

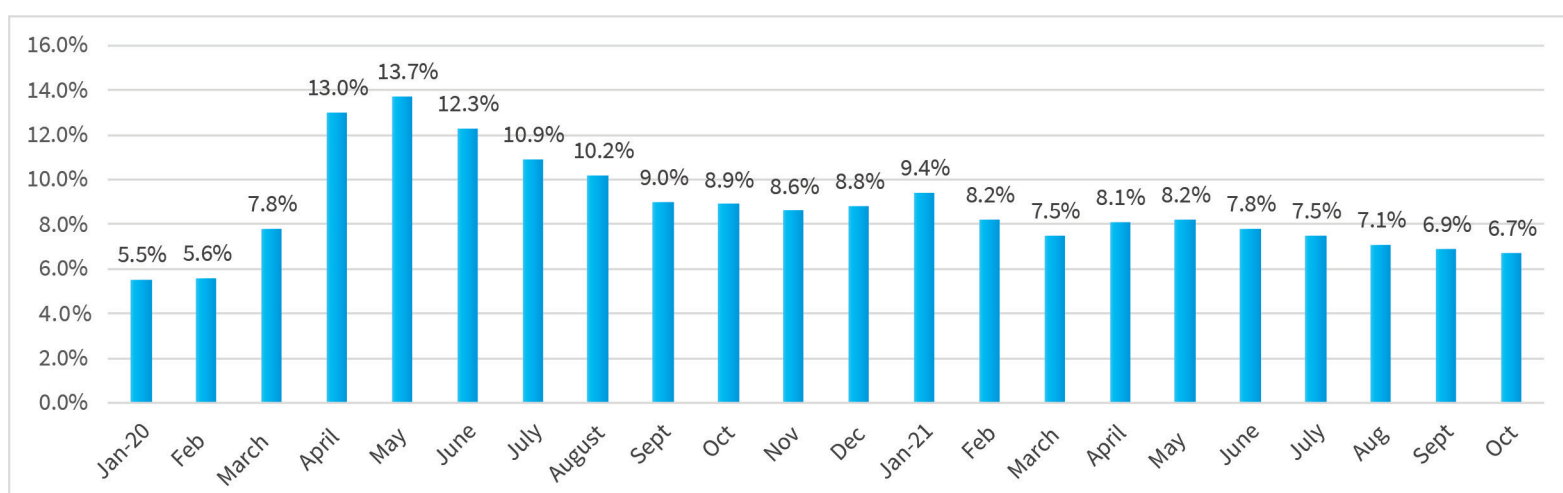
The Hart & Associates November 2021 Newsletter

This month's newsletter provides the highlights on the performance of the Canadian and US economies as of the end of the third quarter 2021.

1. Unemployment rates have improved in both Canada and the US.

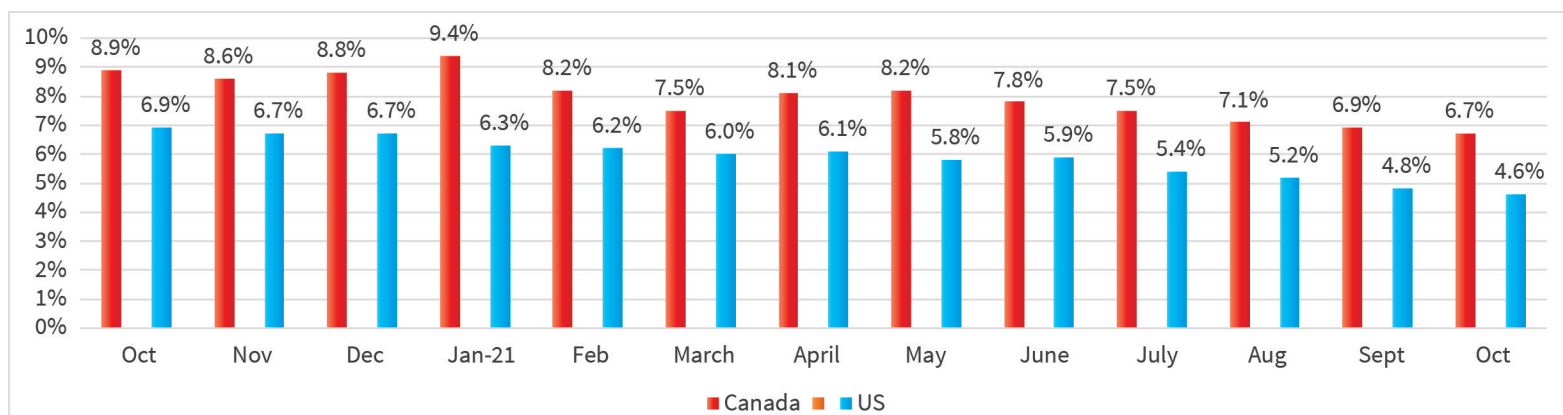
Canadian unemployment rates were in the 5% range before COVID but hit highs of almost 14% in May of 2020. They have steadily improved over the balance of 2020 and 2021. They are now 6.7% in October.

Canadian Unemployment Rates 2020 and 2021



Canadian and US Unemployment Rates 2020 and 2021

Unemployment rates have also dropped down in the U.S, down to 4.6% in October. Canadian unemployment rates have consistently stayed about 2% higher than those in the US.



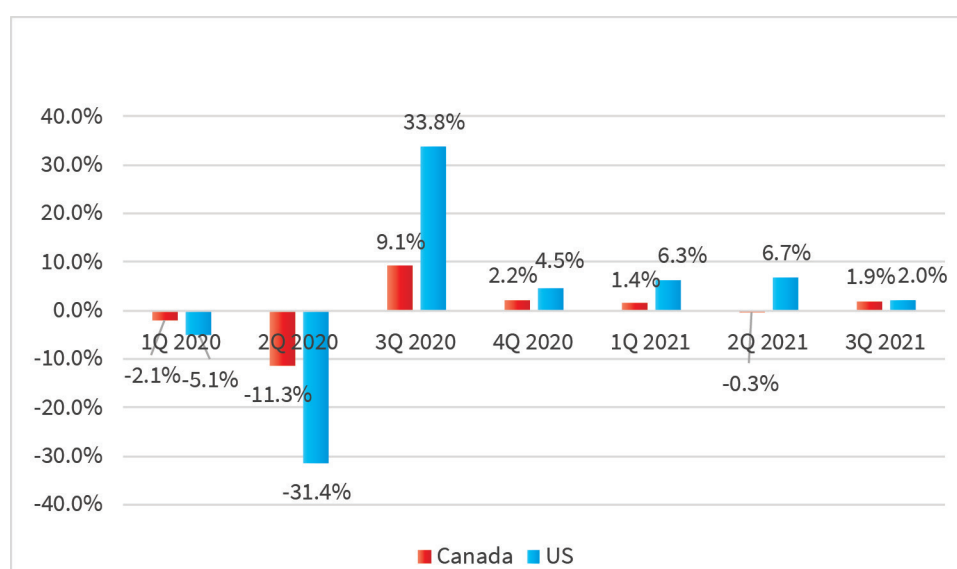
2. The Canadian economy grew by 1.9% in the third quarter of 2021.

The Canadian economy is estimated to grow by 1.9% on a real annualized rate in the third quarter of 2021. The US economy grew by about the same rate, 2%. Canada experienced low economic growth over the last four quarters of between 1.4% and 2%. The Canadian economy declined in the second quarter by .3%.

As the chart below shows, the US experienced a much sharper decline and but also a much sharper economic recovery in 2020 than did Canada.

The U.S. economy showed very high growth rates in the first and second quarter of 2021. However, this dropped down sharply to 2% in the third quarter when continuing supply chain bottlenecks restricted economic growth. Both Canada and the US are facing slower economic growth as Covid still drags down business growth. Consumer spending is limited not by demand but from lack of products. Witness many car dealers where lots and showrooms are almost empty. Delivery of new cars now takes several months.

Canadian Quarterly Real GDP Growth 2020 and 2021 (annualized basis from previous quarter)



The largest drag on the US economy in the third quarter growth was durable goods (large appliances, others) where this segment suffered a decline of 26%.

3. Rising Inflation Rates - When Will Interest Rates Rise?

Inflation has steadily marched up from the lows in January of this year. Inflation in Canada increased from 1% in January to 4.7% in October - an 18 year high.

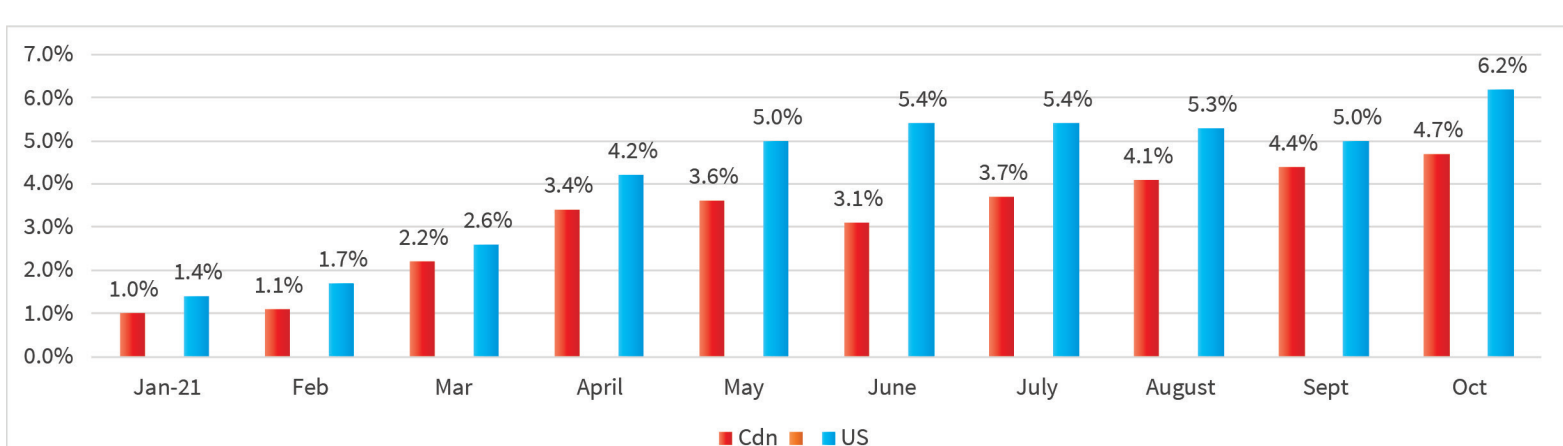
The largest drivers for this record high inflation rate included:

- energy costs (gas) 25.5%
- transportation 10.1%
- meat products 9.9%
- housing 4.8%

US inflation rates have increased even more dramatically from 1.4% in January to 6.2% in October. Inflation results in the next few months will show whether this is "transitory" inflation or more long lasting in nature.

Inflation rates in both countries are well ahead of central bank inflation rate targets. For now, central banks in Canada and the U.S. are holding off on increasing interest rates which would be the usual step taken to curb inflation. But neither country is quick to do this because the economy is struggling at the 2% level with on-going supply shortage challenges. While both countries have backed off on quantitative easing, they are not yet willing to take the risk of increasing interest rates to curb inflation at the expense of choking off the economy further.

Inflation Rates Canada and U.S.



Hart & Associates - we help you make informed decisions

Hart Associates has been providing solid business advice and recommendations to private and public sector organizations across Canada and the U.S. for over 30 years.

Our consulting services are designed to help you make informed business decisions. Whether you wish to identify new markets, introduce new products, undertake a significant business expansion or buy another company, we provide a full analysis of your opportunities and a detailed implementation plan to help you succeed.

We are focused on helping you achieve your business goals. If you have specific goals you would like to achieve, please call us to discuss how we can help you succeed.

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Helping You Make Informed Business Decisions



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