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Pre-Budget Focus Group Research – Winter 2024

Executive Summary

Prepared for Finance Canada

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Prepared for Finance Canada by Environics Research

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Executive summary

Background and objectives

Finance Canada commissioned Environics Research to conduct qualitative research among Canadians in late January 2024 in the lead-up to the 2024 federal budget. The research objectives were to assess Canadians' concerns and perceptions of the current state of the Canadian economy and related issues such as interest rates and housing, their expectations about the role of the Government of Canada in the economy, their current financial concerns, and their priorities for Budget 2024.

Methodology

Environics Research conducted a series of 10 online focus groups between January 24 and 30, 2024. A total of 74 Canadians took part in these group discussions about Canada's economy and provided their perspective on such issues as the cost of living, interest rates, the middle class, pensions, housing, and the upcoming federal budget. The online focus groups were conducted using the Zoom platform. Two groups were conducted in each of five regions (Ontario, Atlantic Canada, Quebec, the Prairies, and British Columbia), and were divided based on age cohort (18-34, 34-55 or 55+) and/or housing situation (i.e., prospective homebuyers, Canadians whose mortgage is up for renewal). The two Quebec sessions were conducted in French and the other eight sessions were conducted in English.

The 74 participants were all 18 years of age or over, and included range of age, education, and backgrounds. The groups lasted approximately 90 minutes and consisted of between six and eight participants (out of 8 people recruited for each group). Participants were each provided a \$100 honorarium.

Statement of limitations: Qualitative research provides insight into the range of opinions held within a population, rather than the weights of the opinions held, as would be measured in a quantitative study. The results of this type of research should be viewed as indicative rather than projectable to the population.

Contract value

The contract value was \$129,893.50 (including HST). This includes a subsequent round of post-budget focus groups reported on under separate cover.

Use of findings of the research. By gauging and analysing the opinions of Canadians, the Government of Canada gains insights into important policy areas related to the mandate of the department and related services. The information gained through this public opinion research will be shared throughout Finance Canada to assist it when establishing priorities, developing policies, and planning programs and services.

Key findings

A. Perceptions of Canada's economy

Most participants felt the Canadian economy is in a bad state and used words such as "unaffordable," "declining," "expensive," "rough," "strained," "terrible," "unstable" and "unpredictable" to describe it. A few

participants took a more neutral view of the economy and used words like “recovering,” “flat,” “transition” and “healing.”

The overall economy received negative assessments largely due to perceptions of the rising prices of food, housing, and gas. Utilities, fuel prices in Atlantic Canada, insurance, and mortgage payments were also mentioned as contributing factors. Some also reported hearing of lay-offs.

Some participants, particularly from the Prairies and the Atlantic provinces, saw an increase in crime and homelessness in their region as a sign of the distress of Canadians struggling with the economic situation.

Common concerns raised were that wages have not kept up with inflation and that there is a growing gap between the rich who have become richer in recent years, and everyone else.

Most did not expect the economy to improve in 2024, anticipating a persistent rise of inflation. Some were hopeful that interest rates may decline in the coming months. Most say they would feel the economy was improving if they saw interest rates being cut and some retail prices start to come down.

B. Inflation and the cost of living

Across all regions, most participants understood that the cause of current inflation is multifactorial and a global problem. The most common root causes of inflation mentioned were continuing pandemic-related disruptions and supply chain issues, price gouging/corporate greed, as well as the war in Ukraine and middle east.

Almost all participants said they were directly affected by the increased cost of living. Most participants cited the cost of grocery prices and housing as items that are becoming increasingly hard to afford. All participants also shared examples of changes in the quantity (“shrinkflation”), as well as quality (“de-qualification”) of the food they buy. The price of home heating oil was also mentioned in Atlantic.

Most did not feel that the federal government had played much of a role in causing rising prices. A few participants, particularly in the Prairies, mentioned the impact of the carbon tax and the “government printing money” as causes of inflation.

Most participants acknowledged that there was little the federal government could do to reduce inflation, though price controls on essentials, rent controls, going after price gougers, establishing a Universal Basic Income (UBI) could help mitigate the impact of inflation. Some blamed the federal government for its inaction, and some felt that tax cuts, especially to the carbon tax, could also help.

C. Interest rates

Most understood that the Bank of Canada was responsible for setting interest rates. However, some – particularly in Quebec – suspected the federal government of also having some say behind the scenes.

There was widespread skepticism that raising rates will lead to lower inflation or that reducing interest rates will make prices rise. There is little understanding of how making many things more expensive by raising interest rates will make things cheaper in the long run.

Most participants said that inflation and rising prices were a bigger stress on their household finances than were rising interest rates.

High interest rates were a particular concern for prospective homebuyers - many of whom are postponing their goal of home ownership - and for homeowners whose mortgage renewal is due in 2024 or 2025 and who are relatively early in their amortization period and pay a lot of interest. High interest rates are also affecting some participants with other personal debts such as student loans and car loans.

Many expressed some expectation that interest rates may have peaked and would go down in 2024 or 2025. In contrast there was more pessimism about inflation with many expecting prices to keep going up to at least some extent. Some were hopeful that prices might stabilize and stop going up at the same rate, but it was understood that prices would likely never go back down.

D. Supporting the middle class

Most participants classified themselves at various levels of the "middle class", but they had varying definitions of what this means, recognizing that the range from lower to upper middle class is vast. Some said it meant just being able to meet basic needs such as food, housing and paying bills, without needing to use a food bank. Others saw it as having enough to be able to save for travel and other extras in life. The notion that being middle class in Canada means being a owning your home was largely dismissed.

There was little awareness of the federal government doing anything to help the middle class. A few participants mentioned the climate action incentive payment and \$10-a-day childcare as examples of measures from the federal government. There was also little sense of what the government could do to support the middle class apart from cutting taxes.

E. Pension and retirement savings concerns

Many participants expressed concerns about having enough money for retirement. For older participants this was a more immediate concern and some spoke of having to keep working despite wanting to retire. It was noted that if someone doesn't have a pension plan outside of the CPP they may have a very hard time ever retiring.

Some younger participants expressed concerns when prompted about ever being able to save for retirement. But younger participants were often too consumed with the immediate challenges of making ends meet to allow themselves to worry about it right now.

Some participants also reported having to financially help elderly parents who had not saved enough for their retirement and how this was an added strain to them.

To the extent that participants wanted the federal government to do anything to help with retirement savings, they mentioned increasing the Canada Pension Plan payouts or increasing the limits on how much could be contributed to Registered Retirement Saving Plans (RRSPs). Some also mentioned cutting taxes or addressing the cost of living in general so that people would be more able to save for retirement.

F. Housing concerns

Housing affordability was a big concern, particularly for participants in Ontario and British Columbia where housing prices have been very high for many years, but also in Atlantic Canada. It was less of a top-of-mind concern to participants from the Prairies and in Quebec.

Many participants who were homeowners aged 55 and over expressed concern for the next generation getting into the housing market. Their own concerns were more about affording repairs or about future downsizing.

Participants' specific housing concerns focused on being able to afford rent, the exorbitant price of homes making them out of reach for first-time homebuyers and the impact of higher interest rates on mortgage payments after renewal. Many younger participants were often very pessimistic about ever being able to afford a place of their own and some worried about living with their parents indefinitely.

Most were unaware of any measures the federal government has put in place to assist with housing affordability. Some had heard of the First Home Savings Account (FHSA), but many pointed out that many Canadians are not in a position to save right now, and that the \$40,000 cap is too small for a down payment. Some also heard of the Housing Accelerator Fund negotiations and about banning non-Canadians from buying residential properties.

A few people had also heard of new limits on international students which were seen as hopefully reducing pressure on the housing market. In Quebec in particular, there was some spontaneous discussion of the role of immigration levels in causing a shortage of housing.

When measures were shown to participants, cracking down on illegal short-term rentals like Airbnb resonated mostly in regions known for facing such problem (e.g., Toronto, Montreal, Vancouver) but didn't seem to be well understood in other regions where Airbnb is less of an issue. The idea of cracking down on non-Canadians buying residential property was quite popular among participants.

The measures as a whole were viewed as good first steps, but some participants felt that these measures would not help them directly or were skeptical about the expected impact in the short to medium term. There were few suggestions for what else the federal government could do to support housing affordability and accessibility.

G. Desired budget priorities

The budget priorities desired by participants focused mainly on the cost of living, housing, healthcare, and education. Among the various specific measures identified by participants to improve the state of the Canadian economy were controlling food prices, implementing a universal basic income, maintaining interest-free federal student loans, introducing controls over rent prices, regulating price gouging, reducing taxes – including the carbon tax, lowering interest rates, reducing foreign spending, opening more homeless shelters, investing in mental health and prioritizing smaller scale affordable housing projects.

Health care was mentioned spontaneously by some Quebec participants and some in British Columbia specifically identified mental health as something that needed to be prioritized.

Environmental issues and climate change were rarely, if ever, mentioned spontaneously by participants as a priority. Many were also dismissive of the idea of prioritizing "green infrastructure", saying that the environment was less of a top priority when Canadians are struggling to make ends meet. Specific initiatives such as investment in public transit were more popular on their own than when branded as part of "green infrastructure."

When showed specific possible budget measures, there was a lot of enthusiasm for making the top 1% and wealthy corporations pay their fair share. There was also widespread support for helping all Canadians train and retrain for new job opportunities and programs to help the younger generation find good job opportunities and more affordable post-secondary education.

Political neutrality statement and contact information

I hereby certify as senior officer of Environics that the deliverables fully comply with the Government of Canada political neutrality requirements outlined in the Communications Policy of the Government of Canada, and Procedures for Planning and Contracting Public Opinion Research. Specifically, the deliverables do not include information on electoral voting intentions, political party preferences, standings with the electorate, or ratings of the performance of a political party or its leaders.

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