

ECONOMIC NEWS



Cannabis: Soon to Be a Reality for the Canadian Economy

In a few months, recreational cannabis use is expected to be legalized in the country. From a strictly economic perspective, this will have some implications, as certain activities that used to be confined to the black market will now be officially recognized within the Canadian economy. Statistics Canada has already begun preparing by recently publishing historical data on cannabis production, its price, the number of users and how much Canadians pay to purchase the product.

Of particular note is the fact that the number of cannabis users has increased significantly in recent decades, particularly among those aged between 25 and 64. This increase is likely due in large part to increased use for medical purposes.

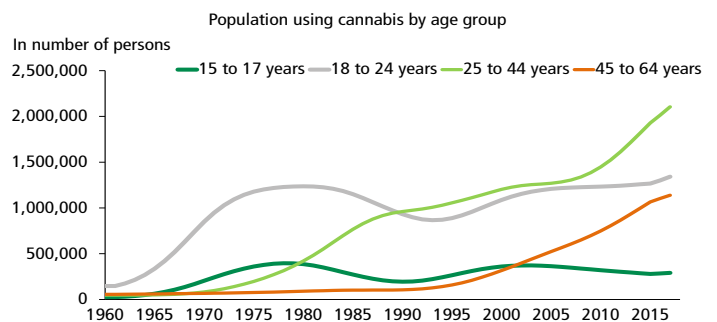
For 2017, Statistics Canada assessed the total amount spent by Canadians on cannabis at close to \$5.7B. While this appears high, it accounts for barely 0.5% of the total consumer spending estimated for 2017. By comparison, tobacco spending apparently reached \$16.5B over the year. Clearly, cannabis is expected to be a fairly small component of Canadian consumer spending on the whole.

On the producer side, 89 facilities, more than half of them in Ontario, were authorized to produce medical cannabis in January 2018. Some producers even made a foray into the stock market, with the value of their stocks skyrocketing over the past few months. The Canadian Marijuana Index jumped 273% between October 31st, 2017, and January 9, 2018. Some consolidation has since been observed, however, and its value has dropped about 30% since peaking.

IMPLICATIONS

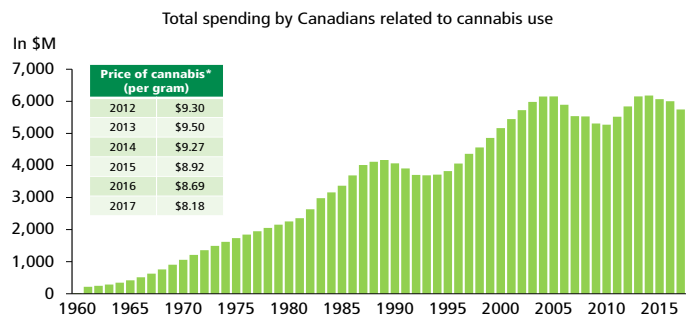
It is certainly challenging for Statistics Canada to accurately integrate cannabis-related activities into its official data. According to the preliminary results, this industry will nonetheless

GRAPH 1
Cannabis use is up notably among people aged over 25



Sources: Statistics Canada and Desjardins, Economic Studies

GRAPH 2
Drop in cannabis prices slows growth in the value of cannabis-related spending



* For medical purposes.
Sources: Statistics Canada and Desjardins, Economic Studies

remain rather marginal, with few direct effects on the Canadian economy.

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NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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