

The Economy and Standard of Living

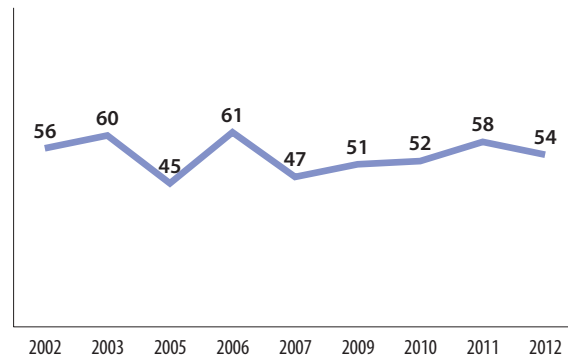
Direction of country and national economy

DIRECTION OF COUNTRY. Few would say that 2012 was a banner year for Canada. In most parts of the country, the economy has remained sluggish, personal incomes have stagnated, governments have failed to meet public expectations on many fronts, and the beloved NHL season was delayed by an acrimonious contract dispute between players and owners. Despite all of this, Canadians continue to be more satisfied (54%) than dissatisfied (42%) with the general direction of the country today. This proportion is down marginally from a year ago (when 58% expressed a positive view), but higher than it has been for much of the past decade.

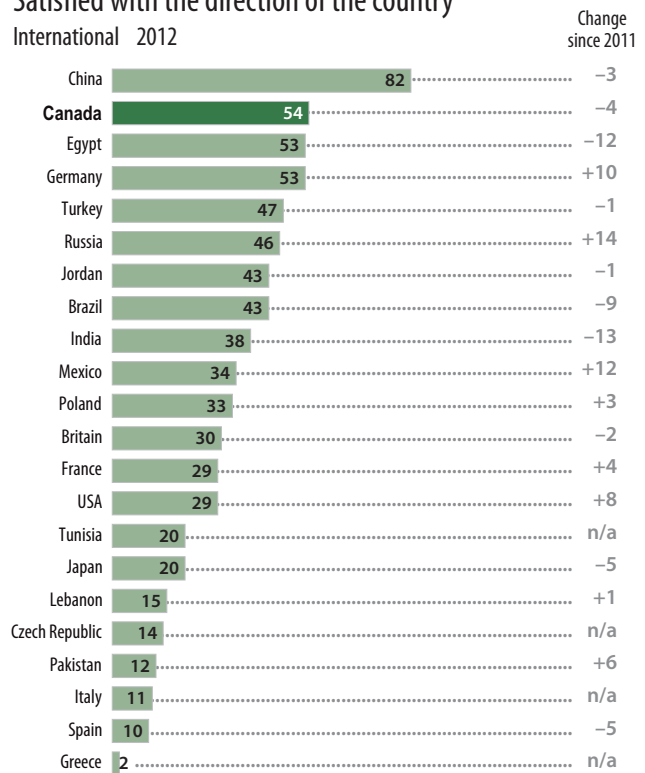
The downward trend since 2011 is most evident in B.C. (reversing a previous upward spike), Montreal, among women and Canadians with lower incomes, while the outlook has improved in Manitoba and Saskatchewan. Residents in the three Prairie provinces (69%) and immigrants from outside the USA/Europe (69%) remain the most satisfied with the country's direction, while Quebecers (42%) and low-income Canadians (38%) are the least so.

Internationally (based on a March 2012 Pew Research Center survey), Canadians are now the second most satisfied with the direction of their country among 22 nations, once again trailing urban China (82%). Canada is just ahead of Egypt (53%) and Germany (53%), and well ahead of the USA (29%). At the bottom of the list for 2012 are Italy (11%), Spain (10%) and Greece (2%).

Satisfied with the way things are going in the country today
2002 – 2012



Satisfied with the direction of the country
International 2012



Note: International data from Pew Research Center

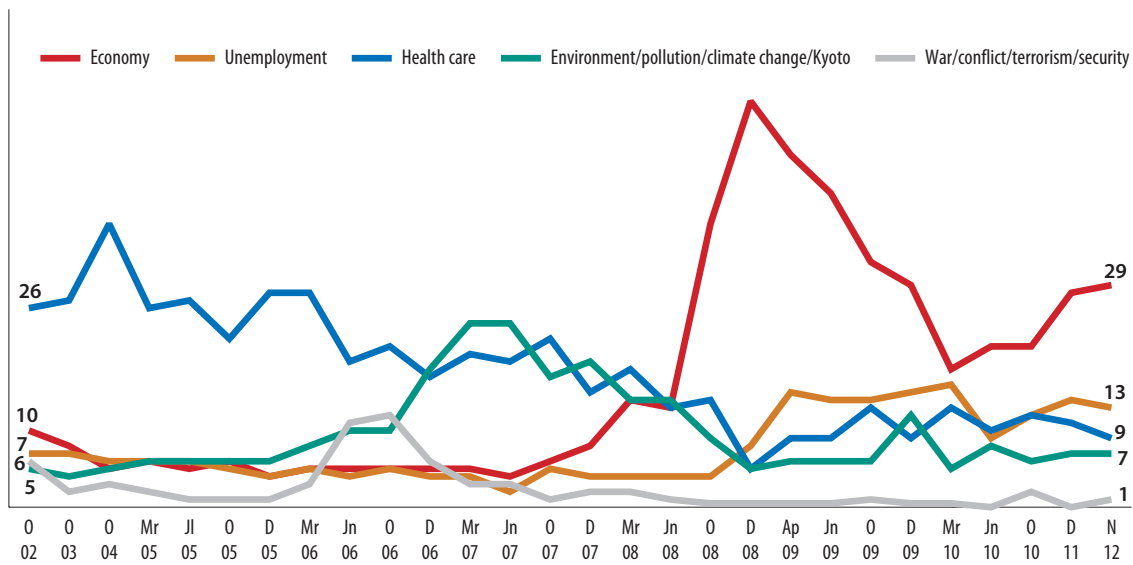
Q.1

Overall, are you satisfied or dissatisfied with the way things are going in our country today?

MOST IMPORTANT ISSUE. What Canadians identify, top-of-mind, as the most important issue facing the country today is essentially unchanged from 12 months ago. More than four in ten continue to cite economic concerns, including the economy generally (e.g., the recession, interest rates, public deficits and debt) (29%) and unemployment (13%). Following well behind is health care (9%), poor government leadership (9%), environment and pollution (7%), and poverty/homelessness (2%) – all essentially unchanged over the past two years.

The absence of a national trend masks a significant regional shift. Concerns about the economy have increased noticeably over the past year in eastern Canada (as well as in rural communities), while declining in Ontario and the west. Health care is most likely to be identified in Alberta and Manitoba, poor government stands out in Quebec, while the environment is most apt to be named by Quebecers and British Columbians.

Most important problem facing Canadians today
2002 – 2012



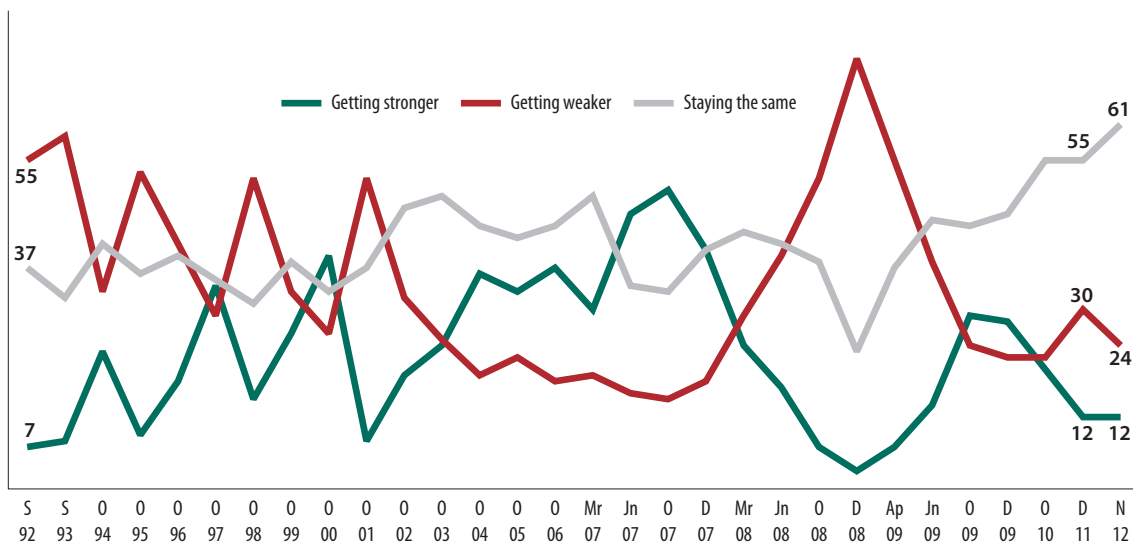
Q.2
In your opinion, what is the most important problem facing Canadians today?

STRENGTH OF THE CANADIAN ECONOMY. The past year has not given Canadians any greater confidence in the strength of the national economy, but they are now less likely than before to believe it is getting worse. One in ten (12%) continue to see the economy growing stronger (unchanged from 2011), while the majority (61%, up 6 points) say it is staying the same, compared with one in four (24%, down 6) who feel it is getting weaker.

Quebecers continue to be the most pessimistic about the national economy (especially so in Montreal, where 41% now say it is getting weaker), while the most positive views can be found in the Prairies – although even here only one in five (20%) describe the national economy as strengthening. Those with household incomes of less than \$60K are more likely than those with higher incomes to say the economy is getting weaker. Over the past year, positive views of the national economy declined among the country’s allophones, who in 2011 were the most positive linguistic group in the country.

Strength of the Canadian economy

1992 – 2012



Q.3

In your opinion, is the Canadian economy getting stronger, weaker or is it staying about the same?

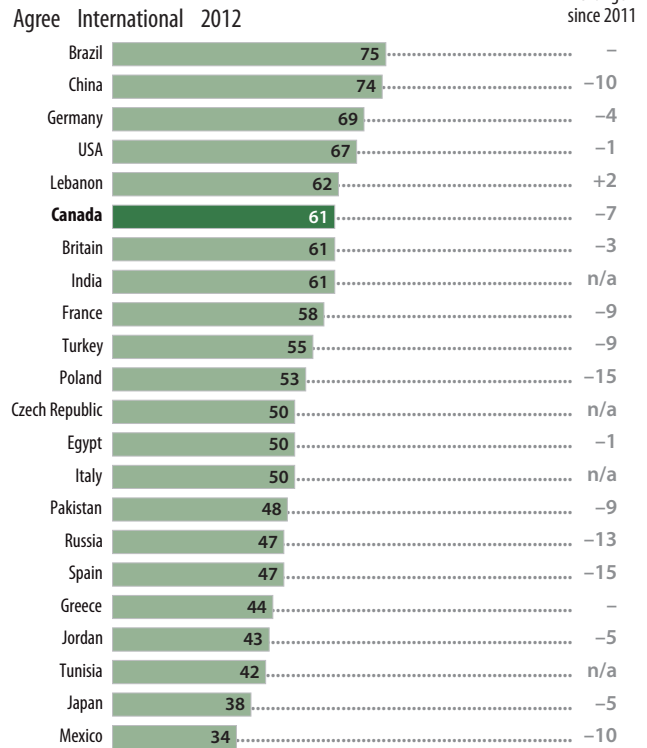
CONFIDENCE IN THE FREE MARKET ECONOMY.

While Canada successfully weathered the global recession, Canadians' faith in free market capitalism has declined over the past two years. Six in ten completely (13%) or mostly (47%) agree that **"Most people are better off in a free market economy, even though some people are rich and some are poor,"** down from 68 percent in 2010, and now at its lowest point since 2002 (when it also stood at 61%). One-third mostly (25%) or strongly (8%) disagree with this statement.

Public confidence in the free market economy has declined across the country, but most noticeably in Manitoba (down 14 points) and Alberta (down 11). This trend is evident among both the rich and poor, but the gap between them has widened over the past two years: Canadians with the lowest incomes are now evenly split on whether or not they have faith in market capitalism (46% versus 47%), while those at the top income bracket are mostly positive in their view (71% versus 25%).

Internationally (from Pew Research), Canada is now tied for sixth place out of 22 countries, along with Britain and India, and just behind Lebanon, the USA, and Germany. At the top of the list are Brazil (75%) and urban China (74%), while faith in the free market system is lowest in Mexico (34%) and Japan (38%). Confidence levels are down since 2010 in most countries, most notably Poland, Spain and Russia, but also in urban China, France and Turkey.

Are people better off in a free market economy?



Note: International data from Pew Research Center

Q.10

Please tell me whether you completely agree, mostly agree, mostly disagree or completely disagree with the following statement: *Most people are better off in a free market economy, even though some people are rich and some are poor.*

Standard of living

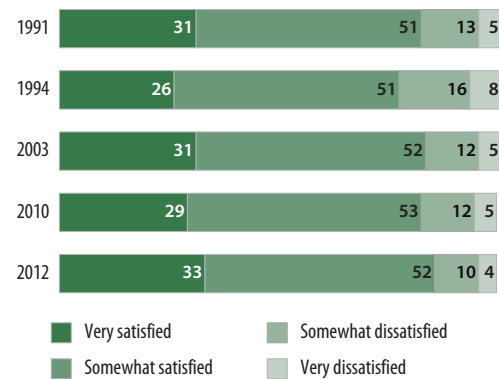
SATISFACTION WITH STANDARD OF LIVING. Despite persistent concerns about the economy and unemployment, Canadians have never felt better about their own standard of living. One-third (33%) now report strong satisfaction with their standard of living, up four points since 2010 and now at its highest level since 1991 when this question was first asked. More than half (52%) continue to say they are somewhat satisfied, while fewer than one in six now report being somewhat (10%) or very (4%) dissatisfied with their standard of living (down 3).

Strong satisfaction has increased most noticeably in Ontario and the Prairies, and is now most evident in Saskatchewan (50%) and least so in Quebec (19%), although the proportion that are dissatisfied is essentially the same in both provinces. More surprising is that the improvement since 2010 has taken place almost entirely among Canadians under 45 years of age, who are now more likely to express satisfaction with their standard of living than those in older cohorts.

Predictably, the greatest divide in satisfaction with experienced living standards is across income strata, and this gap continues to increase. All of the gains in strong satisfaction since 2010 have taken place among Canadians with household incomes of \$60K or more, while among those earning less than \$30K more than one-third (35%) are now dissatisfied. The income gap in satisfaction with standard of living is now at its highest point since this was first measured by Focus Canada in 1991.

Satisfaction with standard of living

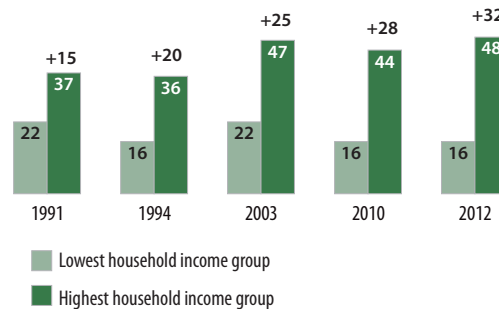
1991 – 2012



Very satisfied with standard of living

Gap between lowest and highest income groups

1991 – 2012



Q.4

Are you very satisfied, somewhat satisfied, somewhat dissatisfied or very dissatisfied with your own standard of living?

SOCIAL CLASS. Canada is not considered a class-based society (in comparison with such countries as Great Britain), but in reality there are clear differences defined primarily by income and wealth, but also signified by education. The term “middle class” is widely used in politics to describe the most typical group of Canadians.

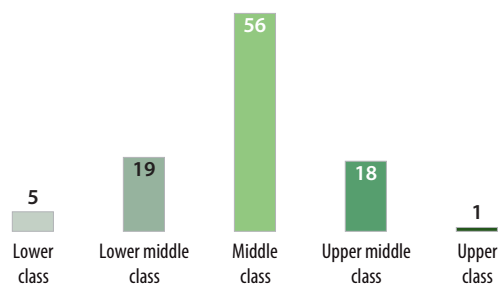
In 2012, Focus Canada asked Canadians to place themselves into one of several social class categories. Just over half (56%) describe themselves as “middle class,” compared with one-quarter who say they are lower middle (19%) or lower class (5%), and one in five who consider themselves to be upper middle (18%) or upper (1%) class (another 1% are unable or unwilling to categorize themselves in this way).

As would be expected, self-identification into social classes is strongly linked to household income. Canadians identifying as lower class are principally those earning household incomes of less than \$30K (70% of this income group), while the upper class group is weighted towards those earning at least \$100K (42%). But the “middle class” designation is more evenly distributed across income strata, and is as likely to be used by those in the \$100K plus income group as those earning \$30 to 60K.

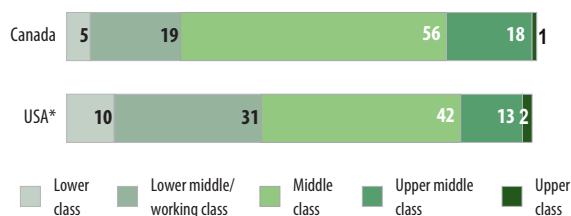
Very few Canadians in any group identify themselves as “upper income,” but the “upper middle class” designation is somewhat more common in Quebec (especially in Montreal at 25%), among men and supporters of the federal Liberal Party. Self-identification as “lower class” or “lower middle class” is most common in Atlantic Canada and B.C., among rural residents, Green Party supporters and those with less education (including 52% of Canadians who do not have a high school diploma).

Canadians’ self-identification of social class differs somewhat from that of Americans (based on a 2012 Gallup survey). Canadians are more likely to categorize themselves as “middle” or “upper class,” and less likely to consider themselves as “lower” or “working class.” The number of Americans identifying as middle class has diminished gradually since 2001 when it stood at 48 percent.

Self-identified social class 2012



Self-identified social class Canada and USA 2012



* Gallup, 2012

Q.5

If you were asked to use one of the following commonly used names for the social classes, which would you say you belong in...?

GENERATIONAL EXPECTATIONS. The 20th century expectation that each generation will be better off than their parents is becoming more difficult to maintain in the face of slow economic growth, an increasingly turbulent global economy and high youth unemployment. Yet Canadians' perspective on how they are doing relative to their parents remains positive, and even stronger than it was 16 years ago. Just over half (52%) feel they are better off financially than their parents (unchanged from 1996, although lower than in 1990), while a declining proportion (24%) say they are worse off, and a similar percentage (23%) judge themselves to be about the same.

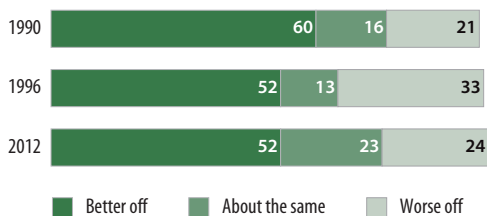
The pattern of change is similar across the population, but the overall improvement since 1996 is less evident among older Canadians and those with lower incomes. Canadians earning the lowest incomes (28%) are much less likely than those at the top (64%) to say they are better off than their parents, and this gap has increased marginally since 1996, suggesting there has been limited economic mobility across socio-economic strata over the past 16 years.

Looking forward, Canadians are not nearly as optimistic about the future financial prospects of their children. Only one in four (25%) expect the next generation to be better off once they reach their own age (half the number who themselves feel better off than their parents), and 38 percent anticipate they will be worse off, while another 33 percent say their children will likely be in about the same financial shape as themselves.

While not encouraging, this outlook is more positive than the one expressed in 1996 (during improving economic times), when only 19 percent expected the next generation to be better off, compared with 56 percent who said they would be worse. Improved financial well-being for the next generation is most widely anticipated by immigrants from outside the USA/Europe and Canadians describing themselves as "lower class," while a lower standard of living for today's youth is most apt to be expected by Ontarians, Canadians without a high school diploma, and those aged 45 years and older.

Americans are evenly divided about whether they think it is likely (49%) or unlikely (50%) that the next generation of youth in their country will have a better life than their parents (based on a December 2012 Gallup survey). This assessment is slightly more positive than in early 2011, but much less so than opinions expressed over the past decade or more.

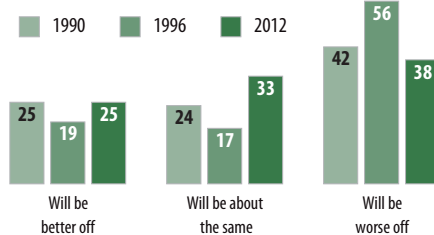
General prospects compared to parents 1990 – 2012



Q.6

Financially speaking, do you feel that you are better off, worse off or about the same as your parents were at your age?

Prospects for the next generation 1990 – 2012



Q.7

And do you think the next generation – for example your children, nieces or nephews – will be better off, worse off or about the same when they become your age?

Household debt

MONEY OWED ON CREDIT. Economic indicators published by banks and governments show rising levels of household debt that continue to set new record levels, but this trend does not appear to have had any impact on what consumers believe they can afford in terms of credit cards and installment loans (excluding mortgages).

The proportion of Canadians reporting they owe a lot more (6%) or a little more (13%) than they can afford is essentially unchanged from December 2008, and marginally lower than the levels reported in July 2005. Three in ten (30%) say they currently owe about the same as they can afford (unchanged since 2008), while half indicate they owe less than they can afford (31%) or have no debts (20%).

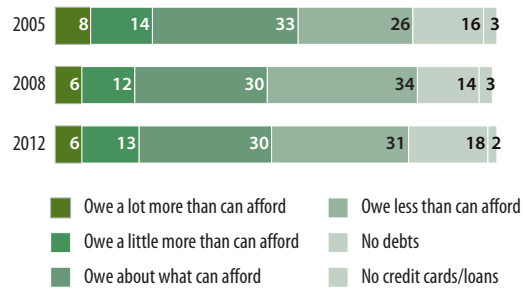
As before, it is low-income households that are most likely to report owing more than they can afford, but they are also less likely than others to carry any debt. It is among top-income households where the proportion owing more than can be afforded has grown noticeably since 2008. Across the country, owing more than is affordable is most evident among women, and residents of Atlantic Canada and Alberta. The absence of household debt is most widely reported in B.C., and by Canadians aged 60 and older.

CONCERNS ABOUT DEBT. While personal assessments are holding steady, Canadians are a bit more concerned about what they owe (perhaps due to warnings from bank economists and the federal government). Close to four in ten say they are very (11%) or somewhat (27%) concerned about the amount of debt they and others in their household are carrying (up 4 points from 2008), compared with those who are not very (24%) or not at all (37%) concerned.

Since 2008, increased concern about household debt levels is most evident in Atlantic Canada, Saskatchewan and Alberta, and among Canadians in the middle-income brackets. Strong concern about household debt is only marginally higher among those at the bottom of the income scale (19%). As would be expected, the level of concern about household debt is tightly linked to how much is owed. Strong concern is expressed by more than half (56%) of those who owe much more than they can afford, declining to 29 percent among those who say they owe a little more, and down to only six percent among those who say their debts match what they can afford to carry.

Current outstanding credit and loan debt

2005 – 2012

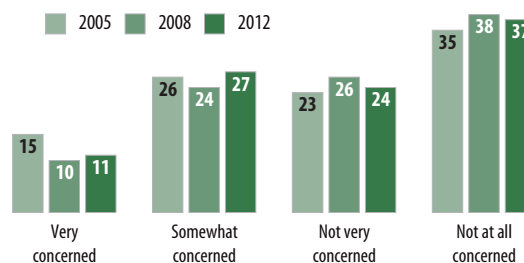


Q.8

Thinking about the money you owe on credit cards and installment loans, excluding your mortgage, would you say you...?

Concern about household debt

2005 – 2012



Q.9

And how concerned are you with the amount of debt you and others in your household are currently carrying; that is, what you owe on loans, mortgages and credit cards? Are you...?