

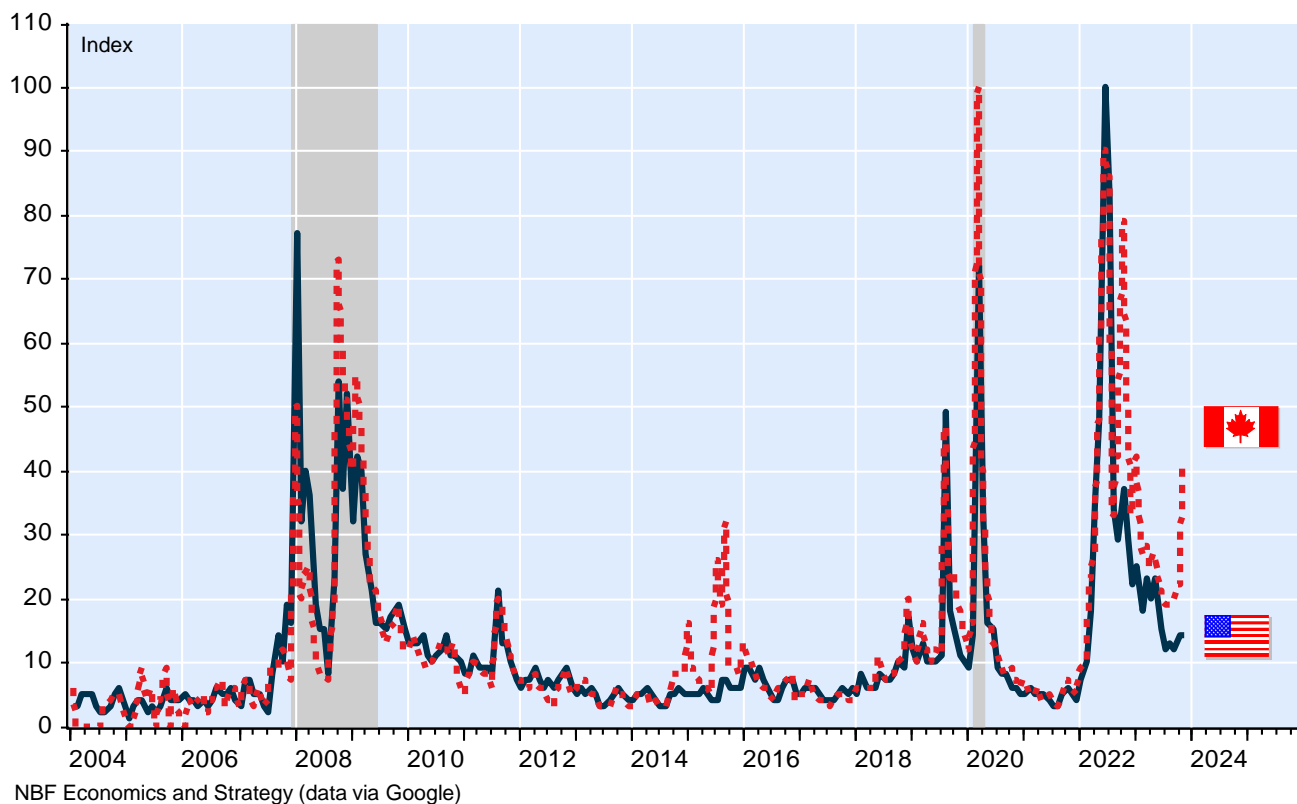
Canada Watch

By Alexandra Ducharme and Matthieu Arseneau

Since March 2022, the Bank of Canada has raised its policy rate by 475 basis points, representing a tightening of monetary policy of unprecedented speed and magnitude. Although the lags in the transmission of monetary policy mean that these rate hikes have not yet had their full effect, recent economic data clearly show that the economy is beginning to feel the impact. The unemployment rate has risen by 0.7 percentage points in six months with real GDP essentially stagnating over that period. While recent developments could escape the recession label, Canadians seem concerned about the situation currently prevailing in the country, especially given recent mass layoffs. As today's Hot Chart shows, Canadians are typing the word "recession" into their search engines far more than their American counterparts so far in November. It is well documented that a recession can be self-fulfilling, in the sense that it is all the more likely to occur when people feel they are in one and begin to adjust their behavior accordingly. This is consistent with our view detailed in our just published [Monthly Economic Monitor](#) showing economic contraction occurring sooner this side of the border. As for the United States, despite aggressive monetary tightening by the Federal Reserve to date, output has grown at an impressive 4.9% annualized rate in Q3 thanks to reckless consumers. We have repeatedly argued that this resilience can be attributed, at least in part, to the fact that consumers are spending more than they can afford, as evidenced by the low savings rate. Denial could come to an end and that means that Americans could soon have reason to Google "recession" too.

Canada: Consumers more wary of a recession this side of the border

Google searches for "recession" (economic news) as of November 20



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