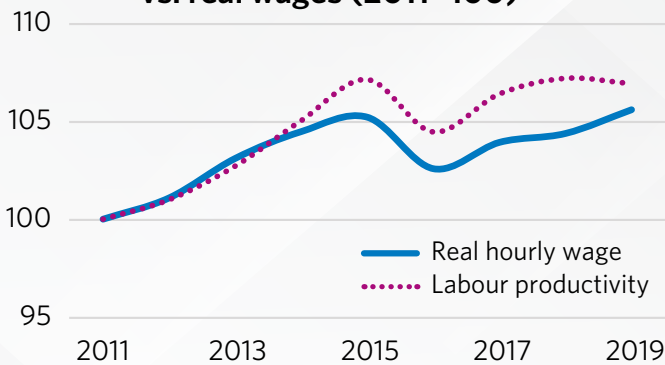
The Canadian economy saw robust growth over the last decade, with gross domestic product (GDP) increasing from \$1.7 trillion in 2011 to just under \$2 trillion in 2021, a combined increase of 17.6%. Although economic growth took a sharp dive during 2020 due to the COVID-19 pandemic, GDP nearly recovered to 2019 levels in 2021 and is expected to surpass that level in 2022. Most economic observers expect the Canadian economy to grow by just under 4% this year, while slowing slightly in 2023. However, recent changes to monetary policy implemented by the Bank of Canada to combat inflation may adversely affect economic output and result in the economy undershooting GDP forecasts. Meanwhile, the decline in trade volumes during 2020 was more than offset by a sharp recovery in trade in 2021, with imports increasing by nearly 13%, while exports surged by 21%. As a result, Canada posted its first positive trade balance since 2014, at +\$17.3 billion. This was only the second time in the past decade that a positive trade balance was reported. With imports expected to lag due to ongoing supply chain issues, positive trade balances may become the norm for the next few years.

Total Canadian employment, 2001 - 2021



In terms of labour market performance, employment saw relatively steady growth from 2010 until 2019, with the increase in jobs accelerating after 2017. However, the COVID-19 pandemic and resulting public health measures led to a catastrophic decline in employment, with the loss of over 1.5 million jobs and the erasure of nearly 8 years of employment growth (see above chart). Fortunately, the labour market experienced a full recovery by the end of 2021 and has recently posted some of the lowest monthly unemployment rates over the past 40 years. However, while mainstream economists complain that tight labour market conditions are leading to labour shortages, there is plenty of evidence that the Canadian economy has returned to a pre-pandemic status quo, characterized by significant levels of precarious work and skills mismatches. In other words, both working conditions and job quality have significant room for improvement.

Canadian economy: labour productivity vs. real wages (2011=100)



Although nominal wages grew consistently over the past decade, stagnant wage growth from 2015 until 2019 meant that inflation actually eroded real wages (i.e., wages adjusted for inflation). As a result, real wages increased just 5.6% from 2011 until 2019, with most of that growth concentrated in the first half of the 2010s. There are signs that real wage growth recovered over the past two years, but these figures are distorted by the large numbers of low-wage workers who were laid off during the pandemic, which boosted average wage figures. As inflation continues to hit multi-decade highs in 2022, it will remain to be seen whether workers' purchasing power can keep up with their increasing productivity, with real wages having fallen behind productivity growth from 2011 to 2019 (see above chart).

Unifor in the Canadian Economy

Unifor is the largest labour union in the private sector and its 315,000 members span approximately 3,000 bargaining units and 25 unique industries, spread out across every region of Canada. Approximately one out of every six unionized workers in the Canadian private sector is a Unifor member. However, Unifor also represents a significant number of workers in the public sector, with one out of six Unifor members working in public utilities, passenger rail, education, public transit, social services or health care. About one in eight Unifor members have a job in the skilled trades and one in three members are women. More than half of Unifor members hail from Ontario (52%), followed by Quebec (16%), the Prairies (13%), Atlantic Canada (10%) and B.C. (9%).

Moving Forward: Developing the Canadian Economy

Although the Canadian economy has experienced an impressive recovery from the sharp downturn in 2020, Canada is at something of an economic crossroads currently. Inflationary pressures continue to confound policymakers and the Bank of Canada has been forced to accelerate its planned return to normal interest

rates, after cutting interest rates to their lowest levels ever to revive the pandemic-suppressed economy. These interest rate hikes will undoubtedly impact the economy, with the housing market already seeing a notable slowdown. Whether the Canadian economy will slide into a full-scale recession remains to be seen, but some observers are suggesting that stagflation – high inflation coupled with stagnant economic growth – might be possible in the near future.

Longer term, the Canadian economy is also facing headwinds from a mismatch between its climate commitments and an overriding dependency on industries that have yet to meaningfully curb emissions, with total industrial emissions having grown nearly 5% from 2009 to 2019. Federal and provincial governments will need to rapidly implement measures to support cleaner energy while protecting workers in emissions-intensive industries over the next decade, if it is to sustain economic growth without sacrificing workers' jobs and livelihoods.

Major Economic Development Issues

- Canada's dependency on emissions-intensive industries requires urgent, innovative solutions to transition both workers and companies to clean growth sectors.
- The recent spike in inflation has fundamentally shifted the direction of Canadian monetary policy, which may lead to an economic downturn and job losses.
- Economic growth in Canada has become increasingly dependent on lending, with both consumer and corporate debt reaching new highs. Policymakers will need to find a way of securing a 'soft landing' for over-leveraged consumers and companies as interest rates increase.