

Canada's Road to Recovery

Vaccinations Picking Up

Covid Cases Falling

Bank of Canada

Housing Boom

Dr. Sherry Cooper
June 10, 2021



Canadian Vaccination Roll-Out Slower Than US

Percent of Population	One- Dose	Fully Vaccinated
Canada	62.3	7.9
United States	51.7	42.1
Percent of Eligible	One-Dose	Fully Vaccinated
Canada	71.1	9.4
United States	61.0	50.0

But Could Ultimately Surpass US

Third Wave Recedes

New **cases** reported each day in Canada

Deaths

Cases

Reported on Jun 7: **1,235**

Last-7-day average: **1,796**

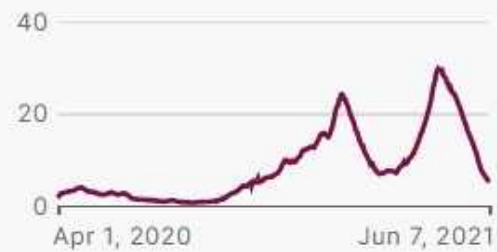
Change in 7-day avg. since last week: **-32.3%**



Hardest Hit Provinces Improve

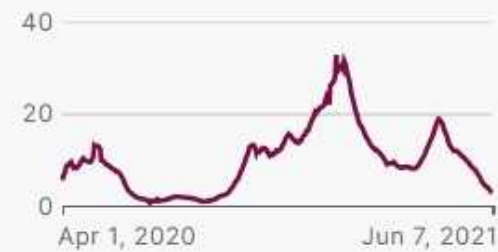
Ontario

Last-7-day avg: 5.0



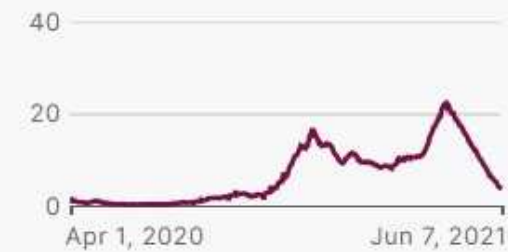
Quebec

Last-7-day avg: 2.7



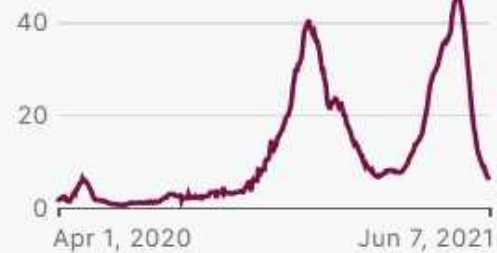
B.C.

Last-7-day avg: 3.5



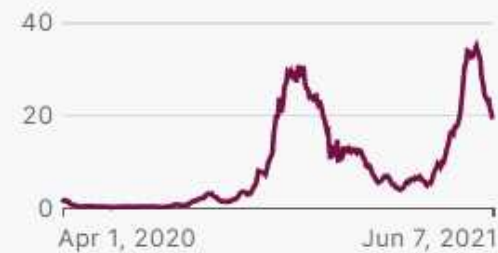
Alberta

Last-7-day avg: 5.8



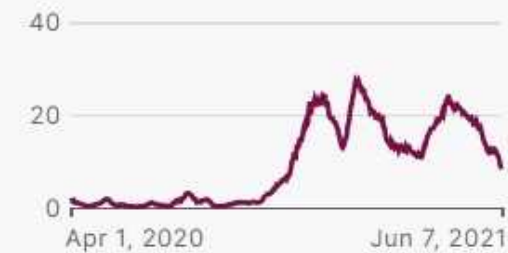
Manitoba

Last-7-day avg: 19.0



Saskatchewan

Last-7-day avg: 8.2





Holds Overnight Rates Steady
No Change in Quantitative Easing

Bank Of Canada



BANK OF CANADA
BANQUE DU CANADA

H1 Underperforms BoC Estimate, H2 Expected Strong

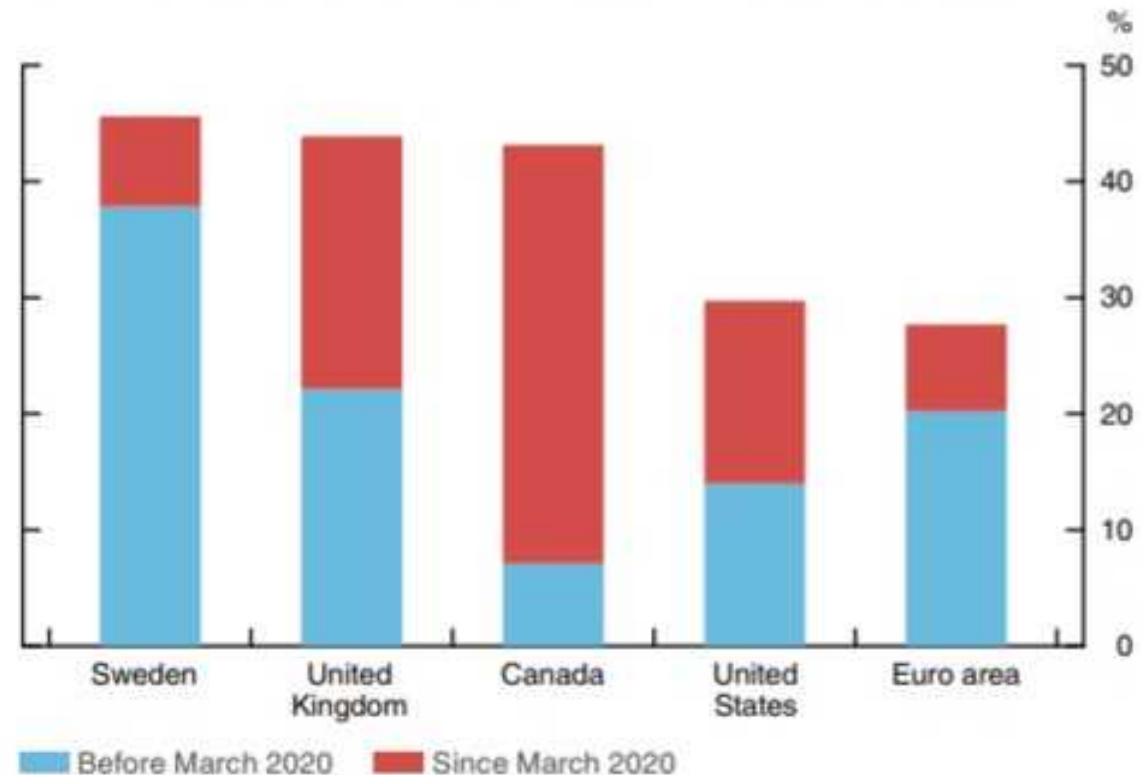
Further Tapering Coming

Will Start Hiking Policy Rate In 2022H2

Bank Owns
44% of All
Outstanding
GoC Bonds

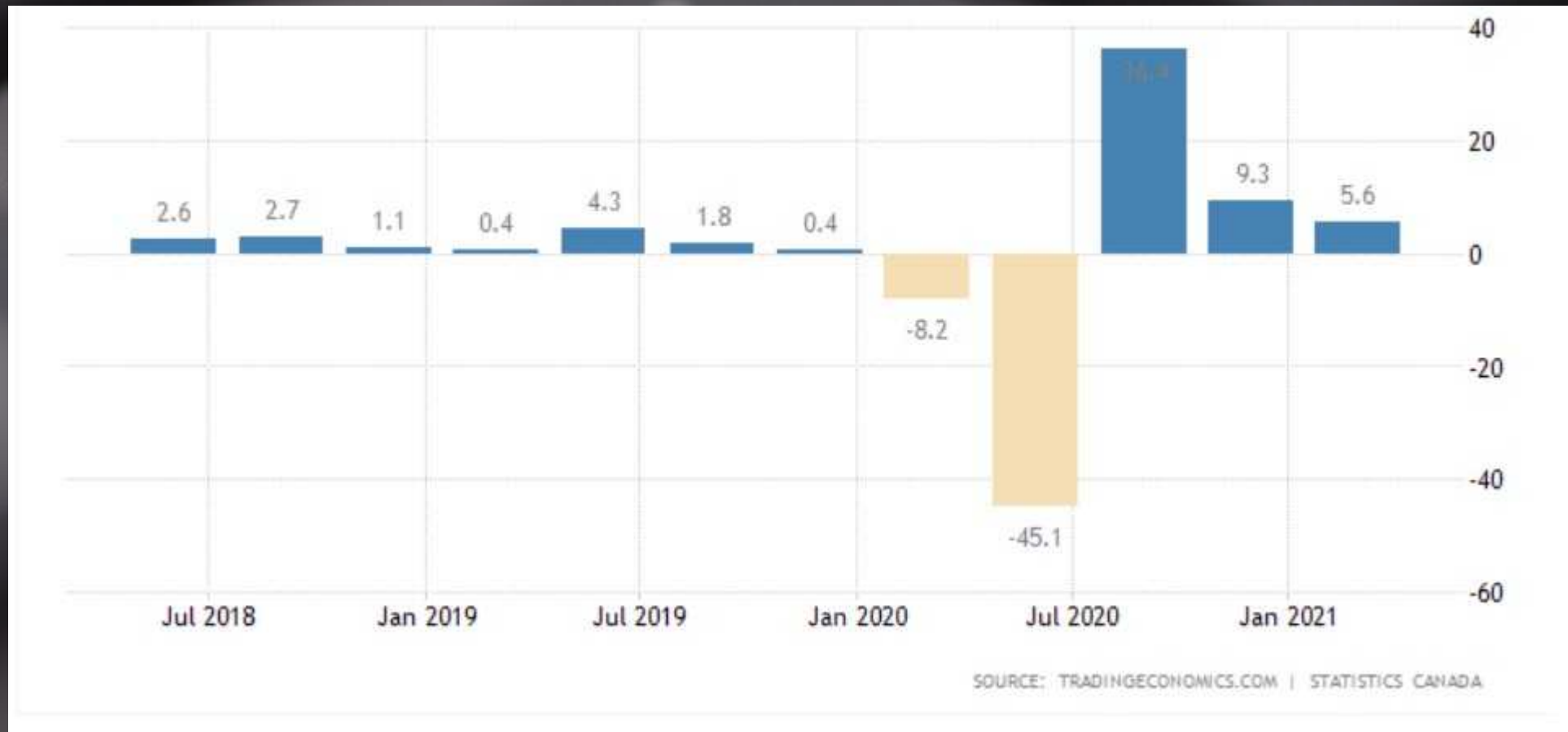
Chart 16: The Bank's sovereign bond holdings increased markedly compared with those of other jurisdictions

Holdings of government bonds as a share of government bonds outstanding



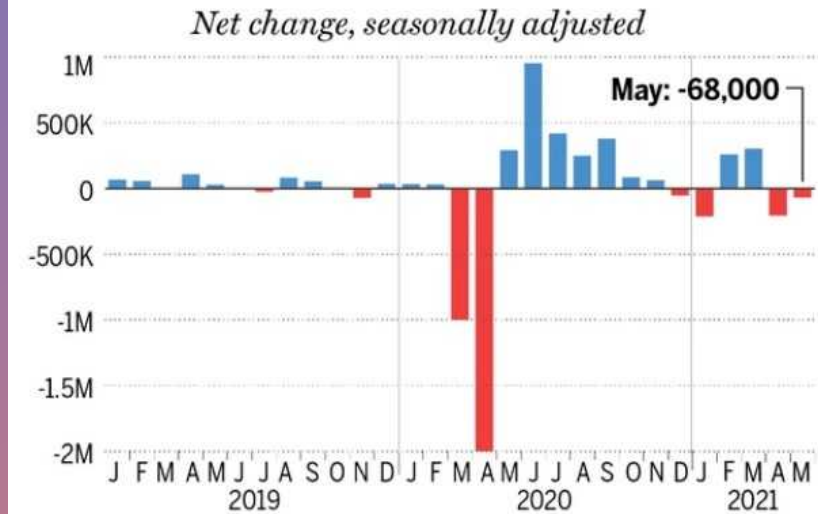
Economy Stalls In Q2

Canadian GDP Growth Will Plunge in Q2 With Third-Wave Lockdown--
Rebounding in Second Half

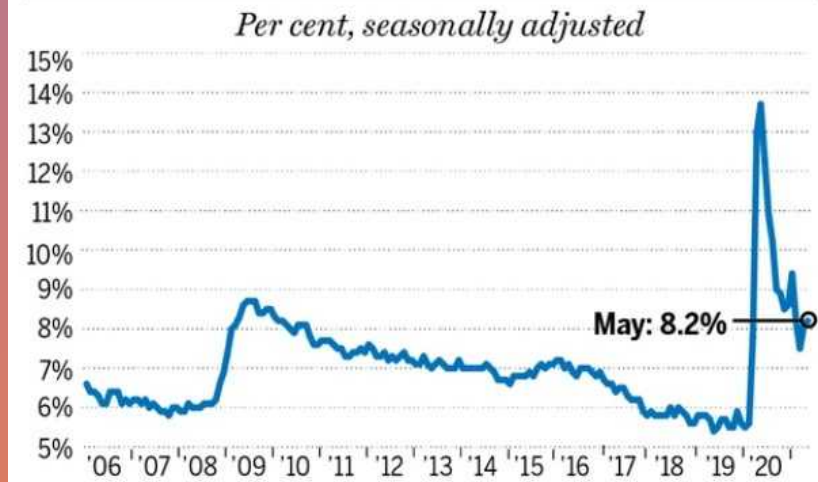


Decline in Jobs in April and May Following Two Booming Months

LOCKDOWNS CONTINUE TO WEIGH ON JOBS



JOBLESS RATE RISES



SOURCE: STATISTICS CANADA

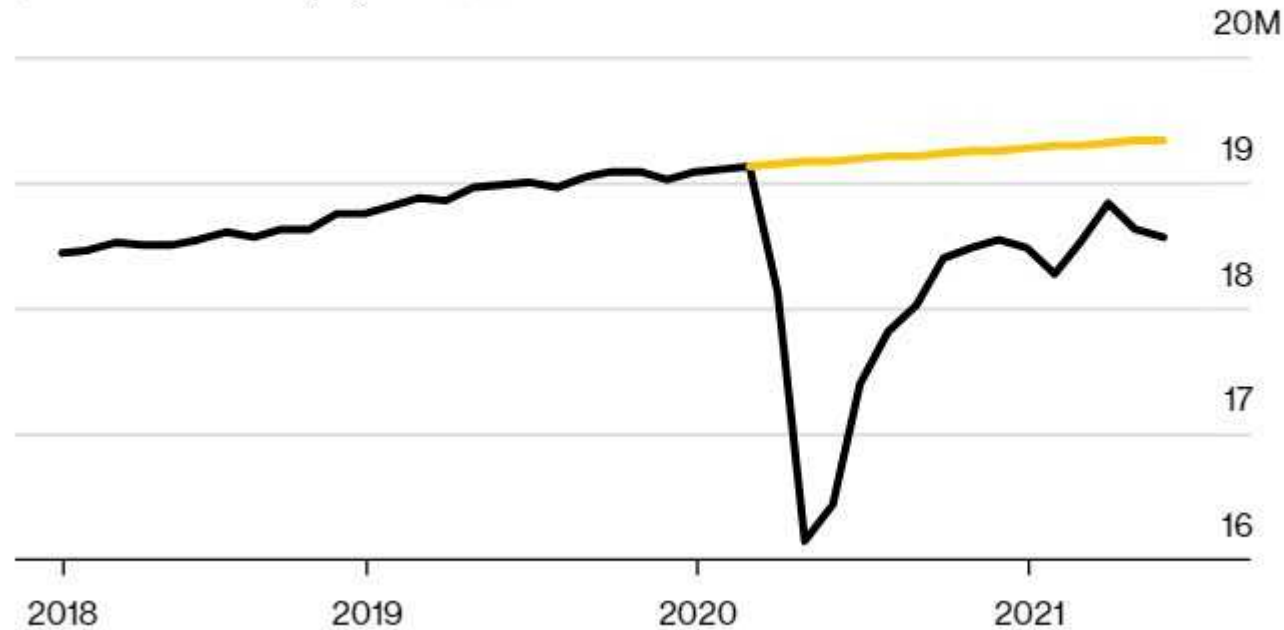
GIGI SUHANIC / FINANCIAL POST

Under-Employment

Macklem's Measure

Canada's job market still below central bank target for full recovery

— Canada Total Employment — Pre-Pandemic Trend



Source: Statistics Canada, Bloomberg calculations

Yet, Business Has Trouble Finding Workers

Job Offers For Immigrants



JOB POSTING IN CANADA [WORK PERMIT]
Skilled, Semi-Skilled and Unskilled Work VISA and Sponsored Job Vacancies

CANADA JOBS

All Nationality Can Apply | Equivalent Diploma/Degree

ATTRACTIVE SALARY + EMPLOYEE BENEFITS

1000+ VACANCIES

HIRING NOW

Submit Online Job Application

JobSeem.com JobSeem.Careers JobSeem JobScan LIKE/SHARE

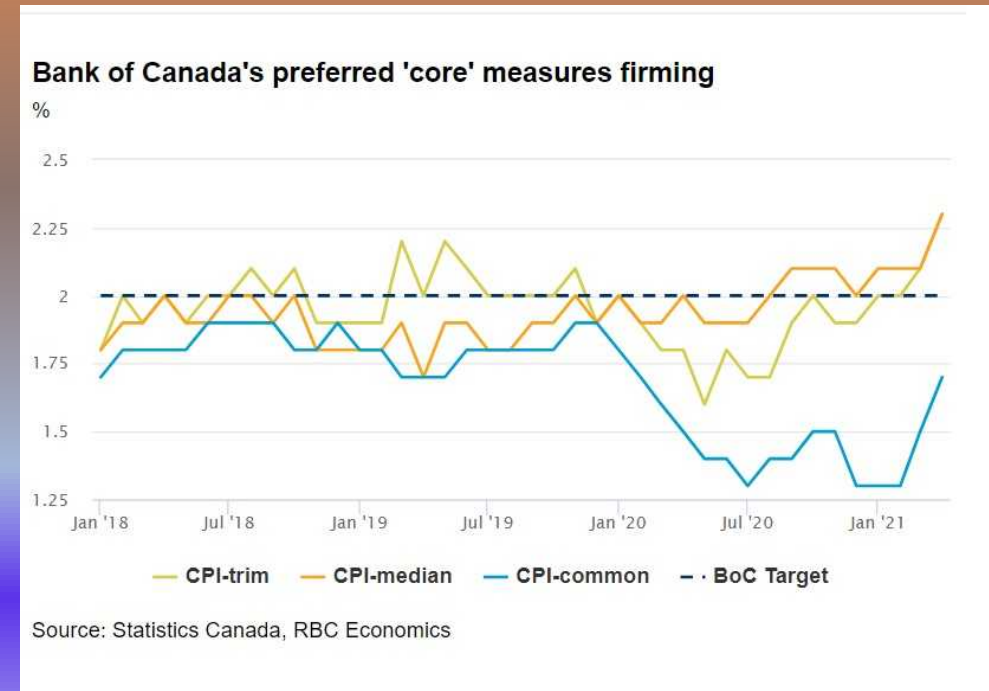
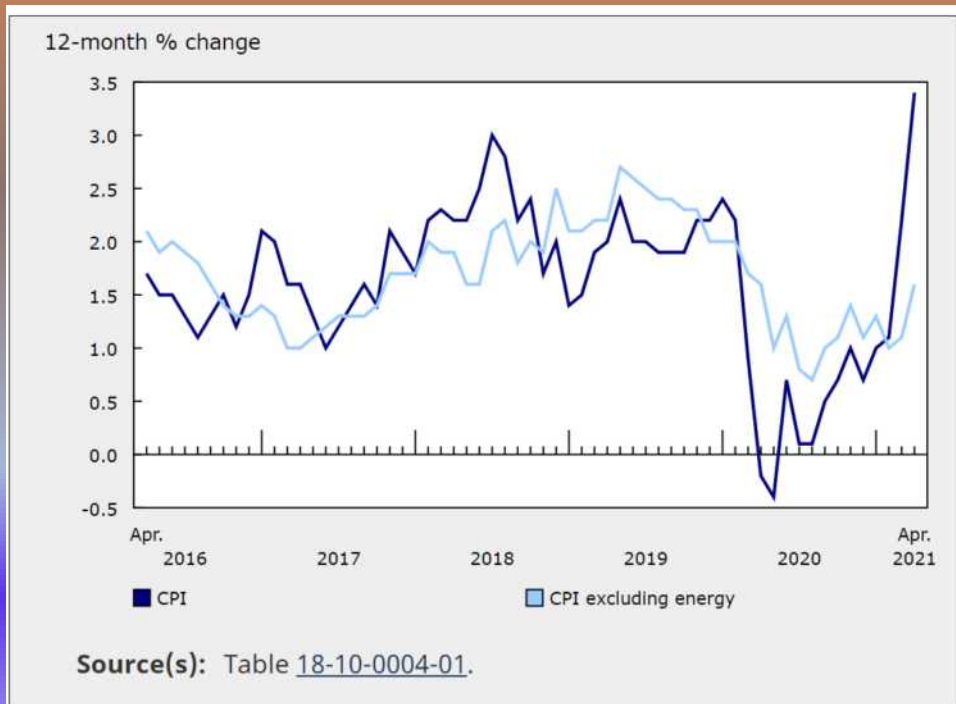
Job Vacancies in Canada At Record High

- 632,700 Jobs Openings Are Vacant
- 4.1% Job Vacancy Rate

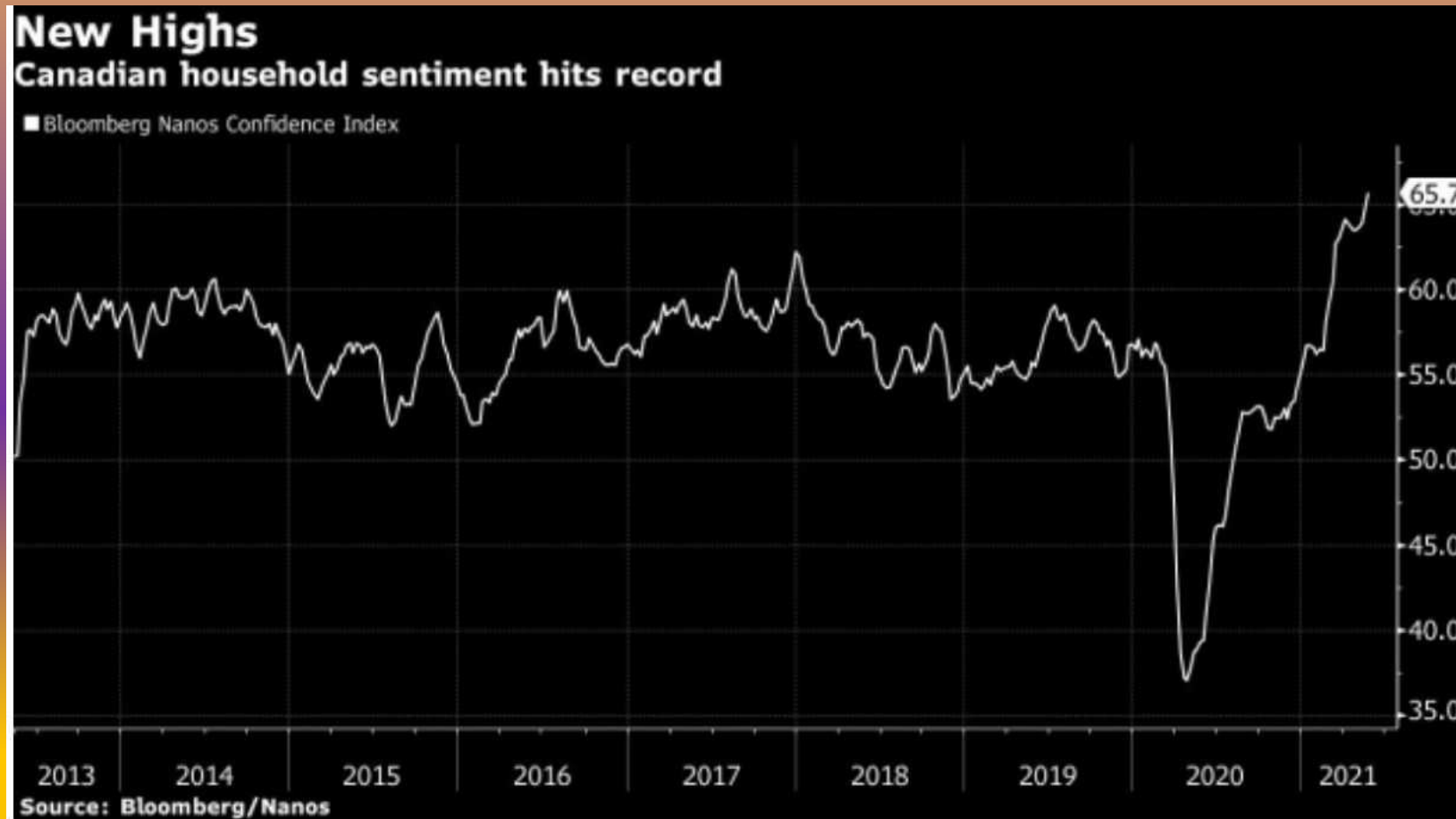
Sector	Vacancy Rate (percent)
Accommodation & Food Services	7.8
Construction	5.8
Health Care and Social Assistance	4.8
Retail Trade	4.0

Inflation Accelerates As Expected

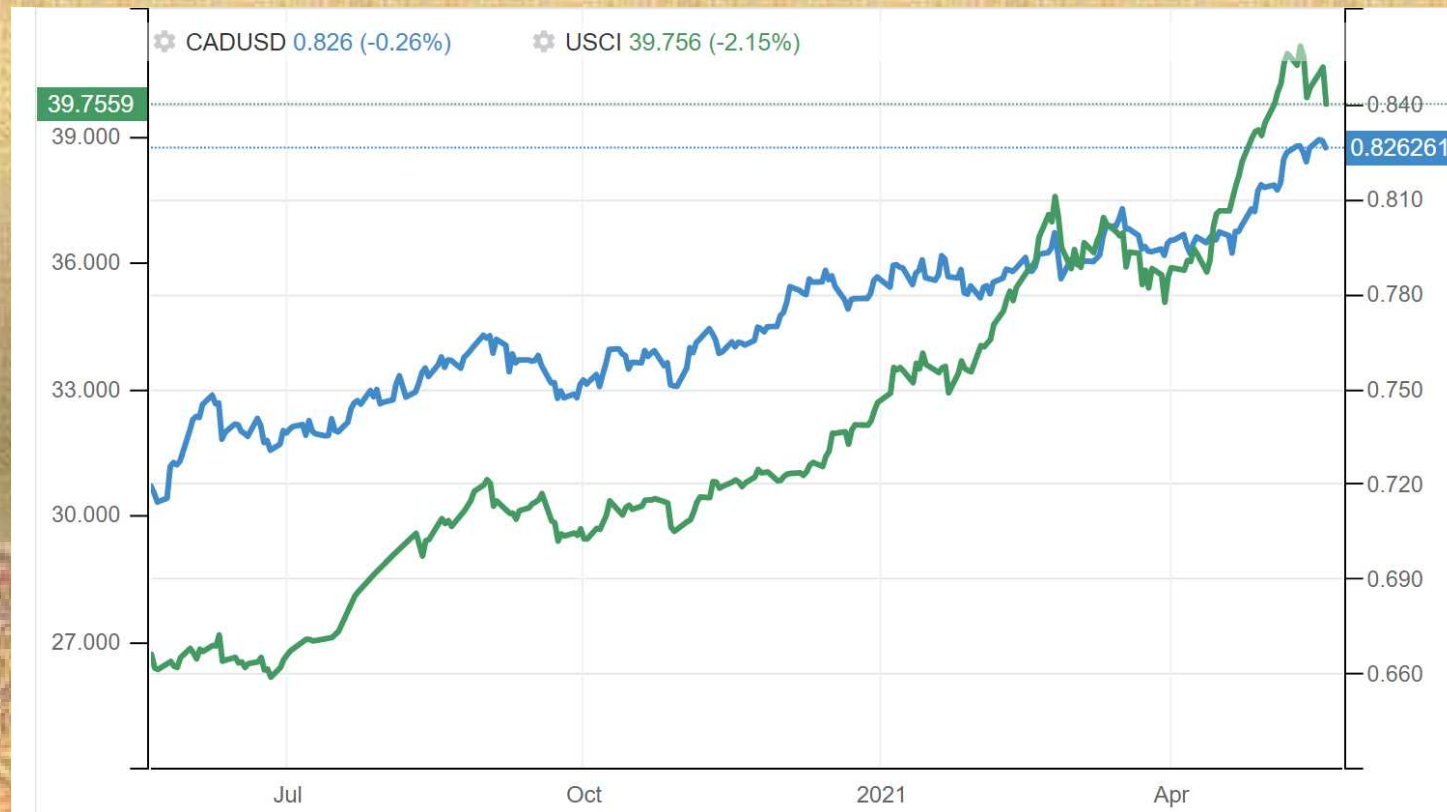
Gasoline Dominates Rise



Consumer Confidence Hits Record High



Canadian Dollar Rises With Commodity Price Surge



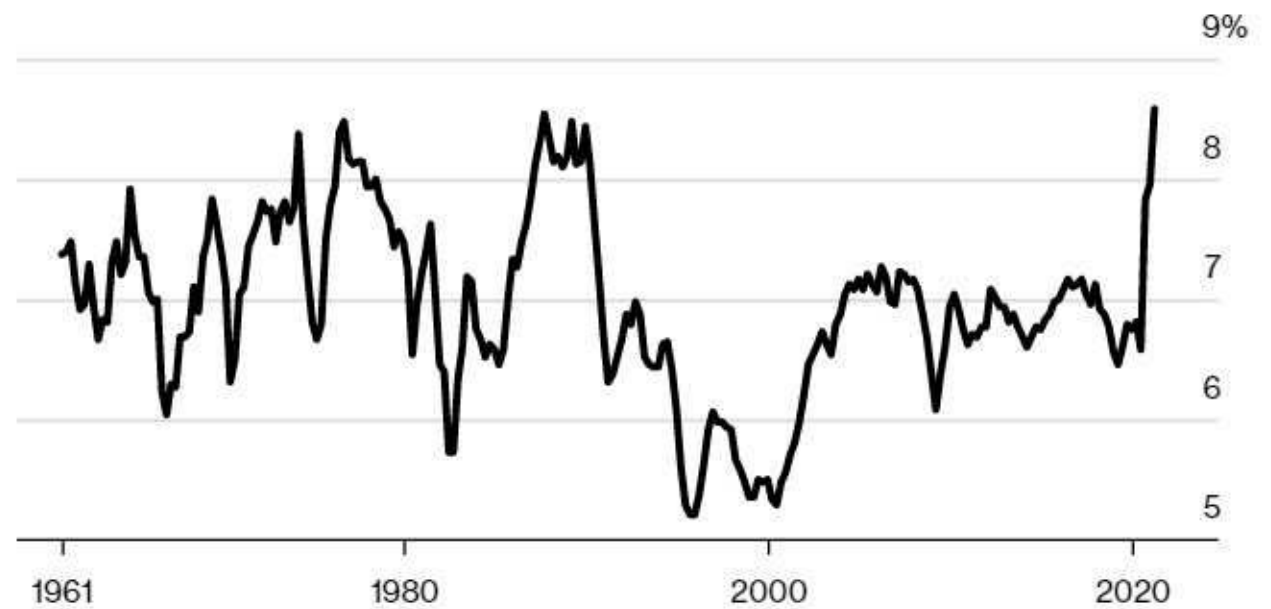


House Price Rise A Concern For Bank of Canada

Housing As A Share Of The Economy At Record High

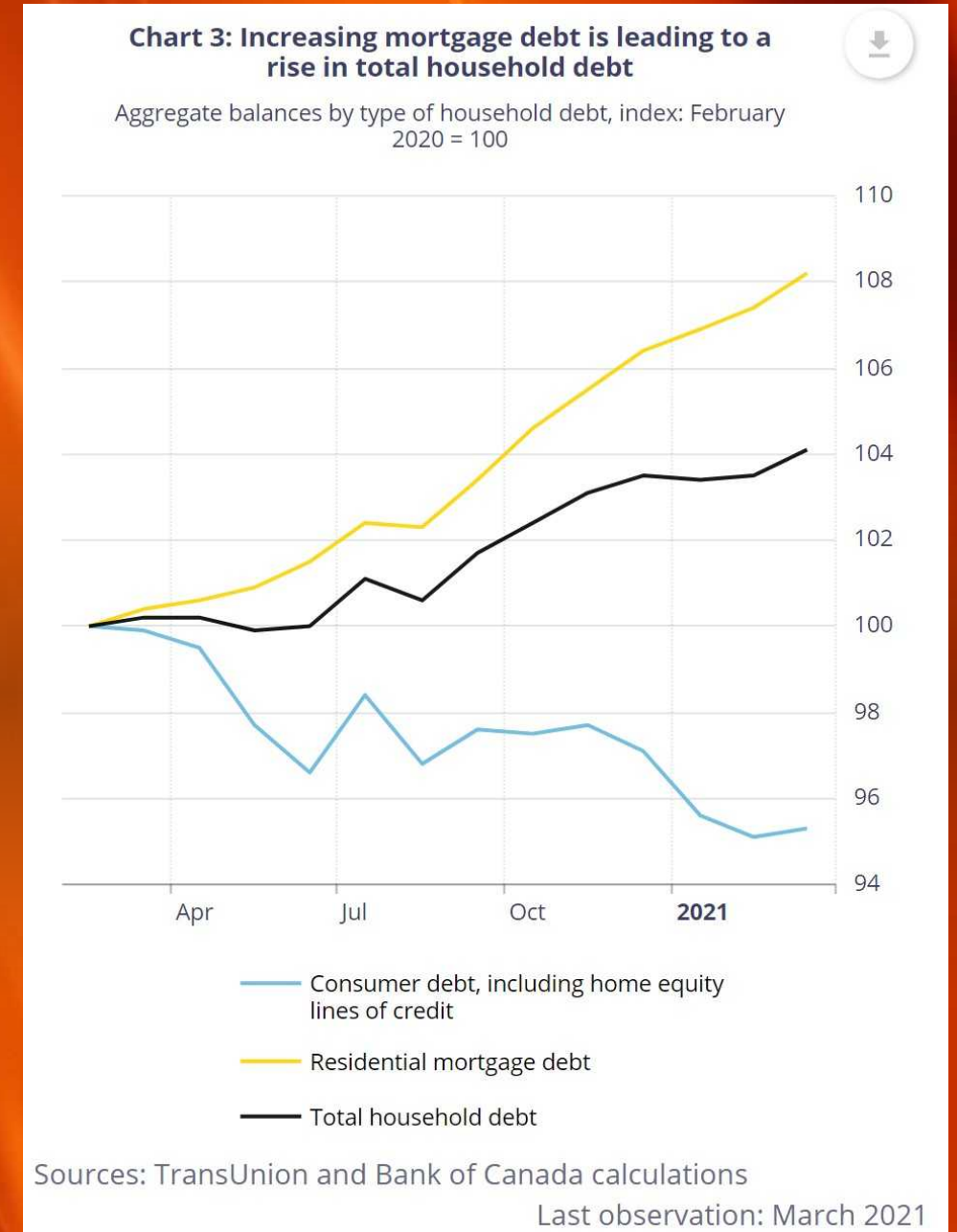
Housing Crutch

Residential investment makes up 8.6% of Canada's economy, a record



Source: Statistics Canada

Mortgages Account For More Than 100% of Rise in Household Debt



Extrapolative Expectations

63% of Canadians see home prices rising over next six months

Proportion Expecting Higher Real Estate Prices* Historical Average



Source: Nanos, Bloomberg

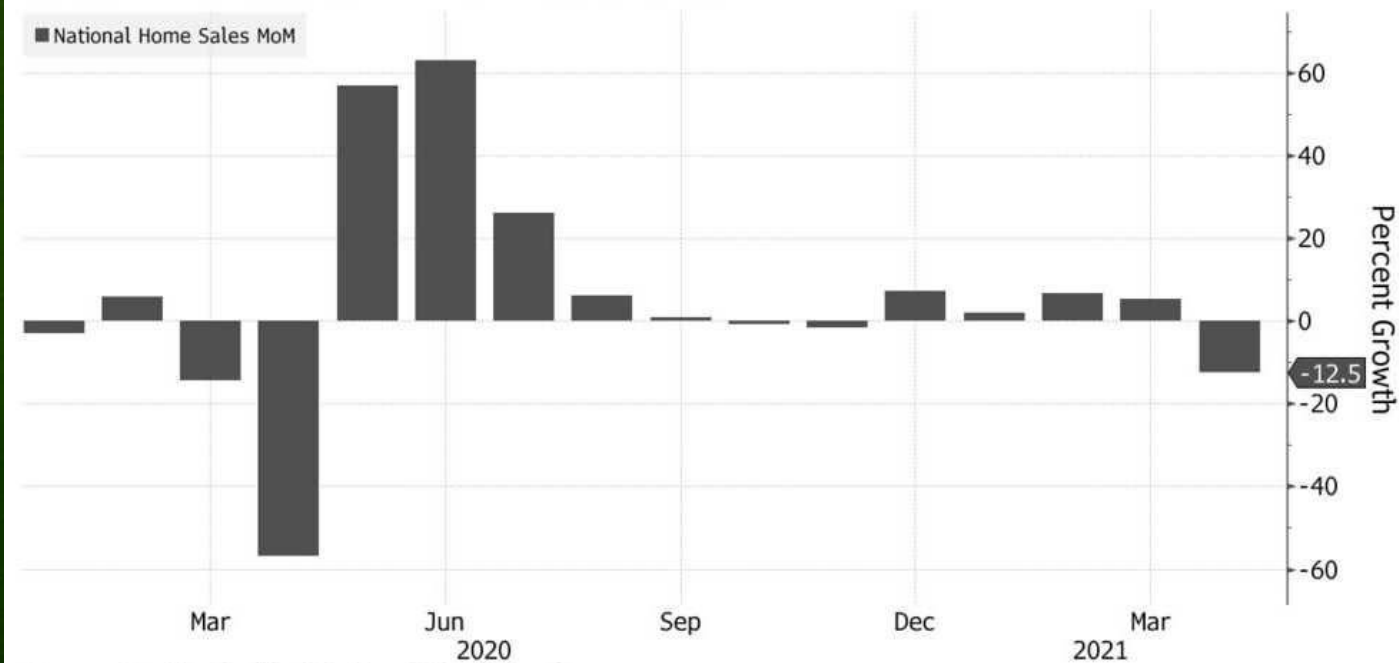
Note: *Respondents answering they expect an increase when asked: "In the next six months, do you believe that the value of real estate in your neighborhood will increase, stay the same or decrease?"

Bloombe

Fear of Missing Out

April Sales Slowed A Bit

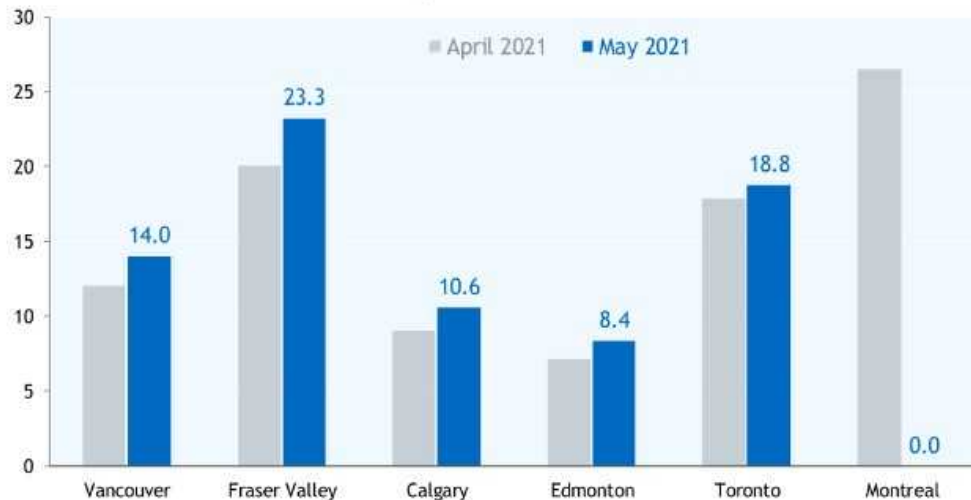
Taking Break Canadian home sales fall from record levels



May Resales Slow, But Prices Rise

Home prices

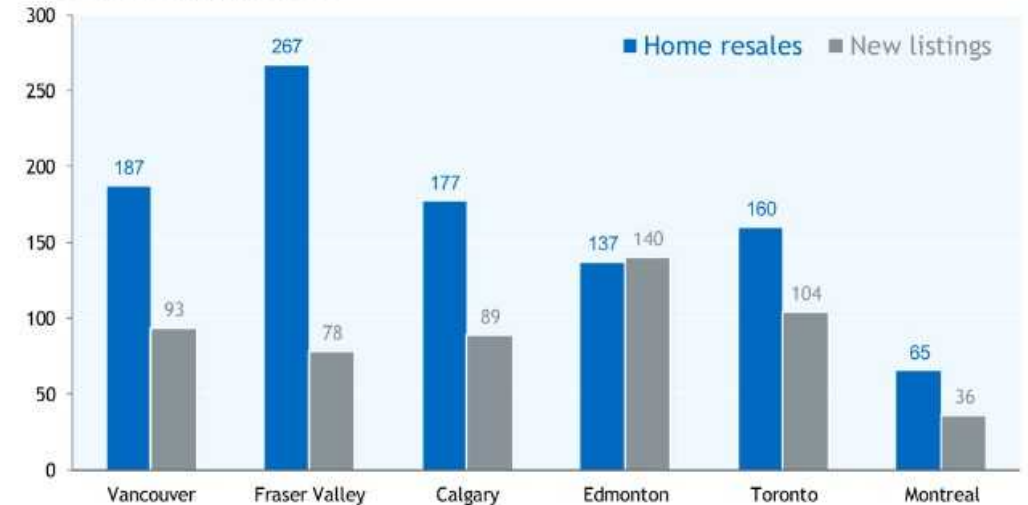
MLS Home Price Index, annual % change



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Market activity

Annual % change, May 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Low-Density House Prices Outperform

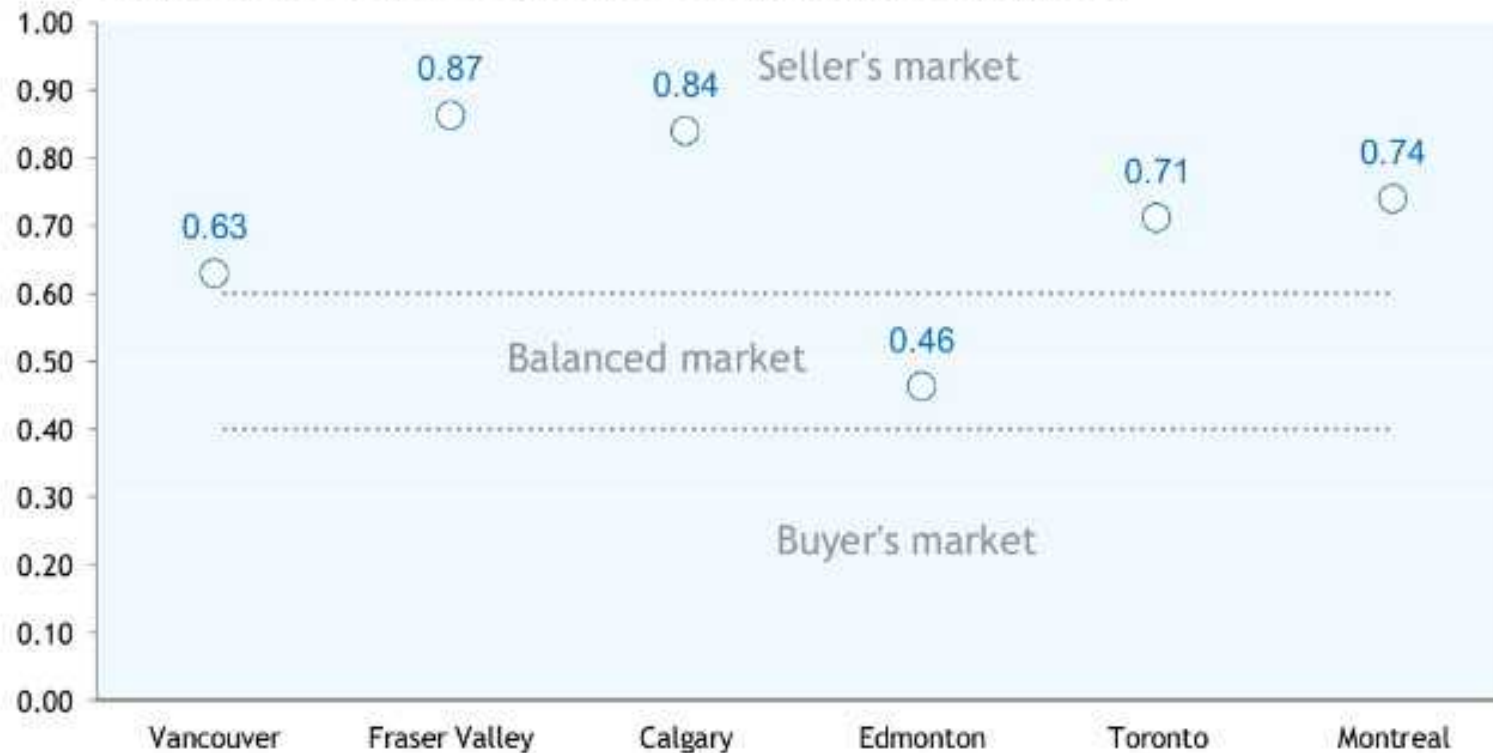
HPI by Timeframe and Property Type

	April 2021	1 Month Ago	3 Months Ago	6 Months Ago	12 Months Ago	3 Years Ago	5 Years Ago
Aggregate – Single Family – s.a.	299.9	2.6%	9.1%	16.5%	28.3%	35.7%	57.4%
Aggregate – Apartment – s.a.	265.8	2.1%	5.7%	6.9%	8.4%	16.0%	55.5%

Sellers' Housing Market

Demand-supply conditions

Estimated sales-to-new listings ratio, seasonally-adjusted, May 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Credit Quality Concerns

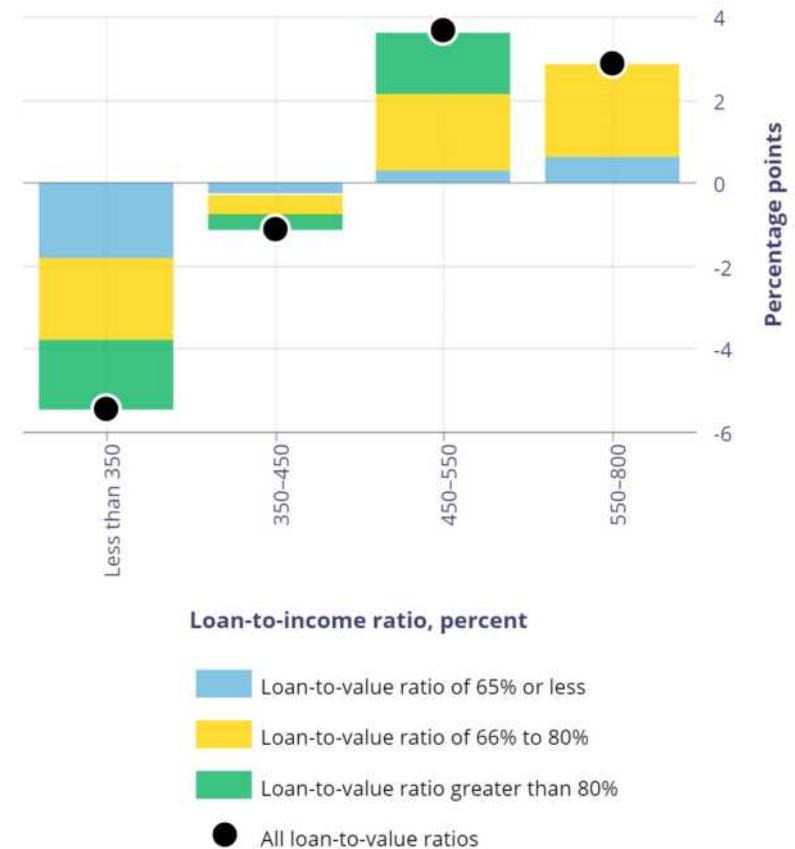
Chart 4: The share of new mortgages with a high loan-to-income ratio has surpassed its 2016–17 peak

Share of new mortgages with a loan-to-income ratio greater than 450 percent



Chart 5: The buildup of new mortgage debt in 2020 came primarily from households with a high loan-to-income ratio and a high loan-to-value ratio

Change in the composition of new mortgage debt between 2019 and 2020



Bank of Canada Sees Housing A Risk Factor

Chart 8: Expectations of house price growth have increased and broadened regionally

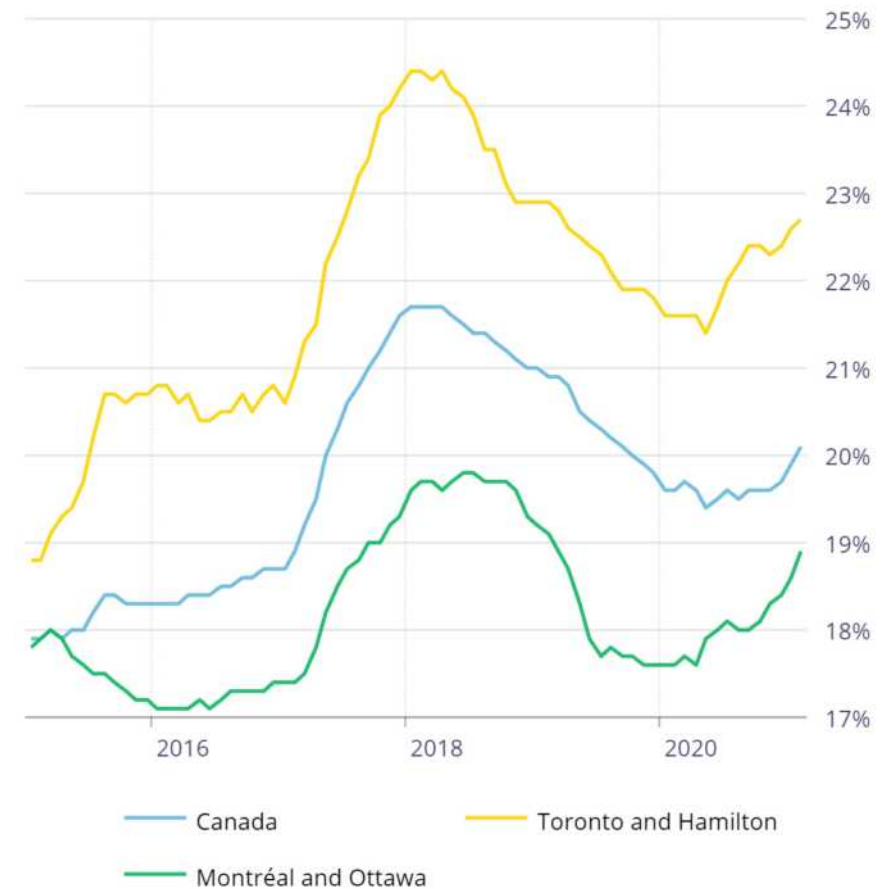
Median expected growth in house prices over the next 12 months

Start of the global pandemic



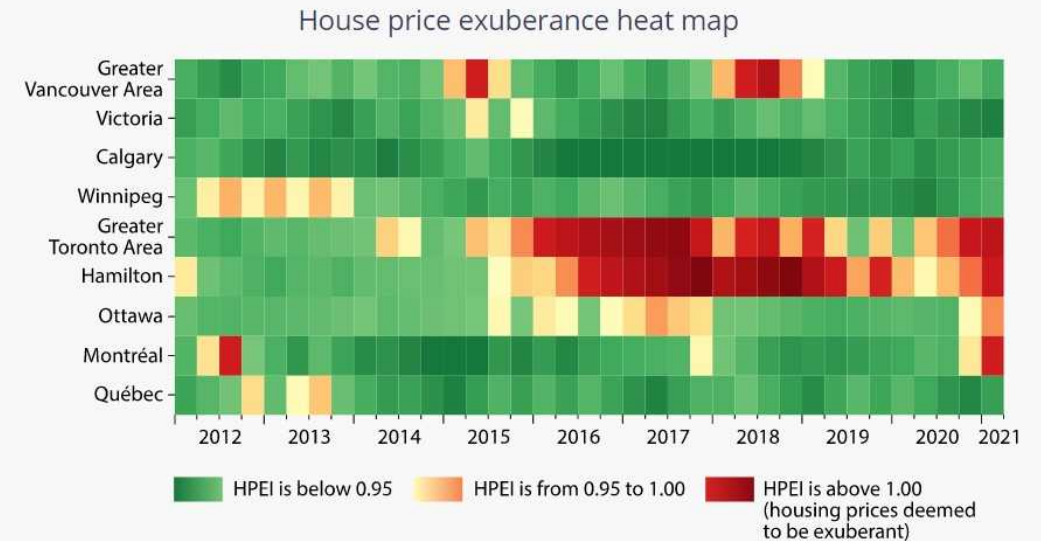
Chart 9: Increased investor demand has not been a significant contributor to the current housing boom in Canada

Share of properties purchased by investors



Bank of Canada House Price Exuberance Measure

Chart 2-A: The Greater Toronto Area, Hamilton and Montréal are showing signs of house price exuberance



Note: HPEI is the House Price Exuberance Indicator.

Source: Bank of Canada calculations Last observation: 2021Q1

⇒ Description: The Greater Toronto Area, Hamilton and Montréal are showing signs of house price exuberance



Insured and Uninsured
Mortgage Stress Test
Changes—5.25% Qualifying
Rate



First Responder
MORTGAGE PROGRAM™

The highly anticipated **Dominion Lending Centres® First Responder Mortgage Program™** is now officially LIVE! You are able to send deals to Scotiabank as of today. If you haven't yet, please take some time to review the broker package and training video.

The banner features four first responders: a Black man in a police uniform, a woman in medical scrubs, a man in a police uniform with "POLICE" on his vest, and a woman in a police uniform. The Dominion Lending Centres logo is in the bottom right corner.



First Responder Program

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DR. SHERRY COOPER

Chief Economist of
Dominion Lending Centres.

