



Canada Reopens

Dr. Sherry Cooper
July 15, 2021



Restrictions Ease

Economy Picks Up

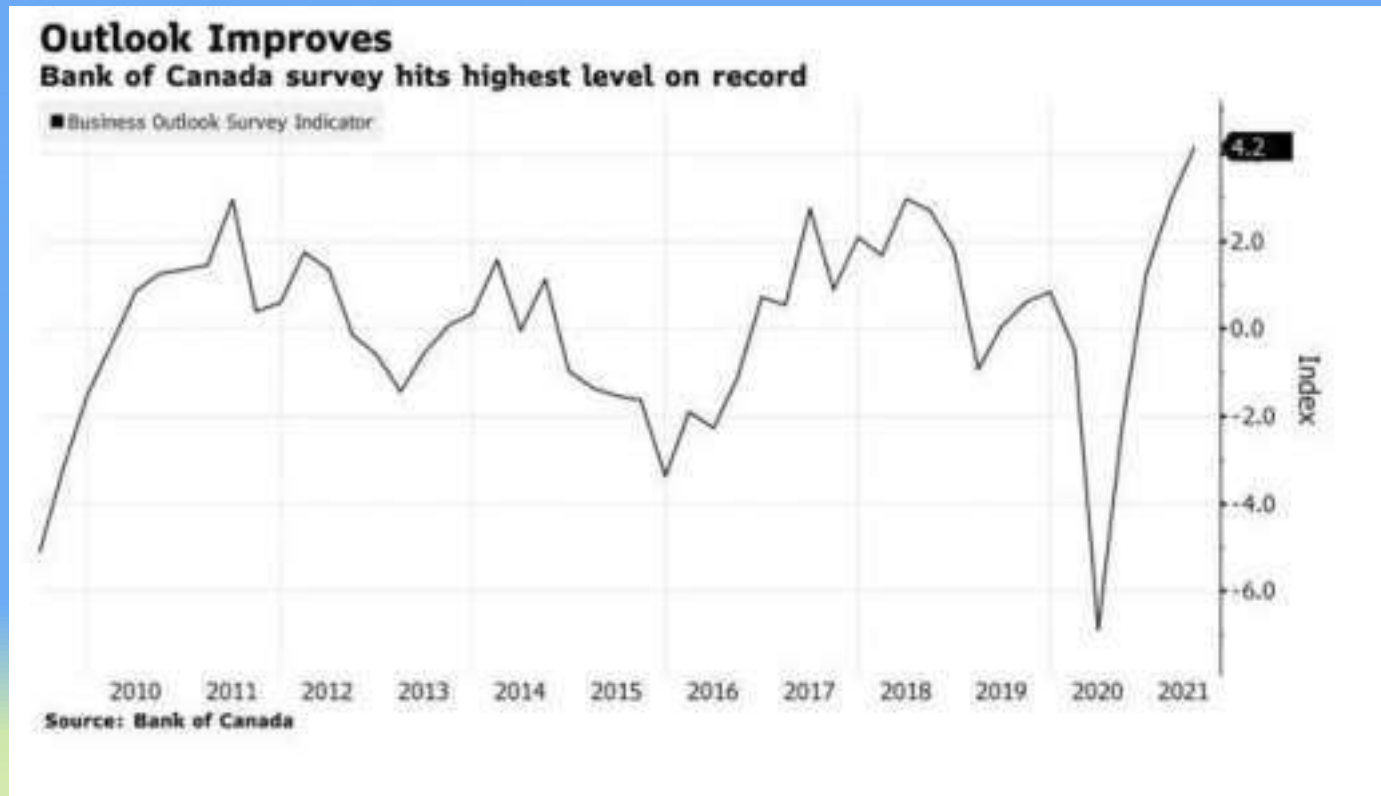
Inflation Concerns

Bank of Canada

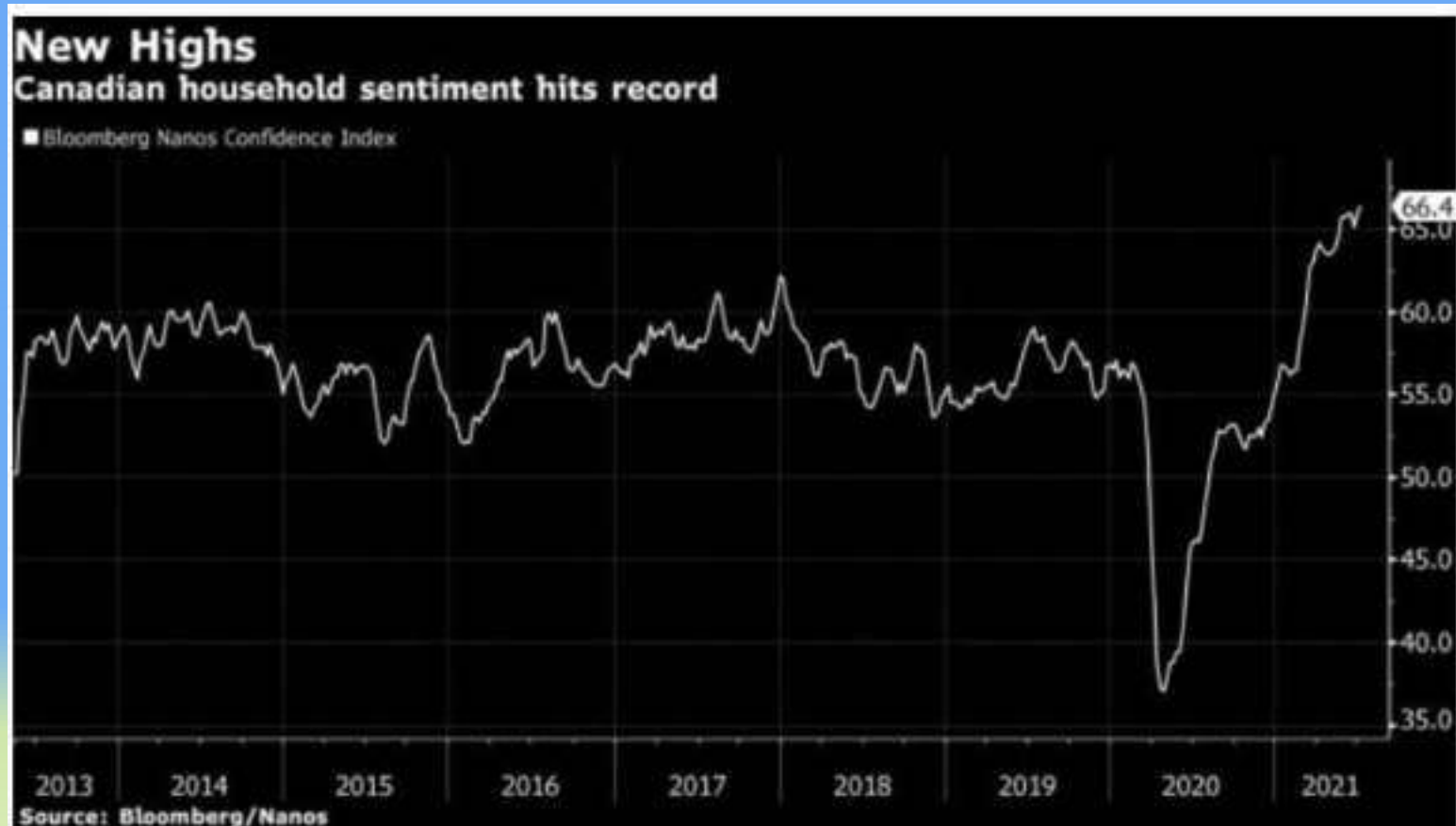
Housing

Canada's Road To Recovery

Business Confidence Hits Record High



Consumer Sentiment Hits Record



INFLATION



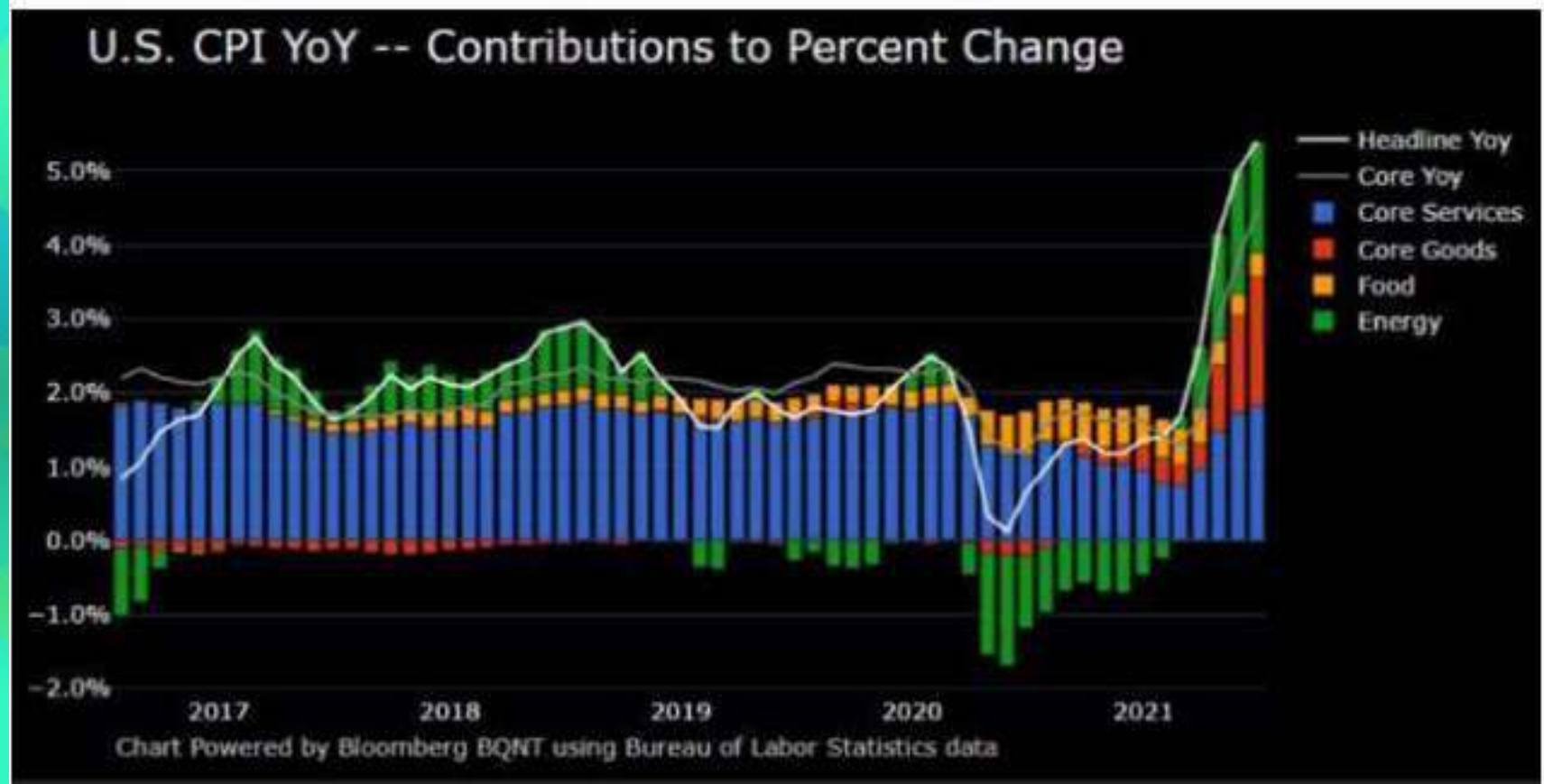
Inflation Accelerates More Than Expected



US Inflation
Rose to
5.4% in
June

Canadian
Inflation set
To Rise As
Well

All Sectors Contribute to Inflation--US

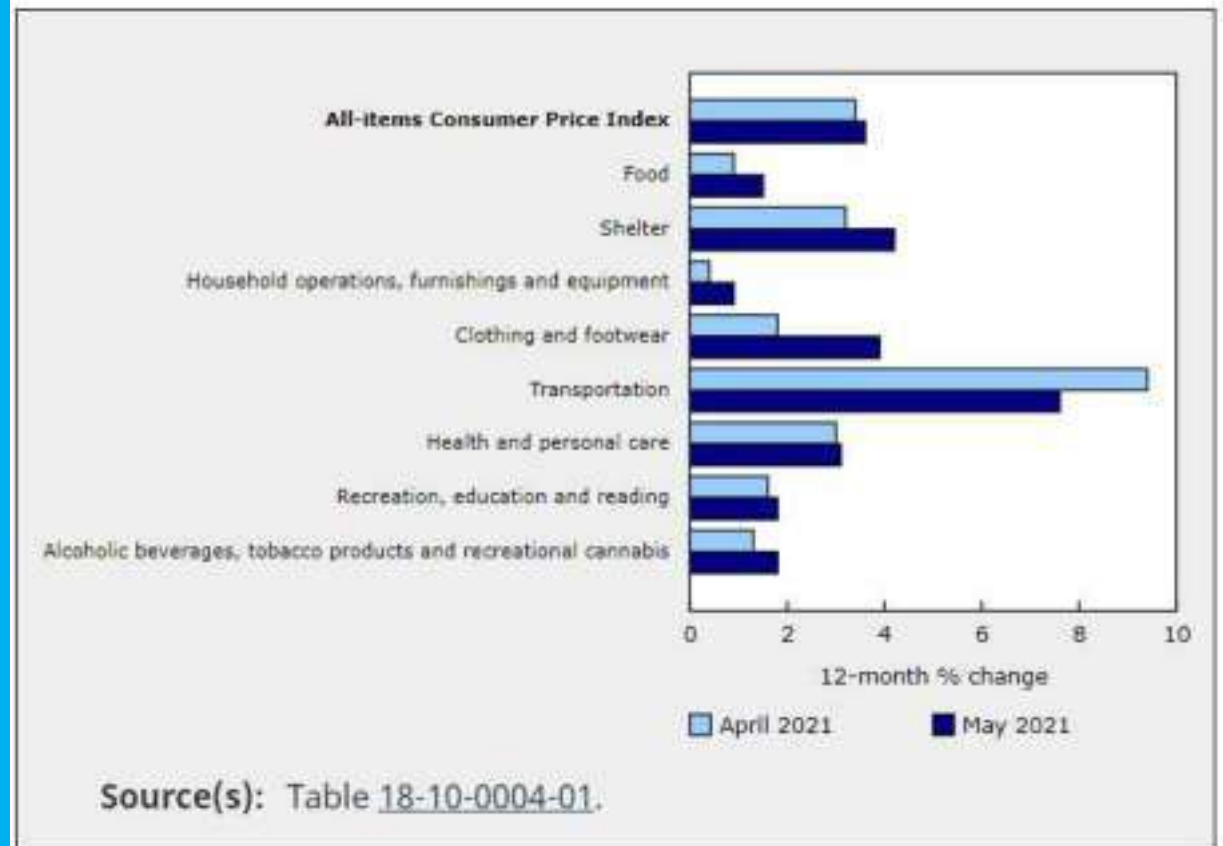


Canadian Prices Rise In April, May And June

Prices rise in every major compone

[Back to main article](#)

[Interactive](#) [Image](#)



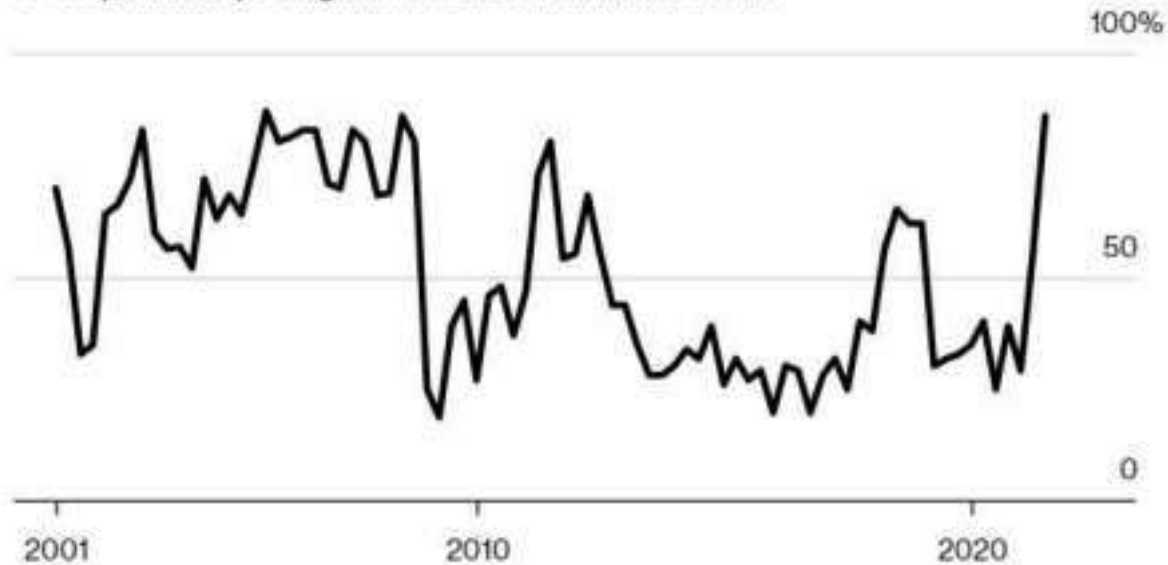
Inflation Expectations Rise

Canada

Re-Anchoring Risk

Inflation expectations heavily tilted above Bank of Canada's 2% target

Proportion Expecting Inflation Over 2% in Next 2 Years



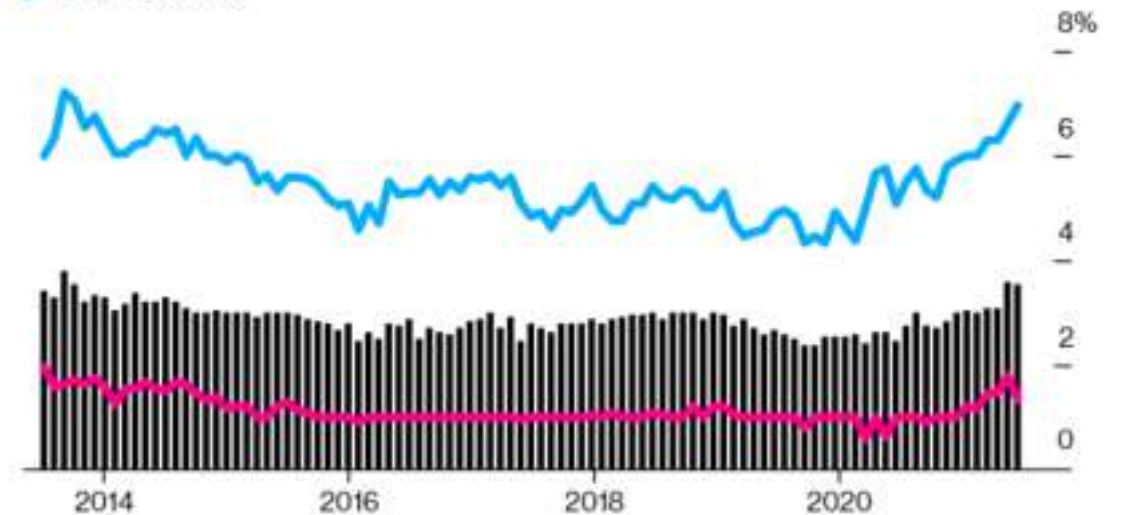
Source: Bank of Canada

United States


Price Expectations

Consumer views on inflation over the next three years widens to a record

Median three-year ahead expected inflation rate
25th Percentile
75th Percentile



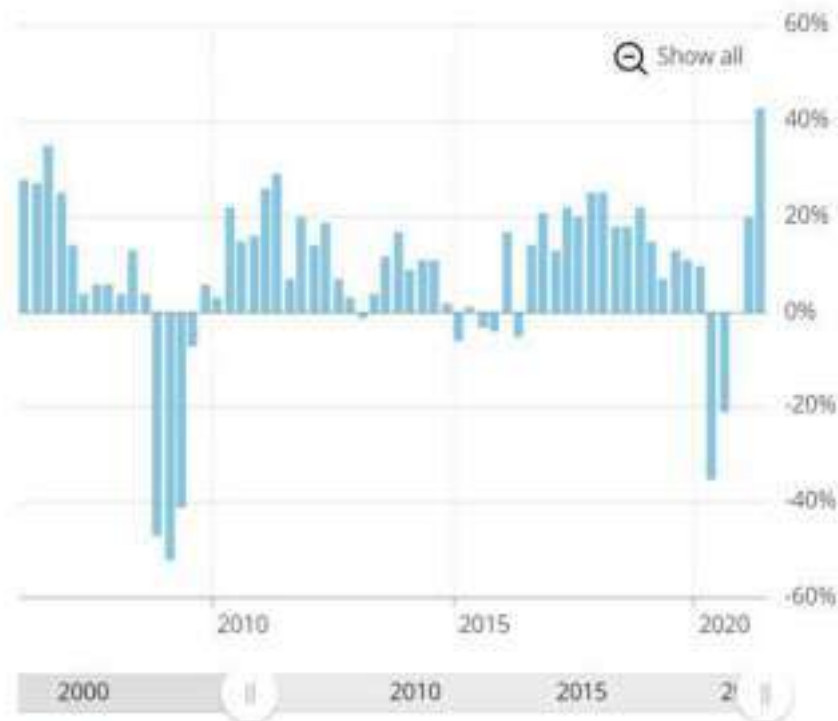
Source: Survey of Consumer Expectations, Federal Reserve Bank of New York (FRBNY)



**Big Question—Will
Inflation Be
Temporary—Or Are
Central Banks Wrong?**

Chart 7: Expectations of faster wage growth are widespread

Over the next 12 months, are increases in labour costs expected to be higher, lower or about the same as over the past 12 months?



Wages Expected to Rise

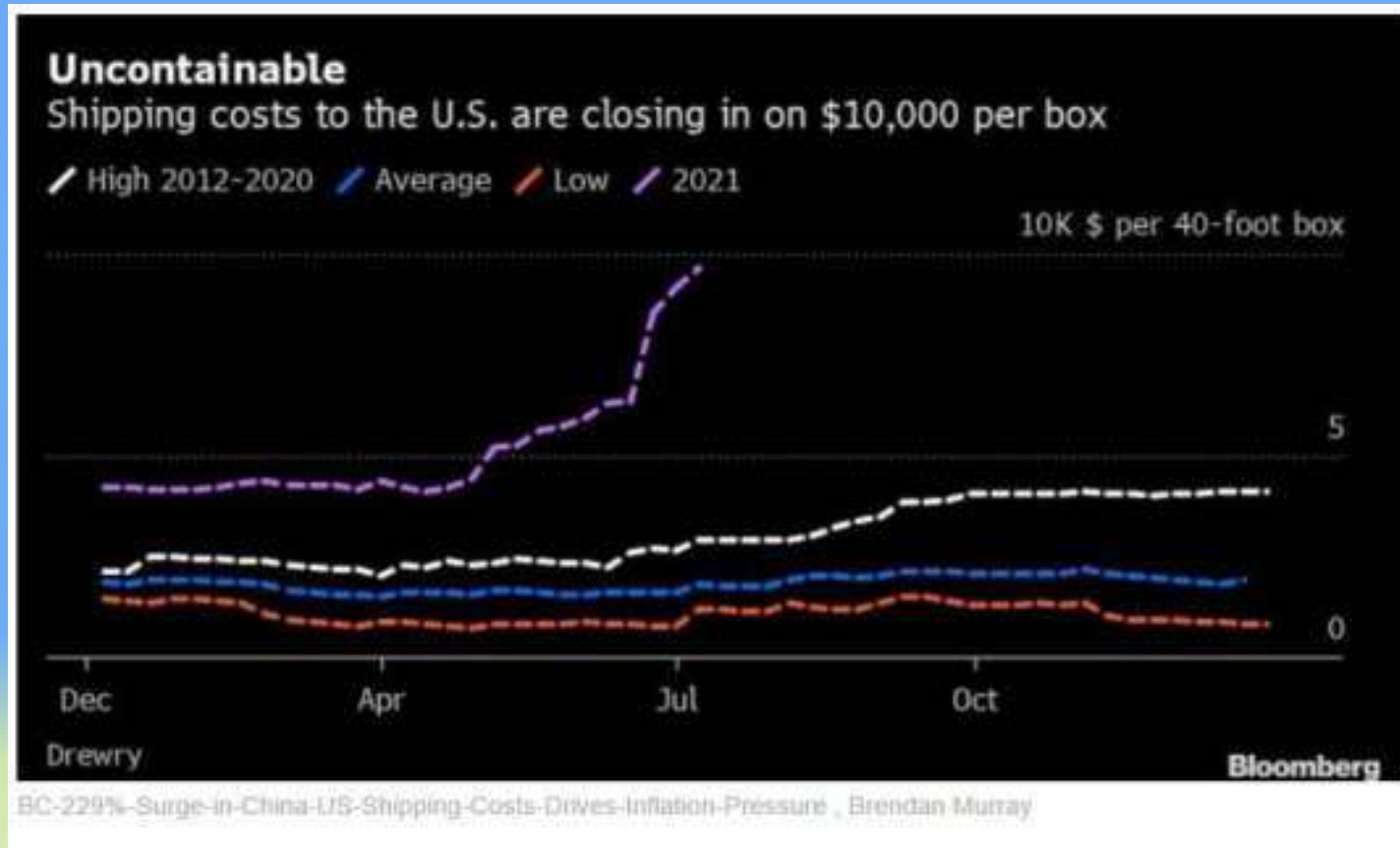
Canadian Small and Mid-Sized Business Forecast

Figure 5: **Future pricing and wage plans**



Source: CFIB

Shipping Disrupted and Costs Swell



INDUSTRY HEADACHE

Can't Meet Demand

Reduced Production

SEMICONDUCTOR SHORTAGE

Factory Shutdown

Work Stoppage

Supply Chain Nightmare

BOTTLENECK



Supply
Shortages
Everywhere

Used Car Prices Go Straight Up



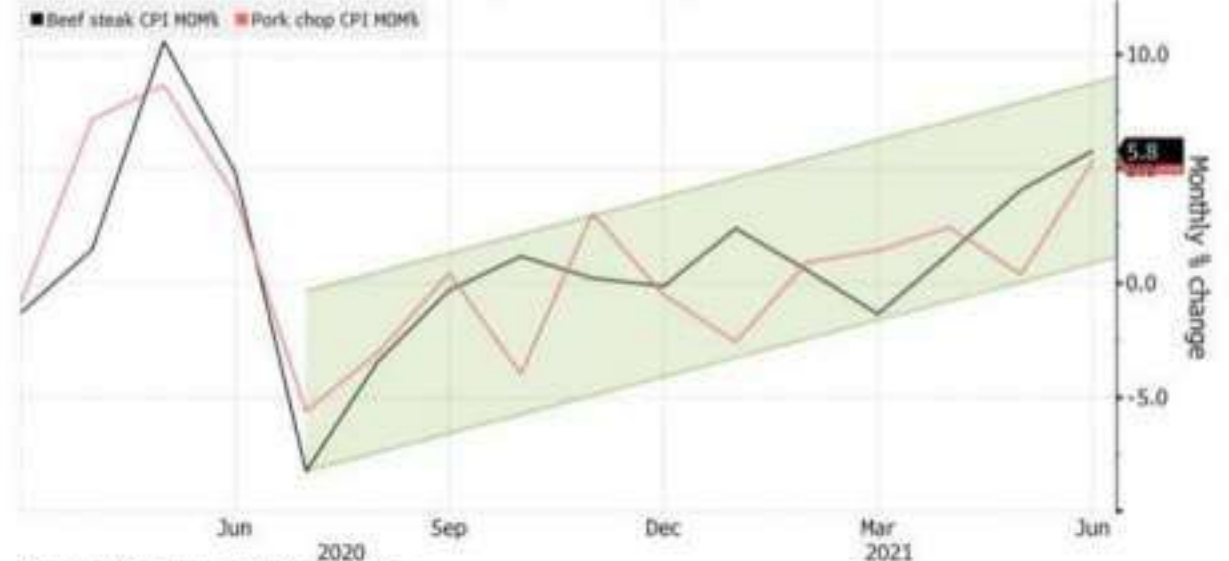
Meat Prices Skyrocket In Time for Grilling Season



This Photo by Unknown Author is licensed under CC BY-NC

Which One to Grill?

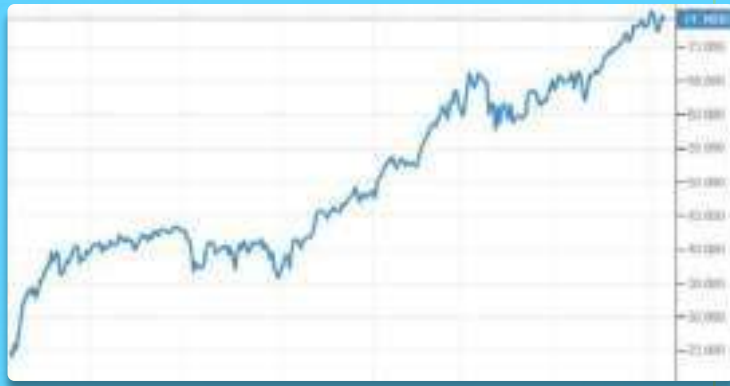
June saw spikes in both pork chops and beef steaks



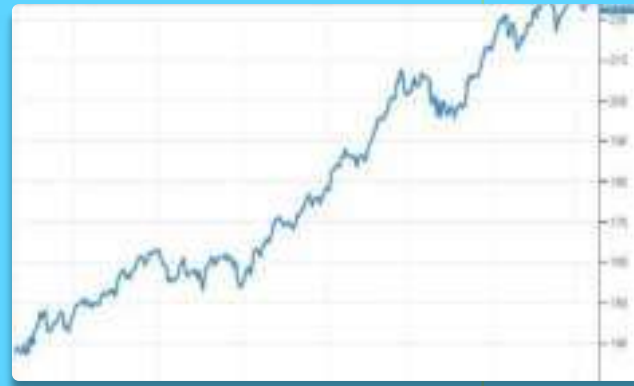
Source: U.S. Bureau of Labor Statistics

Commodity Prices Boom-- Expected To Remain Strong

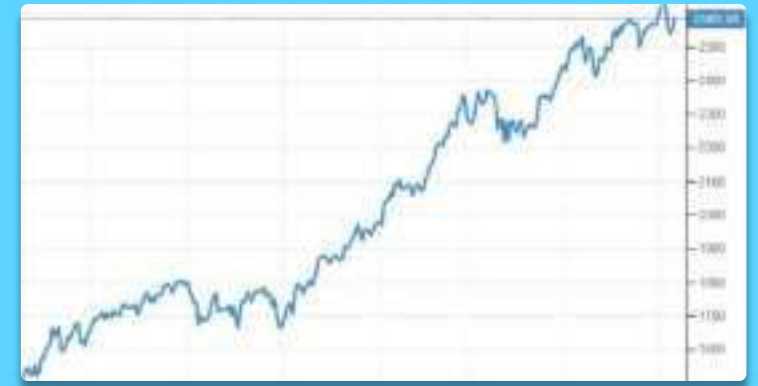
Oil Price



**CRB Commodity Price
Index**

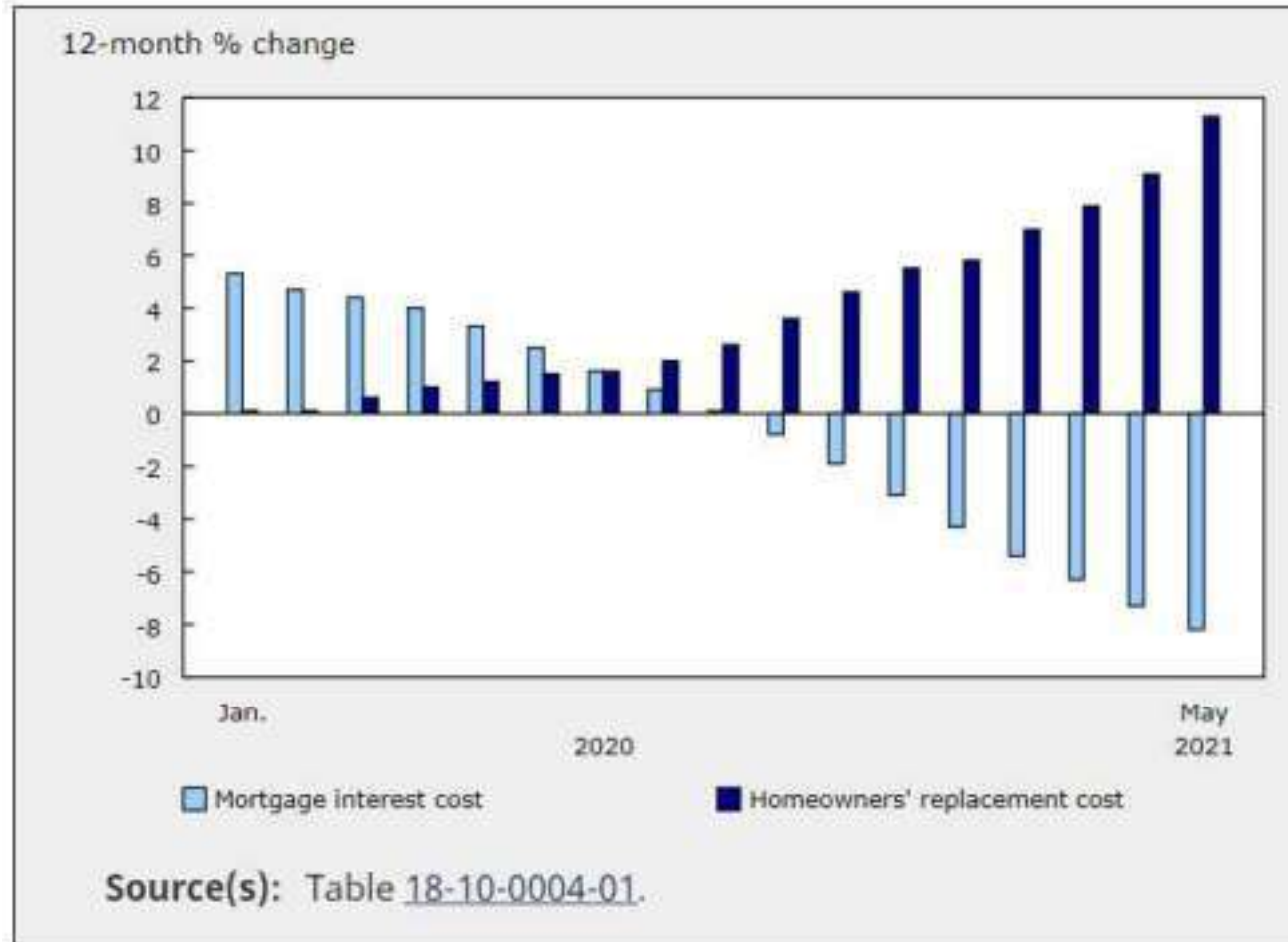


Commodity Futures Prices





Homeowner Replacement Costs Rise





Holds Overnight
Rates Steady

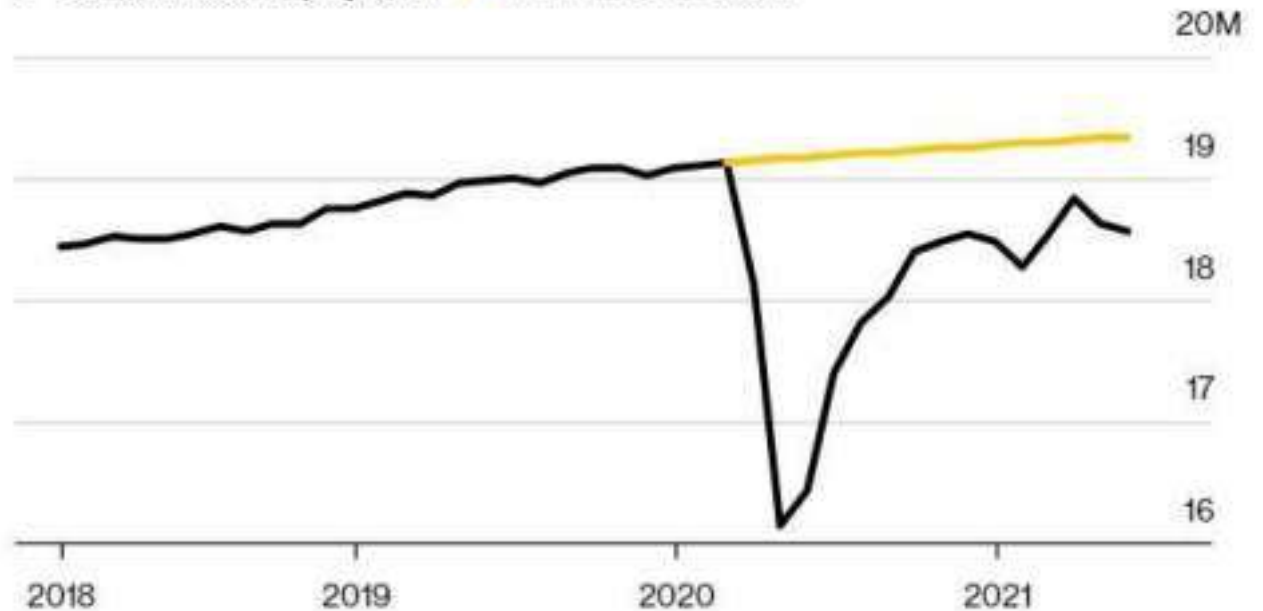
Tapers Bond
Buying Again By
One-Third To \$2
Bln per Week

Output Gap Slack Remains Until H2- 2022

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



Guidance—First Policy Rate Hike Second Half Of 2022



Bank of Canada's Answer To The Big Inflation Question

BoC Revised Up Inflation Forecast For 2021, But Says Inflation Spike Remains Temporary— “Dissipating By Yearend”

Bank Says Supply Disruptions Are A Bigger Factor Than Expected. “We expect the factors pushing up inflation to be temporary, but their persistence and magnitude are uncertain...”

Countries seeing surging real house price growth

5.0 7.5 10.0 12.5 15.0%

Housing Boom In Many Countries

A world map with a color scale legend at the top. The legend shows a gradient from dark blue to light blue, with labels 5.0, 7.5, 10.0, 12.5, and 15.0%. The map highlights several countries in shades of blue, indicating high real house price growth. These include Russia, China, India, and several countries in Europe and Africa. The text 'Housing Boom In Many Countries' is overlaid in the center of the map.

Reasons For House Price Pressure

"The pandemic era reinforced the importance of 'home' and 'space' to a degree never before experienced,"
Sotheby's International Realty Canada.

Record low
interest rates

Unparalleled
Fiscal Stimulus

Savings Surge
Fueled
Deposits

Demand for
More Space

Telecommuting
Shifted
Location
Choice

Limited
Housing Supply

Robust
Recovery
Expected

Immigration
Surge Coming

New Zealand and Canada Top The List

Bubble Ranking

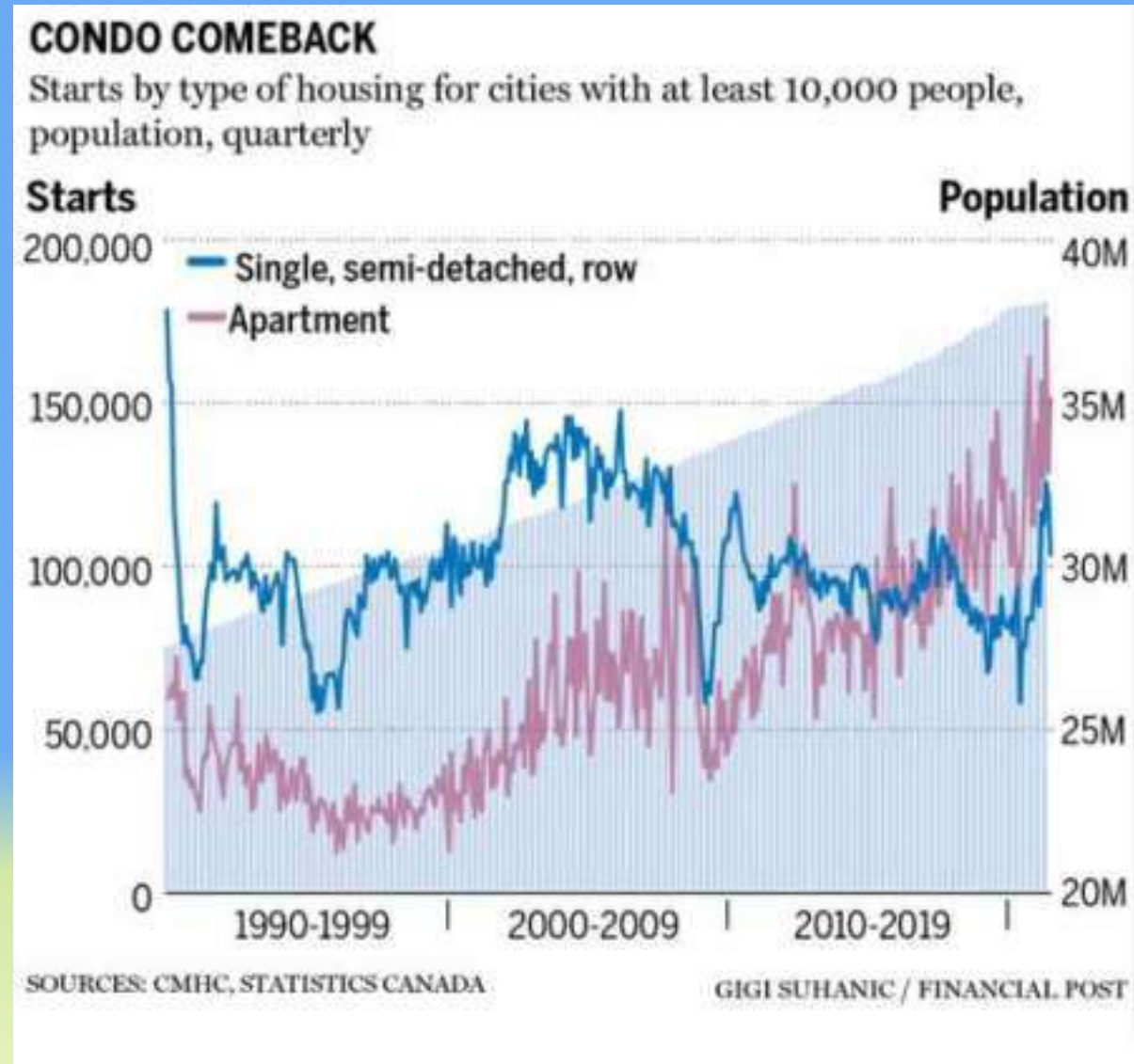
	BE Bubble Rank	Price-to-Rent Ratio	Price-to-Income Ratio	Real Price Growth (%)	Nominal Price Growth (%)	Annual Credit Growth (%)
New Zealand	1	211.1	166.6	13.2	14.5	6.0
Canada	2	204.2	153.2	8.7	10.0	9.3
Sweden	3	178.1	150.4	9.8	13.0	7.2
Norway	4	179.2	140.9	8.6	10.9	10.3
U.K.	5	152.0	131.4	7.2	9.0	7.4
Denmark	6	147.0	135.0	9.8	9.8	2.2
U.S.	7	122.9	94.5	10.7	12.6	6.6
Belgium	8	153.0	138.7	5.1	5.7	9.5
Austria	9	118.9	143.8	6.1	7.3	9.0
France	10	140.2	126.0	4.9	5.8	11.2
Netherlands	11	131.6	136.9	7.0	8.7	3.3
Germany	12	117.5	104.3	8.0	8.1	8.3
Portugal	13	108.0	111.5	7.9	8.0	7.2
Switzerland	14	118.6	117.8	6.1	5.6	6.6
Australia	15	163.9	134.6	3.2	3.6	3.7
Colombia	16	151.9	117.2	0.9	2.0	10.0
Spain	17	127.3	121.4	2.1	1.7	9.8
Greece	18	102.6	96.3	6.6	2.9	4.6
Korea	19	110.3	60.7	4.3	5.4	9.0
Finland	20	116.2	95.6	2.8	3.3	5.0
Italy	21	88.5	98.5	2.0	1.6	9.0
Ireland	22	125.8	104.3	8.7	3.1	-0.1
Japan	23	87.2	78.0	2.4	1.8	8.1

We use standardized ratios. Values over 100 indicate that the present price-rent ratio, or price-income ratio, is above its long-run average.

Annual house price and credit growth are based on Q1 2021 or latest quarterly data available.

Bloomberg Economics ranking obtained by taking an average of the z-scores of each of the five measures.

Housing Starts for Condos Rise

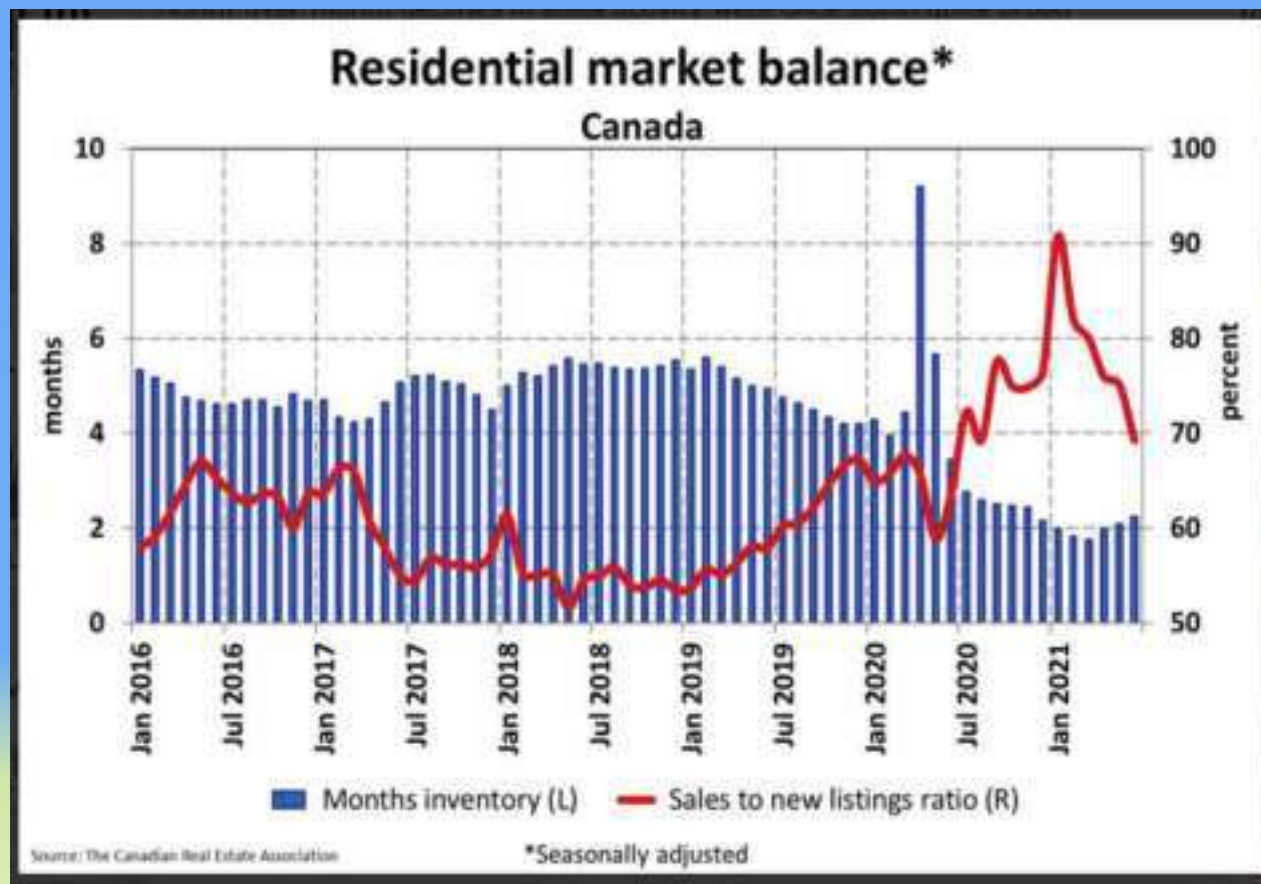


Home Sales Slow In June for Third Consecutive Month

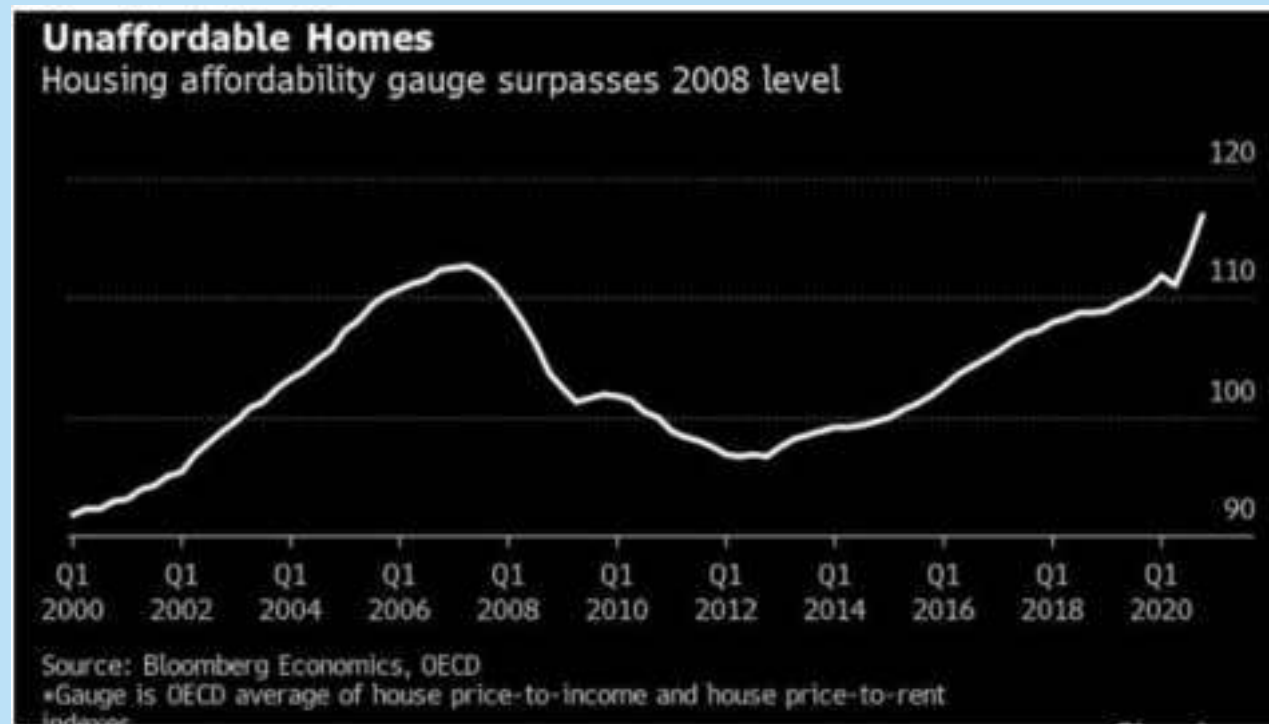


But Remain Historically Very Strong

Sales-to-New-Listings Still Above Normal



Housing Less Affordable

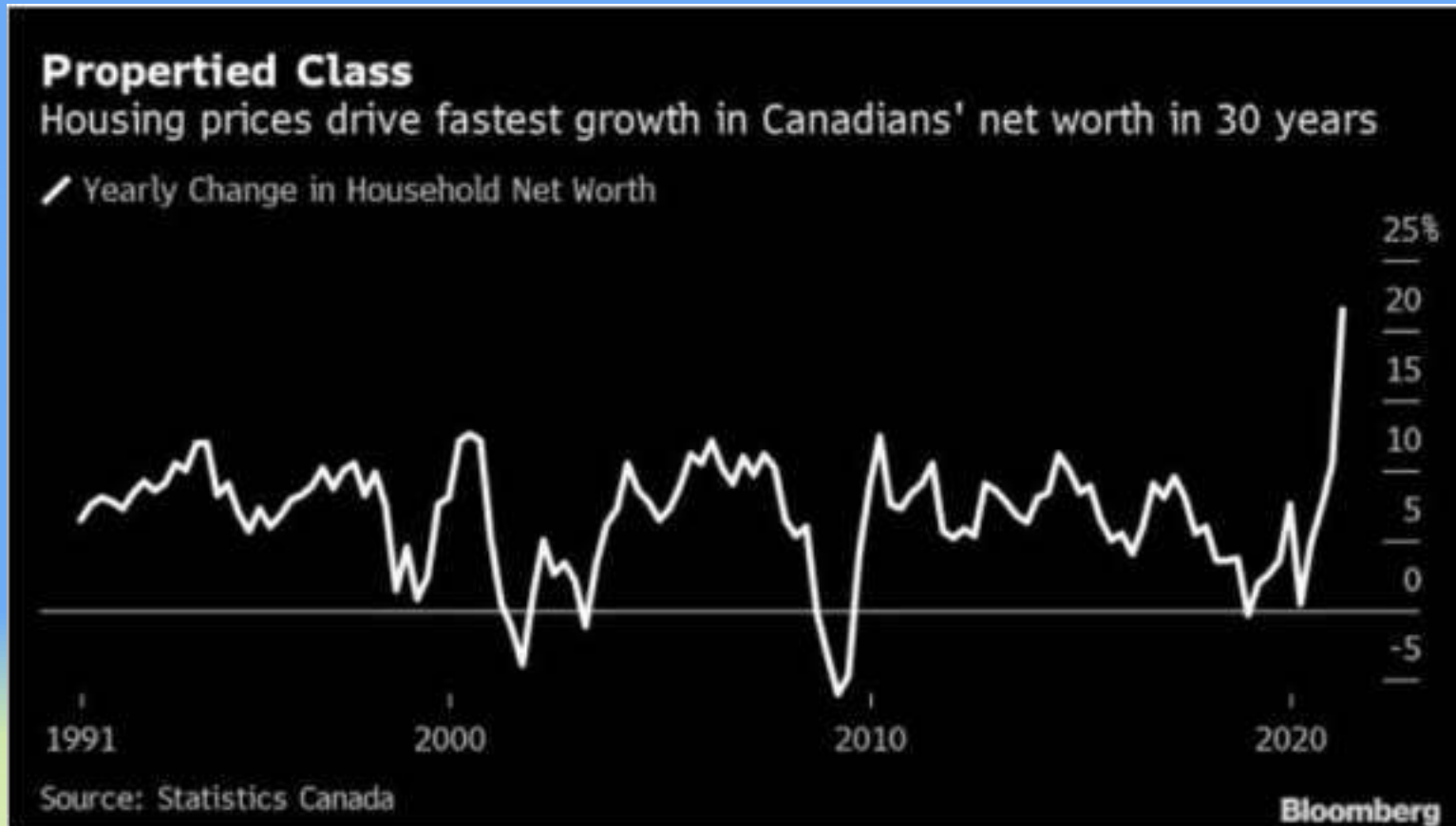


Homeowners Benefit From Low Rates

With interest rates so low, a homeowner borrowing today at prevailing rates and with a 25-year amortization will have paid off over 16% of their mortgage in the first 5 years alone. In the 1980s it was just 3.8%.



Canadian Household Net Worth



Follow Me On

#DrSherryCooper

www.SherryCooper.com



[Twitter.com/DrSherryCooper](https://twitter.com/DrSherryCooper)



[Linkedin.com/in/DrSherryCooper](https://www.linkedin.com/in/DrSherryCooper)



[Facebook.com/DrSherryCooper](https://www.facebook.com/DrSherryCooper)



Bringing clarity to the Canadian financial landscape through tools, technology and support driven by the best economic insights.

DR. SHERRY COOPER

Chief Economist of
Dominion Lending Centres.

