

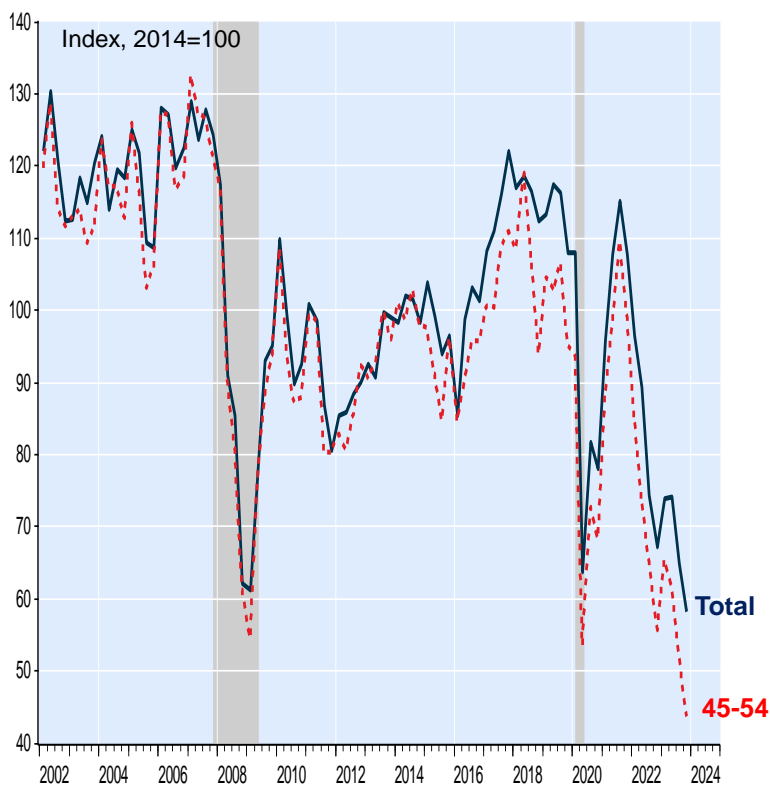
Canada Watch

By Matthieu Arseneau

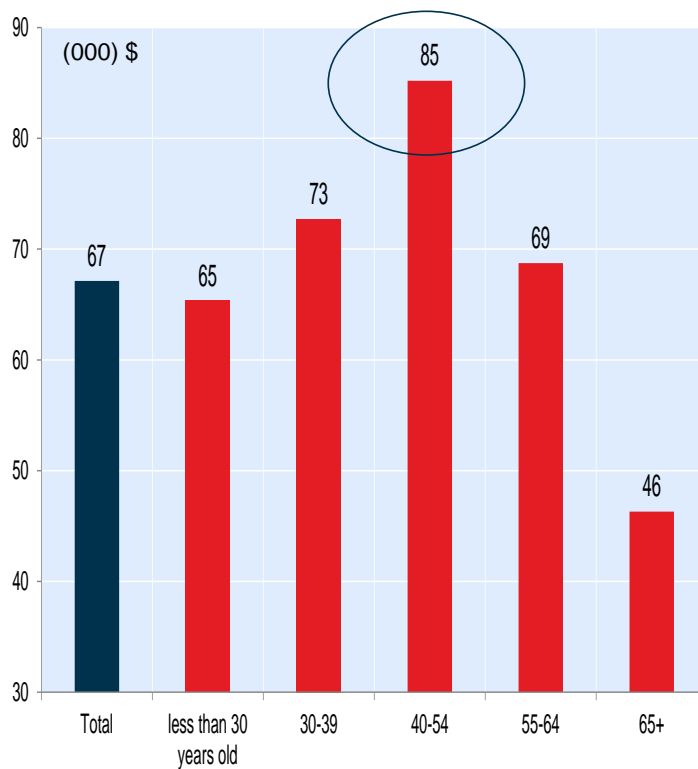
Canadian consumers are feeling the pinch after an unprecedented period of high inflation and rising interest rates that has eroded their purchasing power. Even without a significant deterioration in the job market so far, data from the Conference Board of Canada shows that consumer confidence at the start of the fourth quarter of 2023 is lower than it was during the last two recessions. While the decline in sentiment is widespread across age groups, we're seeing an even sharper drop among one cohort in particular in the wake of recent shocks. As today's Hot Chart shows, the 45-54 age group has seen the sharpest deterioration in sentiment since policy rates began to rise. This is not surprising given that this cohort has not experienced such high inflation in their adult lives and, along with the 35-44 age group, is the most indebted. Such a development does not bode well for consumption, as they are part of the age group that tends to spend more than others.

Canada: A worrying drop in confidence for largest spenders

Consumer confidence indices
(quarterly averages, October for 2023Q4)



Average household annual consumption (2021)



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