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Posthaste: These Canadian regions are headed for 'city-cessions' — a sign Canada may not be far behind

Consumer spending is now falling in 13 of 21 cities, with tech centre Kitchener-Waterloo especially struggling

Pamela Heaven || May 29, 2023

Real per person spending growth is now falling in seven of the 10 largest cities in Canada, including Toronto, Vancouver, Edmonton and Calgary. PHOTO BY SPENCER PLATT/GETTY IMAGES

While Canada's economy has yet to dip into recession, new data suggest that many of the country's major cities are already heading into downturns known as "city-cessions."

The data comes from the Canadian Chamber of Commerce's new Local Spending Tracker which monitors spending trends in 35 locations across the country, adjusted for seasonality, inflation and population growth. It complements that captured by Statistics Canada's retail sales but is faster and covers more cities.

The tracker shows Canadian spending started off strong in January, thanks to robust jobs growth and unseasonably warm weather. As higher interest rates began to bite that momentum slowed, falling into negative territory nationally in March and April.

Real per person spending is now falling in 13 of 21 cities across the country, including Toronto, Vancouver, Edmonton and Calgary.

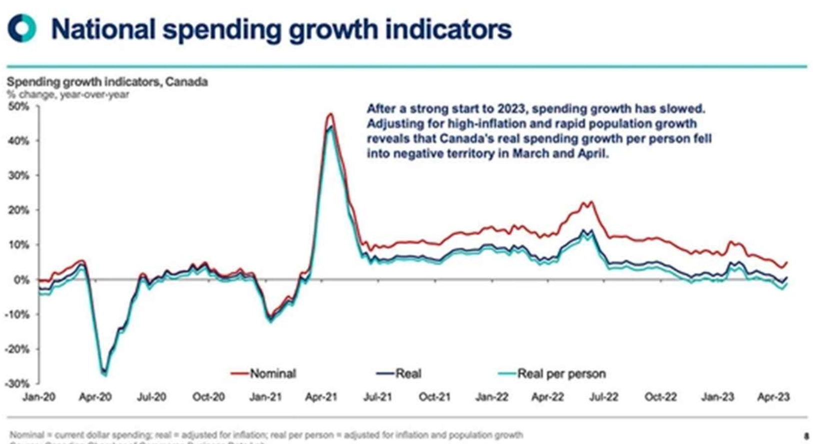
Kitchener-Waterloo, in particular, is struggling, which the Chamber says may be because of the slowdown in tech industry jobs.

This Ontario region and Victoria, B.C. led with spending declines of 7.7 per cent and 7.1 per cent respectively, from the year before.

Of the top 10 cities in the country, only Winnipeg, Hamilton and Ottawa are now showing real spending growth per person.

"Our data show that consumer spending is noticeably slowing across major Canadian cities, as households deal with higher interest rates and an uncertain global economic outlook," said Mahmoud Khairy, economist at the Canadian Chamber's Business Data Lab.

"At a time when forecasters and financial markets are looking to see where the national economy is headed, a number of major Canadian cities are trending toward city-cession. The rising risk of city-cessions across Canada is a warning sign that national economic activity may slow soon, too."



Canadian Chamber of Commerce

This isn't the first warning that higher interest rates and growing household debt are having an impact on the economy.

Both the Bank of Canada and Canada Mortgage and Housing Corp. have expressed concerns in recent weeks that Canadian households are struggling under growing debt.

“We see early warning signs that more and more consumers are getting into financial difficulties,” the CMHC warned in a report.

“Household debt in Canada has been rising inexorably…. Unfortunately, (this) makes the economy vulnerable to any global economic crisis.”

The Bank of Canada in its recent Financial System Review said it is “more concerned than it was last year” about Canadians being able to keep up with debt payments, noting that more households had fallen behind for at least 60 days.

Canada already has the highest household debt load in the G7, a total greater than the size of the country’s economy, and the CMHC fears the situation could get worse.

There is speculation that the Bank of Canada may hike rates again either in June or July, putting further pressure on indebted households.

And there is no guarantee interest rates will return to previous lows once inflation is tamed.

Risks to Canada’s economy remain high as household debt levels continue to climb, warned the nation’s housing agency — and that may already be showing up in its cities.