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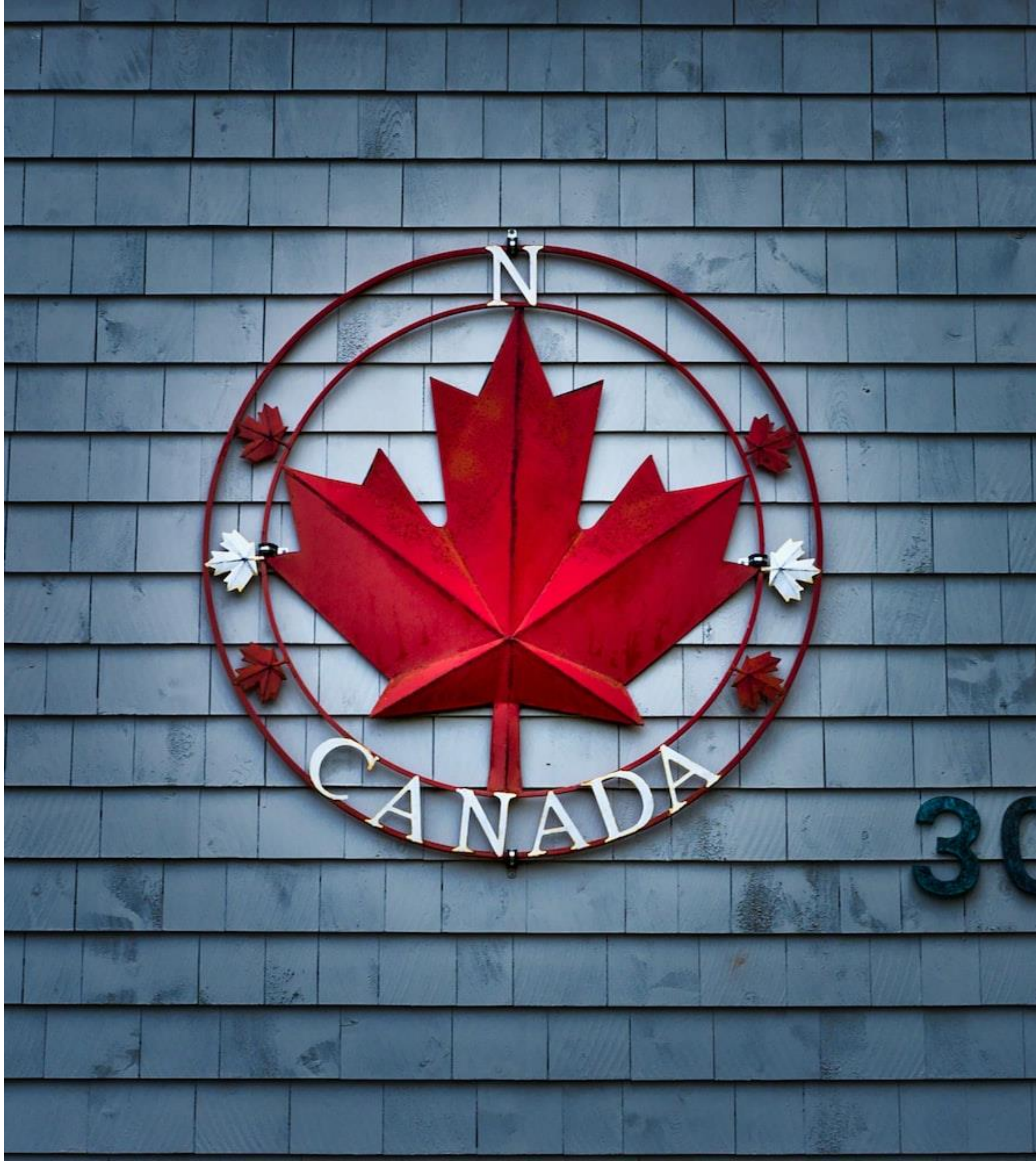
The Canadian Maru Household Outlook Index (MHOI)

With monthly tracking of Canadian citizen-consumers and their 60-day outlook about the Canadian economy and their personal finances



November 2023

The November 2023 Canadian MHOI is at 83 (negative/pessimistic) **down one point from last month** and is **tied with the worst measure recorded** (March 2023) since April 2021.

There are five primary influences on the index this month—and it's the month to month rolling average measure on personal finances that has had the most significant impact:

- **Less Canadians say their personal financial position was better off** this month compared to last (**10%** down from 11% last month). Notably, while less Canadians felt worse off than last month (dropping from 30% to 28%), the difference moved to the "stayed the same" month over month column witch now sits at 62%. The Gap score (better versus worse -18) this month is coming off the second worst level (-19) since April 2021.

- **Less Canadians** (**11%** down from 12% last month) **have intentions to buy a house**---and this is more intense than last month as those who are *very likely* to purchase a home in the next sixty days is down two percentage points (from 6% to 4%).

- **Four in ten** (**37% and holding steady** from last month) continue to **struggle to make ends meet** (although it's noted here that the intensity has dropped slightly among those most acutely affected from 15% to 12%).

- **Less Canadians** (**15%** down from 18% last month) say they **will likely default on making payments on major loans or a mortgage.** This is a step back to this past July.

- **More Canadians** (50% up from 45% last month) indicate they **will likely put money away for their retirement**—noting that since June 2022, this has been the most volatile measure within the index.

So, is the "tied for worst" index this month qualitatively the same as its counterpart back in March? To determine that, the other six parallel tracked measures that are ***not used to compute the index*** (16 of 22 are used), must be considered:

- **Less Canadians** (**33% dow**n from 35% last month) believe the national economy will improve over the next sixty days (a step back to the same number in August).

- **Less Canadians** (**28% down** from 31% last month) say that they **will invest in the financial markets** because now is a good time to do so (a return to similar findings last May).

- **One in six Canadians** (**18% up** from 17% last month) indicate they will move to a smaller residence because they need to save money. This metric has risen six percentage points (from 12%) in a year.

- **Almost four in ten Canadians** (**37%** and with **no change** from last month) say they rely on government programs to make ends meet. To put this in perspective, this continues to stand at the highest level since July 2020 and has risen thirteen percentage points since May 2022 (19%).

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The verdict: <u>this is the *worst* index measure since the MHOI commenced back in April 2021</u>

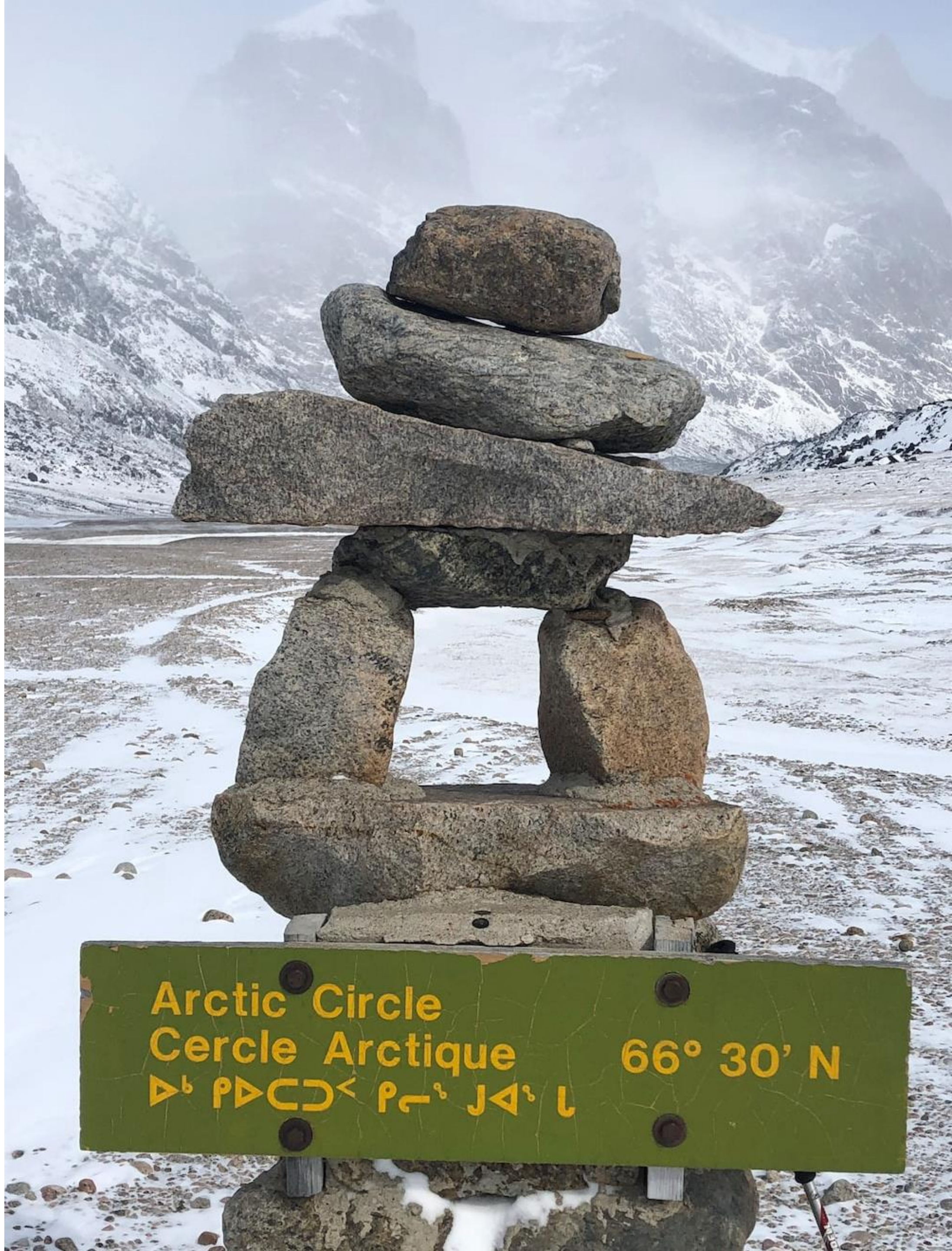
Since 1970, Canada has experienced three recessions and **each one has delivered a similar pattern of response and outcome**—high inflation confronted by the blunt instrument of the Bank of Canada raising interest rates followed by a slowdown in the economy to tame the inflated cost of living and then a climb back to better days and a lessening of those rates. That being the case, the question is**: where are we in this usual rhythm**?

Back in early August, we released the results of a survey that found **most (53%) of Canadians believed** that **the country was either currently in a recession (23%) or heading into one (30%).** Lagging indicators suggest these respondents may have been **prescient** as the latest Gross Domestic Product (GDP) figures suggest **Canada may be in a <u>technical recession</u>**: the economy remained unchanged in September, pointing to a decline in output of 0.1% annualized for the third quarter, following a 0.2% contraction from April to June.

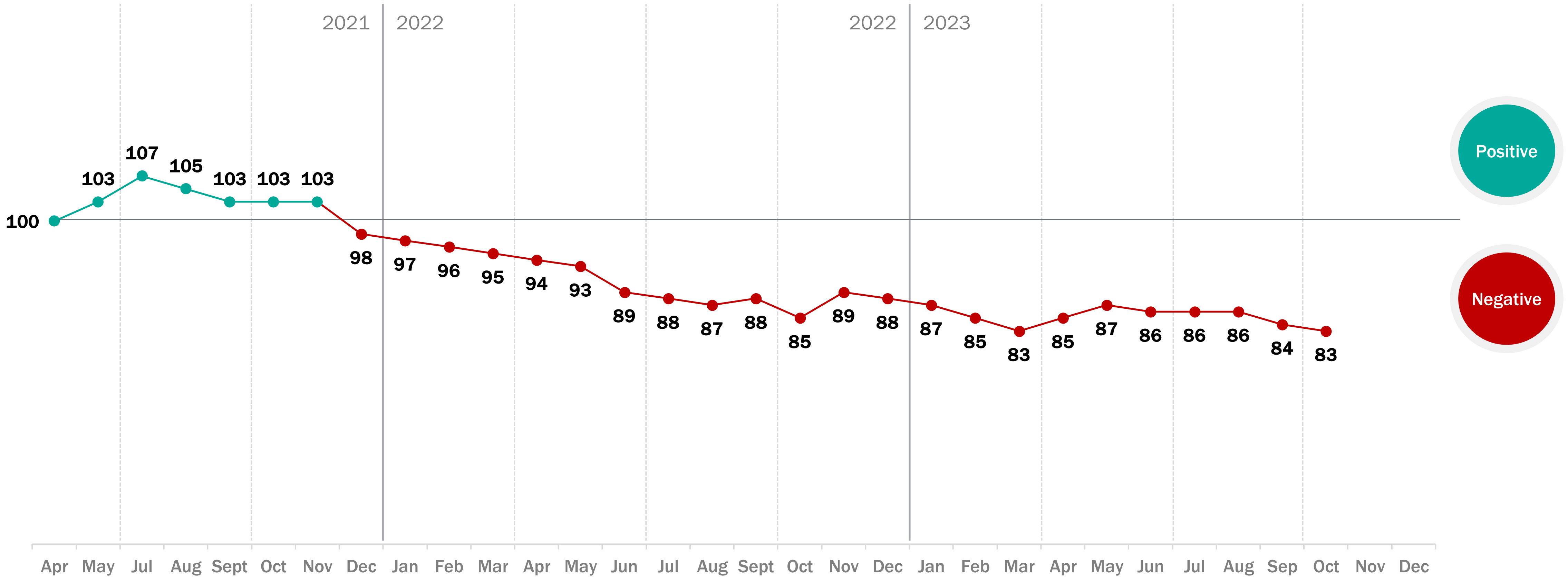
Various lagging indicators appear to confirm the potential soft-landing recession that the Bank of Canada has attempted to pilot with its hockey stick rise in rates with a more recent holding pattern glide path:

- The weakest job gains in more than a year and the unemployment rate rose to a 21-month high (5.2%) and the fourth monthly increase in the past six months.
- The Canadian Real Estate Association (CREA) lowered its forecast for sales and prices for the remainder of 2023 with the sales-to-new listings ratio down to 51.4 per cent, the first time the measure has fallen below the long-term average of 55.2 per cent since January.
- With a contributing slower economic growth projection for the next two years, the Ontario government announced the province is projecting a $5.6 billion deficit for 2023-24.— a significant increase from the $1.3 billion deficit forecast in this year's budget back in March.
- The manufacturing sector contracted 0.6%, with both non-durable and durable goods contributing to the decrease for a third month in a row.
- Accommodation and food services declined 1.8% in August. Food service and drinking places declined 2.2%, more than offsetting the 2.1% increase in July.
- Retail trade dropped 0.7%, continuing the downward trend that started at the beginning of this year.
- Lower activity at new car dealers drove the decline for a second straight month.

Are we there yet? Maybe. If the inflation downward trajectory is what the Bank of Canada wants (2% target) it could spell a further hold on interest rates and drive speculation for a spring 2024 recovery (and possible rate drop that would be welcomed by those about to renew their mortgage or buy/sell a home. The next Consumer Price Index (CPI) report is due November 21, 2023, and the subsequent Bank of Canada interest rate decision and monetary report is scheduled for December 6, 2023, **so stay tuned.**



The Canadian Maru Household Outlook Index (MHOI)
83 (negative/pessimistic)



The Appendix reveals the questions and formula used to calculate the monthly index.

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What’s Driving the Index This Month?

There are five primary influences on the index this month with the month to month rolling average measure on personal finances having the most impact:

- **Less Canadians say their personal financial position was better off** this month compared to last (**10%** down from 11% last month). Notably, while less Canadians felt worse off than last month (dropping from 30% to 28%), the difference moved to the “stayed the same” month over month column witch now sits at 62%. The Gap score (better versus worse -18) this month is coming off the second worst level (-19) since April 2021. Those contributing to this modest drop are most likely to be the oldest Canadians (55+ 2% -3) and those living in both Ontario (12% -2) and Manitoba/Saskatchewan (8% -2).

- **Less Canadians** (**11%** down from 12% last month) **have intentions to buy a house**—-and this is more intense than last month as those who are *very likely* to purchase a home in the next sixty days is down two percentage points (from 6% to 4%). This drop was manifested primarily by geography—most likely to be found in Manitoba/Saskatchewan (4% -12) and Atlantic Canada (7% -6).

- **Four in ten** (**37% and holding steady** from last month) continue to **struggle to make ends meet** (although it’s noted here that the intensity has dropped slightly among those most acutely affected from 15% to 12%). Those reporting a greater struggle are more likely to be predominantly based on geography and residing in Alberta (36% -10) and Quebec (28% -6). Similarly, this is offset by those living in both Manitoba/Saskatchewan (41% +7) and Ontario (41% +3).

- **Less Canadians** (**15%** down from 18% last month) say they **will likely default on making payments on major loans or a mortgage.** This is a step back to where the findings were this past July. Those *less* likely to indicate they will default are from Atlantic Canada (12% -8), Manitoba/Saskatchewan (11% -7), and Quebec (13% -5), and those with the least amount of income (<$50k 20% -6), The was virtually no other socioeconomic factor affected.

- **More Canadians** (50% up from 45% last month) indicate they **will likely put money away for their retirement**—noting that since June 2022, this has ben the most volatile measure within the index. Those who found improvement were from Quebec (+56% 26), older (55+ 45% +8), women (49% +7), and those at both the highest ($100k+ 71% +6) and lowest (<$50k 39% +6) incomes. Those who pulled back were all geographically oriented, being primarily from,Manitoba/Saskatchewan (42% -10) and Atlantic Canada (45% -6).

* Figures beside percentages (-/+ and N/C) are indicative to any change from the previous month.

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By the numbers

Thinking of the state of the economy, would you say it is…?

- Moving in the right direction 30% N/C
- On the wrong track 70% N/C

Specifically focused on your financial position, would you say it has…?

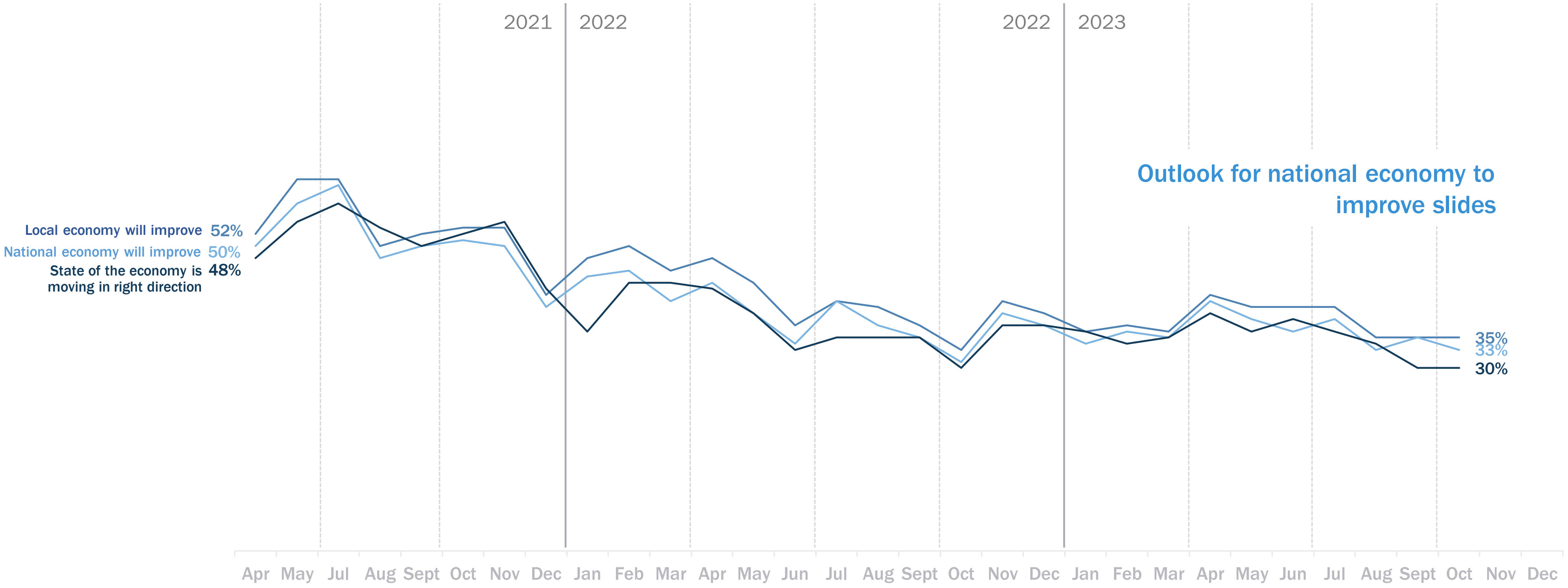
- Improved since last month 10% -1
- Remain the same over the last month 62% +3
- Become worse since last month 28% -2

Over the next sixty (60) days is it **very/somewhat**/**not very/not at all** likely that…?

- The national economy will improve 33% -2 67%
- The local economy where I live will improve 35% N/C 65%
- I will have more than two months of savings to cover any unexpected costs or needs 66% +1 35%
- I will put away money for my retirement/old age security 50% +5 50%
- I will have enough personal/family investments and savings for the future 59% +1 41%
- I will be worried about my personal/family day-to-day finances 53% N/C 47%
- I will have the ability to purchase the products needed for me/our family 84% +116%
- I will invest in the financial markets because now is a good time to do so 28% -3 72%
- I will purchase big ticket items like a car or furniture 19% +1 81%
- I will buy a house 11% -1 89%
- I will struggle to make ends meet 37% N/C 63%
- I will default on making payments on major loans or a mortgage 15% -3 85%
- I will lose or be laid off from my job because of lack of business/work 12% -2 88%
- I will likely declare bankruptcy 9% -1 91%
- I will earn a livable wage 62% N/C 38%
- I will have enough food for myself/family 90% +1 10%
- I will be able to afford to keep a roof over my/my family's head 79% +4 21%
- I will rely on government programs to make ends meet 32% N/C 68%
- I will move to a smaller residence because I need to save money 18% +1 82%
- I will take a learning course to upgrade my skills/education 25% +1 75%

The Canadian Maru Household Outlook Index (MHOI):
Economic Outlook

Over the next 60 days, likely to…



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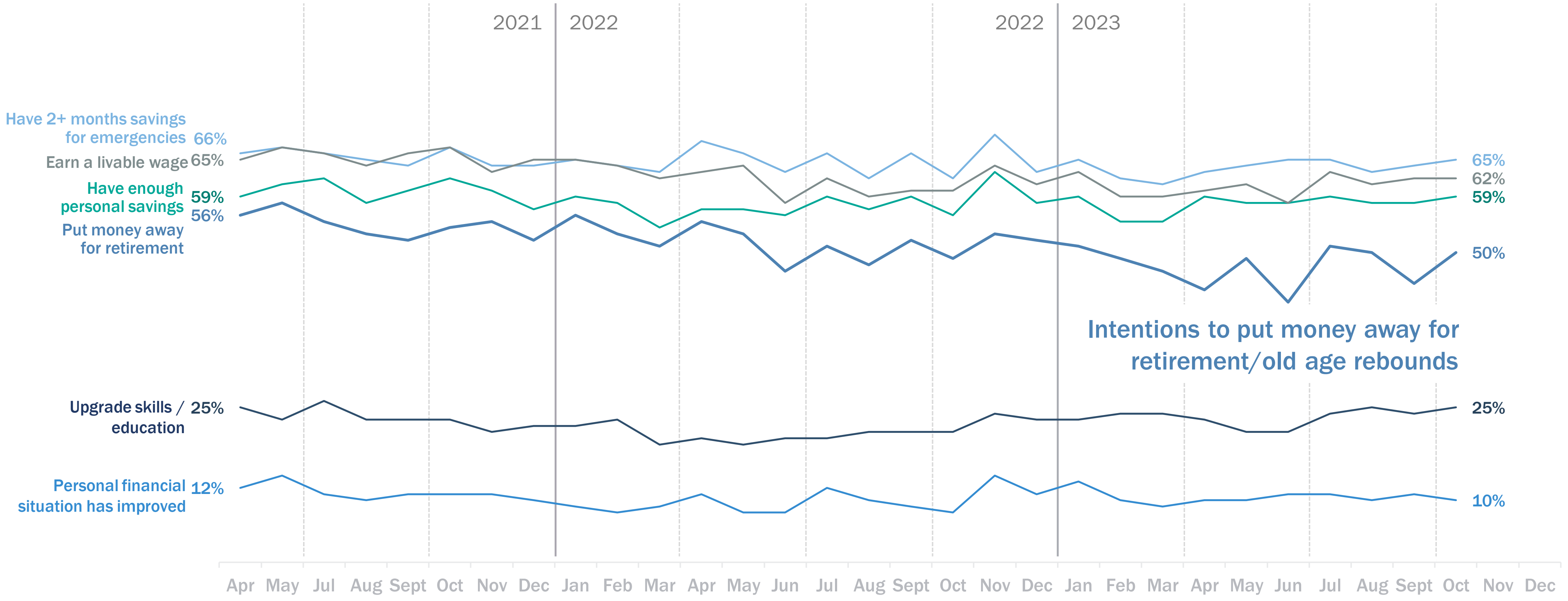
The Canadian Maru Household Outlook Index (MHOI):
Personal Finances

Over the next 60 days, likely to…



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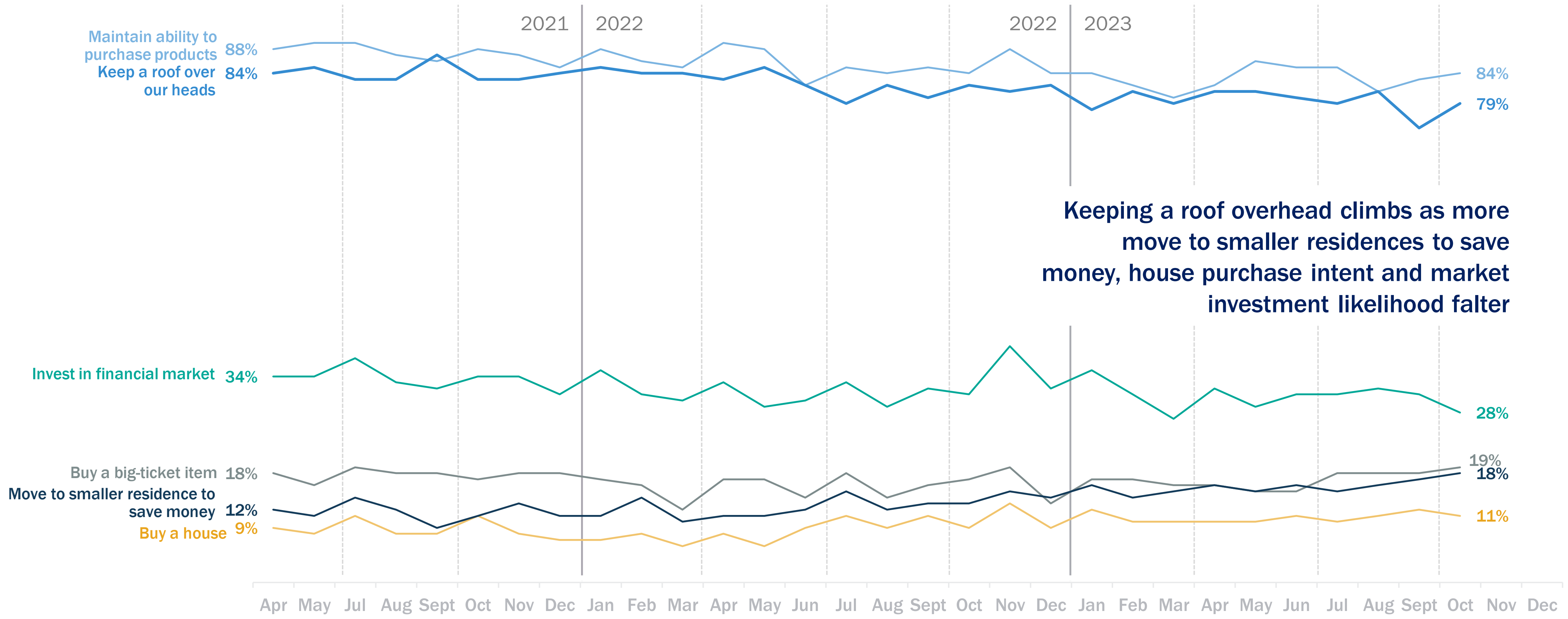
The Canadian Maru Household Outlook Index (MHOI): Purchasing Power

Over the next 60 days, likely to...



Keeping a roof overhead climbs as more move to smaller residences to save money, house purchase intent and market investment likelihood falter

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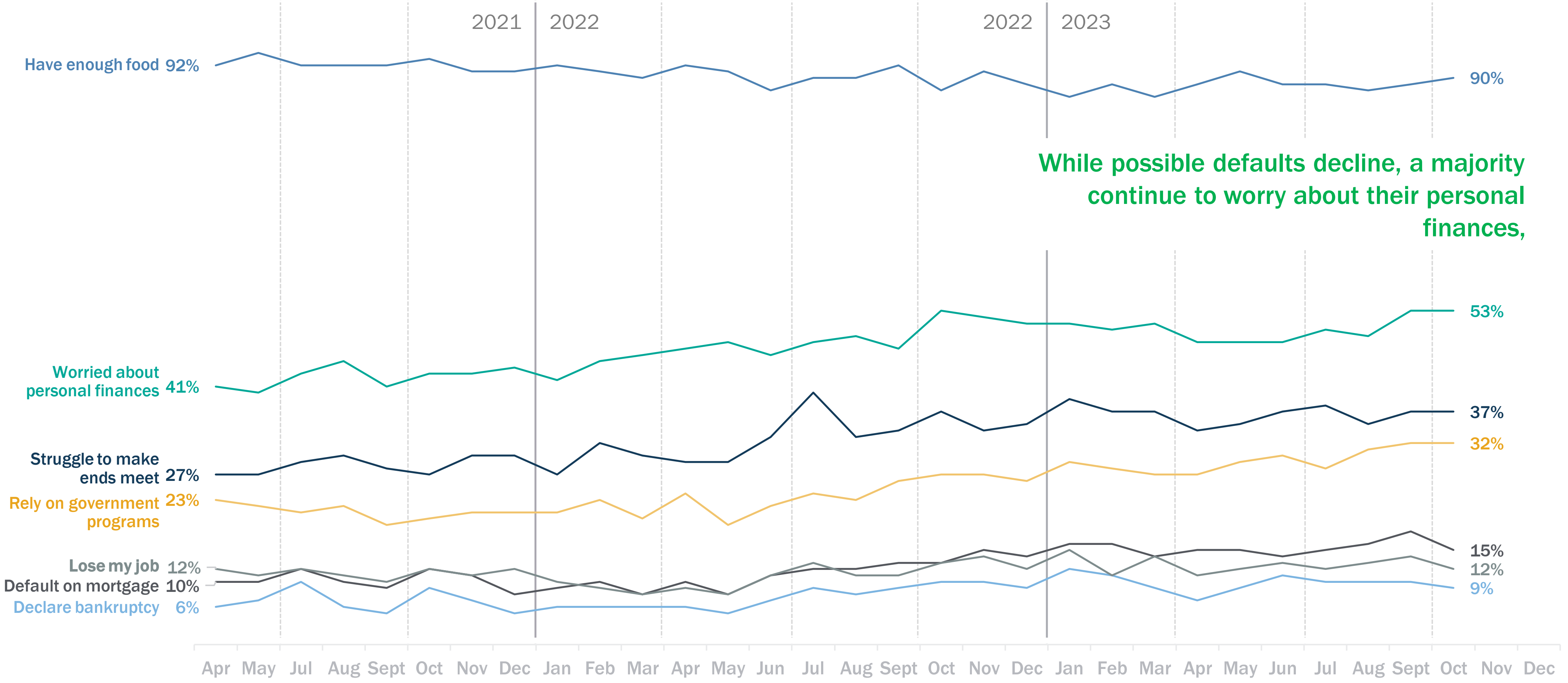
The Canadian Maru Household Outlook Index (MHOI): Challenges

Over the next 60 days, likely to…



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Data Collection Methodology for this Month's Wave

- These are some of the findings from a study released by Maru Public Opinion undertaken by its sample and data collection experts at Maru/Blue on October 27-29, 2023, among a random selection of 1,523 Canadian adults who are Maru Voice Canada online panelists. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of +/- 2.5%, 19 times out of 20.
- The results have been weighted by education, age, gender, and region (and, in Quebec, language) to match the population according to Census data which ensures the sample is representative of the entire adult population of Canada. Discrepancies in or between totals when compared to the data tables are due to rounding.
- Panel and data services provider Maru/Blue is deeply rooted in the Maru/HUB technology platform and offers on-demand, high-quality, highly scalable online community samples of deeply engaged, known respondents. Maru Public Opinion is a professional research services channel dedicated to improving its clients' business outcomes. It delivers its services through teams of sector-specific research consultants specializing in the use of Insight Community and Voice of Market technology. Maru Public Opinion publicly released Canadian polls with supporting detailed tables are found here: Maru Public Opinion Canada. Corporate information can be accessed here: Maru Group. Excerpts from this release of findings should be properly attributed, with interpretation subject to clarification or correction. Maru Public Opinion does not do any work for any political party.
- The methodology and questions used for the calculation of the monthly Maru Household Outlook Index (MHOI) can be found in the Appendix. Detailed tables are simultaneously posted with the public release of this document at Maru Public Opinion Canada or are available upon request. Presentations and/or media interviews about these and subsequent results can be provided, and individuals may be added to a distribution list, upon request to john.wright@marublue.com.

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Appendix

Index Calculation

The MHOI is derived from a sixteen-item summated rating scale, fourteen of which are on a four-point scale, with each level having a different weight. A fifteenth item has a binary response, and only the proportion of positive responses is used. The sixteenth item asks respondents to describe how their financial position had changed in the past month wherein the proportion of respondents whose situation has improved or remained constant is kept, with both top options having the same weight in the Index. Each statement score is multiplied by either 1 or -1 depending on whether the attribute is optimistic or pessimistic.

The Index scores are added, multiplied by 100, and finally divided by the total for the baseline month (April 2021) to give us the weighted index. Any Index output below a composite score of 100 is considered to be negative/pessimistic, and any above a composite score of 100 is considered to be positive/optimistic. The resulting measure is both valid and reliable.

The MHOI Index number reported in any given month is based on a “rolling average” formula that combines the incumbent data from that month plus the two previous monthly waves (which triples the usual monthly sample size wave of ~1,500 completed interviews for a total of ~4,500). In order to heighten the freshness of the Index number reported, the incumbent month is given a weight of 45%, the data from the previous month is given a lesser weight of 35%, and the data from the earliest of the three months is given an even lesser weight of 20%. The output from this formula produces the MHOI Index number reported and charted for comparison with previous iterations.

Index Questions

Thinking of the state of the economy, would you say it is...? (Tracking began in April 2021)
- Moving in the right direction
- On the wrong track

Specifically focused on your financial position, would you say it has...? (Tracking began in April 2021)
- Improved since last month
- Remain the same over the last month
- Become worse since last month

Over the next sixty (60) days is it very likely/somewhat likely/not very likely/not likely at all that... (Tracking began in July 2020)
- The national economy will improve
- The local economy where I live will improve
- I will have more than two months of savings to cover any unexpected costs or needs
- I will put away money for my retirement/old age security
- I will have enough personal/family investments and savings for the future
- I will be worried about my personal/family day-to-day finances
- I will have the ability to purchase the products needed for me/our family
- I will invest in the financial markets because now is a good time to do so
- I will purchase big ticket items like a car or furniture
- I will buy a house
- I will struggle to make ends meet
- I will default on making payments on major loans or a mortgage
- I will lose or be laid off from my job because of lack of business/work
- I will likely declare bankruptcy

Additional Questions (Tracking began in July 2020)

Over the next sixty (60) days is it very likely/somewhat likely/not very likely/not likely at all that...
- I will earn a livable wage
- I will have enough food for myself/family
- I will be able to afford to keep a roof over my/my family's head
- I will rely on government programs to make ends meet
- I will move to a smaller residence because I need to save money
- I will take a learning course to upgrade my skills/education

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Maru Public Opinion does not carry out any polling for any political party.

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