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BENSIMON BYRNE

CONSUMER LOGO 

INTRO

CANADIANS VIEW THE ECONOMIC ROAD AHEAD WITH PESSIMISM, ACCORDING TO THE 2015 BENSIMON BYRNE CONSUMEROLOGY REPORT. A MAJORITY FEEL THE CANADIAN ECONOMY – AND THEIR OWN PROVINCIAL ECONOMIES – ARE IN RECESSION, AND ARE LOOKING FOR A NEW FINANCIAL DIRECTION FOR THE COUNTRY IN 2015.



Cost of living is Canadians' top concern with nearly nine-in-ten believing that cost of living is rising faster than their household income.

Given the perception that sluggish growth has become mild recession and concerns about cost of living, marketers may find 2015 to be similar to last year, as Canadian consumers remain largely unwilling/unable to spend more than absolutely necessary in many product categories.

Stagnant incomes and concerns about the rising cost of living are reflected in the 3rd Annual Bensimon Byrne Consumer Spending Index, which reveals that across many product categories, consumers plan on cutting back as much in 2015 as they did in 2014.

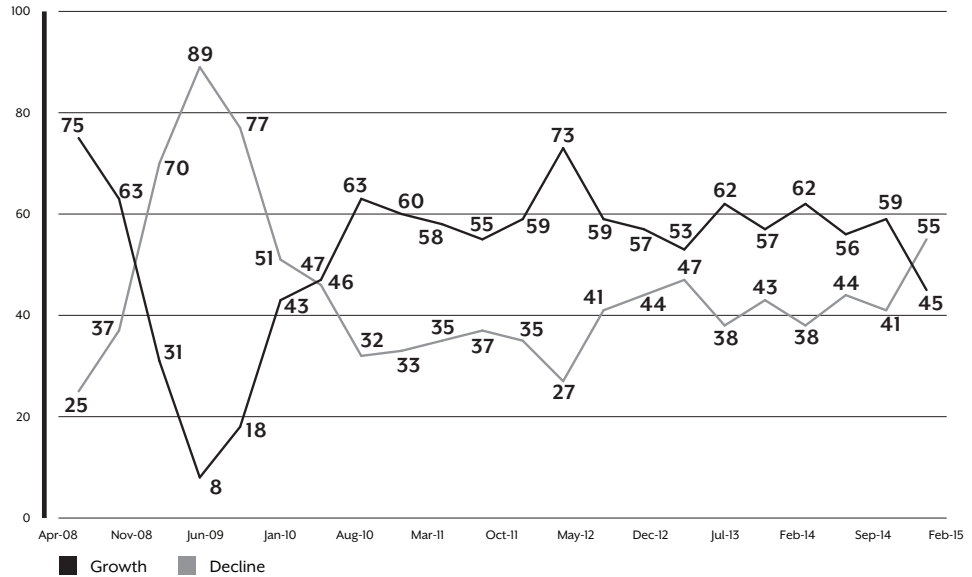
ACROSS CANADA, MORE PESSIMISM THAN OPTIMISM ABOUT THE FUTURE

For the first time since November 2009, more Canadians believe the country's economy is in decline (55%) than believe it is growing (45%).

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Assessments of the National Economy

“In general, how would you describe the state of the economy of Canada today – would you say that it is in a period of _____?”



Across the country, there are high levels of concern about the Canadian economy, with those nearing retirement age feeling the most strongly concerned. A majority of Canadians believe the national economy, as well as the economy for their own province or territory, is in recession. Quebeckers are the most negative about the Canadian economy and their own provincial economy, while residents of the Prairies and Alberta view the Canadian economy most positively. Ontarians and British Columbians are the most positive about their own provinces.

A majority – in every region of the country except Alberta and the Prairies – believe the country is headed in the wrong economic direction. While high-income earners are the most optimistic about the direction of the country, Canadians with household incomes below \$75,000 see the country headed down the wrong economic path.

The economy will certainly play a role in the upcoming federal election, as two-thirds (67%) of Canadians think the country needs a new, different economic plan. Even a majority of the highest-income Canadians are calling for a new plan, as are residents of Quebec – a province which pundits and political parties alike have indicated is a key battleground in the upcoming election.

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ECONOMIC PESSIMISM IN CANADA TODAY

Canadians continue to be split as to whether their personal economic situations are improving or getting worse from year-to-year. This strongly correlates to whether or not an individual has debt; those with more debt than savings find themselves getting worse, while those with no debt – or more savings than debt – are more likely to say their own personal situation is getting better.

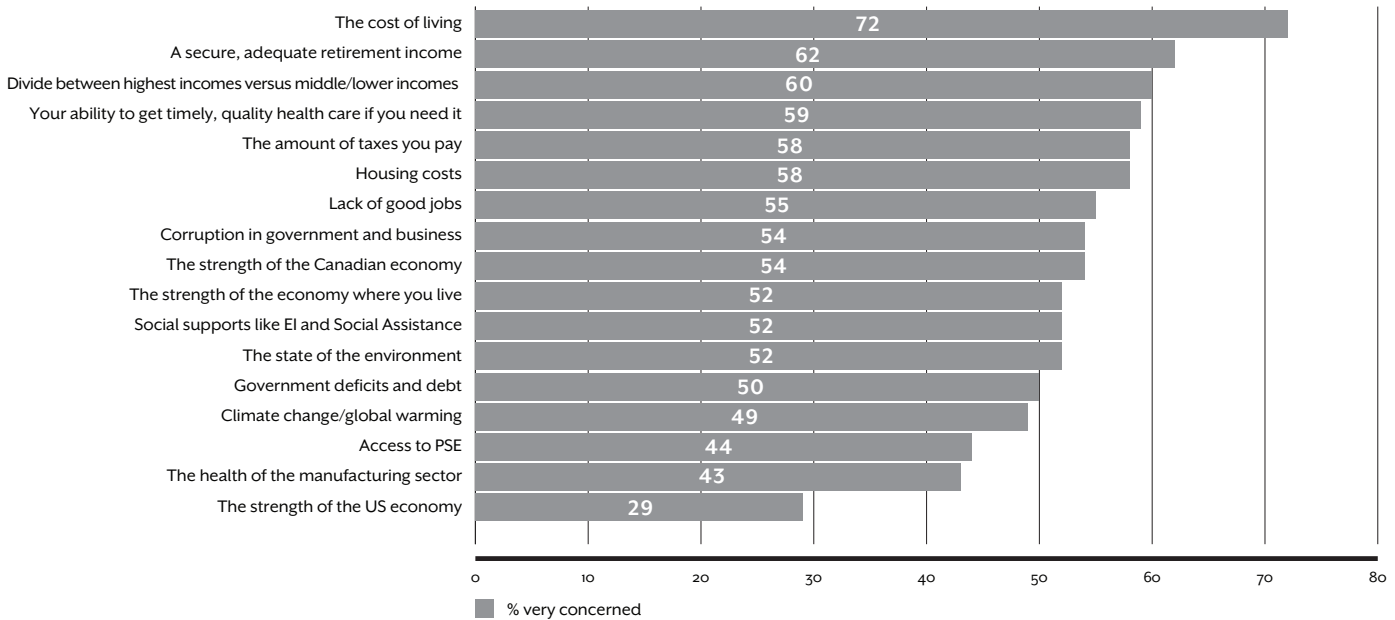
Cost of living is Canadians' top concern again in 2015, with 85% of Canadians believing that cost of living is outstripping their income, and two-thirds saying their income is either holding steady or decreasing compared to where it was five years ago.



A majority of Canadians are very concerned with the cost of housing – especially in British Columbia. Not surprisingly, those with the lowest incomes and those who do not own their own home express the most concern about housing costs.

Canadians' Concerns - Among All Respondents

"How concerned are you about each of the following, on a scale of 1 to 9, where 1 is not concerned at all and 9 is very concerned...?"



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Concerns about retirement are high across the board, but particularly pronounced among Canadians who are in debt. Looking at Canadians who are about to retire paints a dire situation for the years to come – while fewer than one-third have saved at least \$100,000 for retirement, one-third say they have no retirement savings at all.

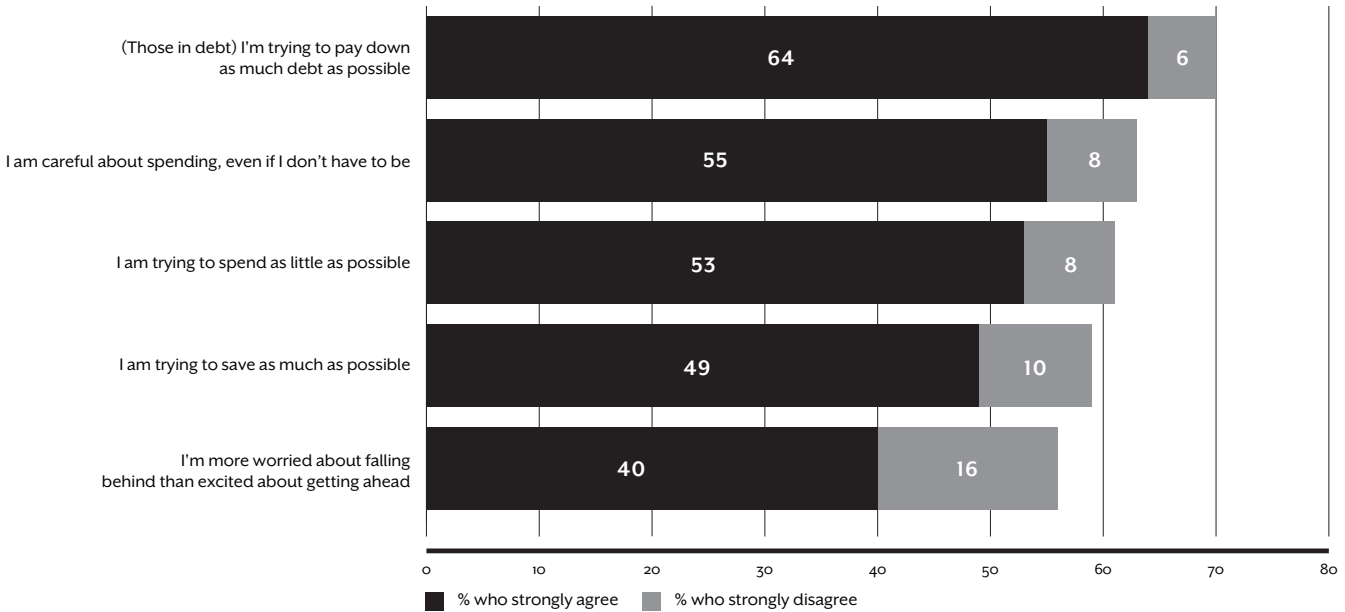
HOW ECONOMIC CONCERNS IMPACT CONSUMER HABITS



Canadians' negative views about the country's economic future, combined with their concerns about rising cost of living has a number of implications in how they behave. Canadians in debt are scrambling to pay down debt as quickly as possible, and a majority of Canadians – even those who don't have to be careful about spending – say that they are. Canadians are making a conscious effort to minimize spending and maximize savings.

Views on the Economy and Personal Finance - Among All Respondents

"Please tell us how much you agree or disagree with each of the following."

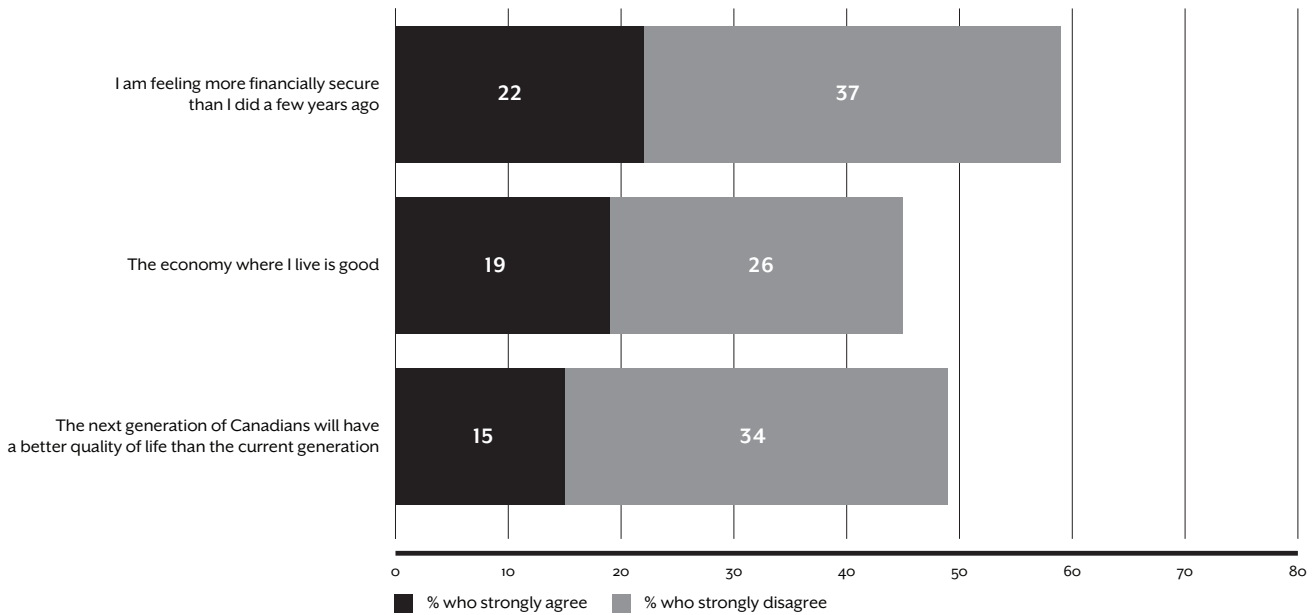


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More than one-third of Canadians are feeling less financially secure this year than they did a few years ago. Very few agree that the next generation of Canadians will have a better quality of life than the current generation. Those who feel optimistic about the next generation's economic outcomes are outnumbered by more than two-to-one by those feeling pessimistic.

Views on the Economy and Personal Finance - Among All Respondents

"Please tell us how much you agree or disagree with each of the following."



EXAMINING THE CONSUMER SPENDING INDEX

The Bensimon Byrne Consumer Spending Index asks Canadians whether they plan to spend more or less than they did last year, on 32 essential and discretionary items.

For example: assume Mr. and Mrs. Smith host a dinner party with their neighbours once a month and the cost of groceries and alcohol has increased. If their income is flat, they will likely consider fewer dinner parties, since purchasing food and drinks for each event would cost more than it did last year and would therefore exceed their annual budget for such events. Thus, the Smiths would plan on spending less – especially on alcohol – next year, not because the cost of alcohol or groceries has decreased, but because their consumption must go down so they may live within their means.

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Some economists and commentators have flagged the disconnect between the Consumer Price Index (what is formally referred to as inflation), and the inflation consumers experience on their essentials; housing, electricity, fuel, and food prices all seem to outpace CPI. Our findings suggest the basket of goods included in the CPI does not reflect more costly consumer essentials.

This is why Canadians continue to vocally complain about the cost of living inflation while macroeconomic measures insist that inflation is in fact low, as interest rates continue to fall. **When real wages are flat and the cost of essentials increases, demand is suppressed.**

A Consumer Spending Index score greater than 100 indicates that consumers expect to spend more in the coming year than they did in the last. A score of less than 100 indicates a reduction in planned spending and scores closer to 100 indicate constant spending, relative to last year. This score is comprised of two sub-indices; one for discretionary and one for essential spending. For each, a score of 50 is the baseline.



The Essential Spending index includes Canadians' planned spending on taxes, internet, groceries, gas and auto maintenance, electricity and clothing for their children. Discretionary spending is everything else.

The Consumer Spending Index score for 2015 is 90.6, meaning for the third year in a row – since we began tracking spending across the index – Canadians plan to reduce their spending.

Essential spending will be reduced slightly based on this year's score of 49 – but not as much as in previous years – as Canadians plan to spend more on necessities like internet, groceries, auto maintenance, taxes and electricity. Canadians plan on decreasing their discretionary spending significantly based on this year's score of 41.6.

This pressure impacts the range of Canadians households; even the wealthiest Canadians are more likely to say they will reduce their spending in the next year than increase it.

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WHERE DOES THIS LEAVE US?

The good news is that Canadians are thinking about the future. Many are saving as much as possible and working harder than ever to pay down personal debt. They are concerned for future generations and recognize that the solution to their concerns about the national economy might be alleviated by a new economic plan, rather than more of the same.

The bad news – for the second year in a row – is that Canadians continue to feel tapped out. Despite low interest rates and record-low oil prices, they are continuing to lower their spending and pay down debt. Therefore, they cannot be counted on to consume above their means and fuel economic recovery until take-home wages go up.



FINANCIAL MOBILITY IN 2015

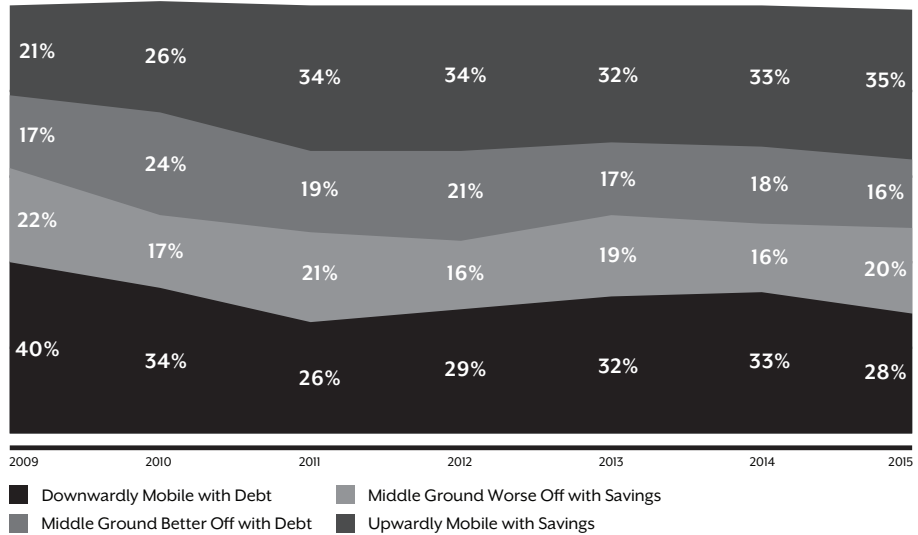
The economic recovery has been uneven, with the number of upwardly-mobile “haves” increasing in 2011 and holding steady since, while the ranks of the downwardly-mobile “have-nots” peaked in 2013 and remains roughly unchanged.

Measured in terms of financial mobility, 2015 continues to show the stagnant recovery seen since 2011. If 2011 was considered to be a relatively good year in terms of consumers feeling as though they were bouncing back from the recession, the years since have been marked by feelings of stagnation.

Whatever ails our economy is not solely tied to the great recession, as the data since 2011 indicates.

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Financial Mobility Over Time



Upwardly Mobile Canadians are those who have seen their personal finances improve and have more savings than (non-mortgage) debt. **Downwardly Mobile** Canadians are those who have seen their personal finances worsen and have more debt than savings. The **Middle Ground** are those who have either seen improved personal finances but more debt than savings, or those who have seen worsened personal finances but more than savings than debt.

METHODOLOGY

The findings discussed in this report are based on an online survey conducted by The Gandalf Group, among 1,500 Canadians, proportionate to the gender, age and regional distribution of the Canadian population. We also surveyed Quebec in proportion to the province’s distribution of English and French speakers. The survey was conducted from February 3 – 16, 2015, in both English and French.