

CANADIAN ECONOMIC RESILIENCE



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January 22, 2022

Canadian Economy

OMICRON HITS CANADIAN GROWTH IN Q1

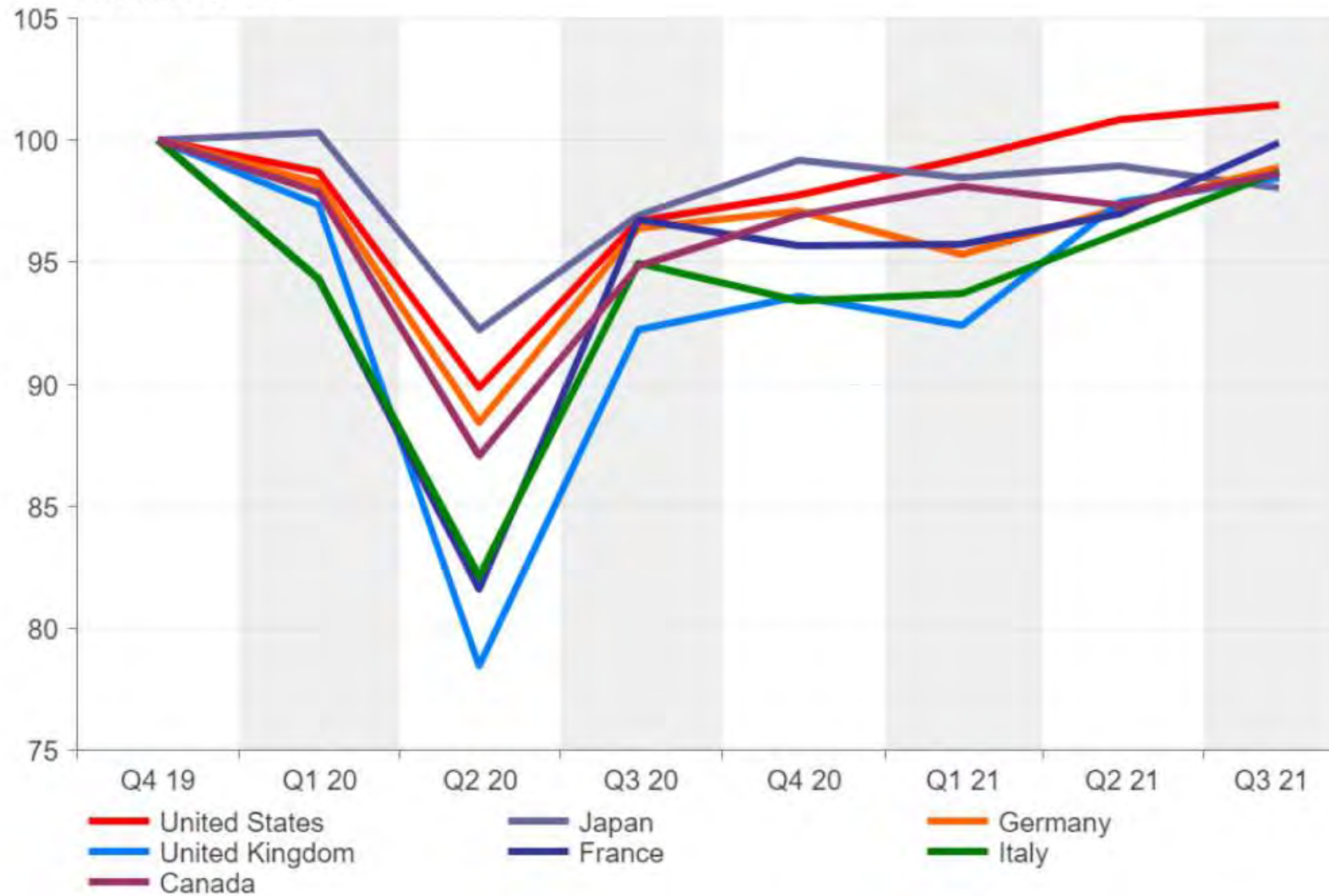
Canada	2021 Q1	Q2	Q3	Q4f
GDP Growth	4.9%	-3.2	5.4	5.8

Canada	2022 Q1f	Q2f	Q3f	Q4f
GDP Growth	0%-2.0%	8.0	7.0	4.5

Global GDP Growth	2021 (%)	2022 (%)	2023 (%)
US	5.6	3.7	2.5
Canada	4.6	4.0	3.5
UK	7.3	4.5	3.5
Eur- Area	5.2	4.0	2.6
China	8.1	3.8	5.3
Global	5.8	4.5 3.5	3.5

G7 GDP performance during pandemic

Rebased to 100



Source: Refinitiv Datastream

Canada is Close to Full Employment

Rate Rate

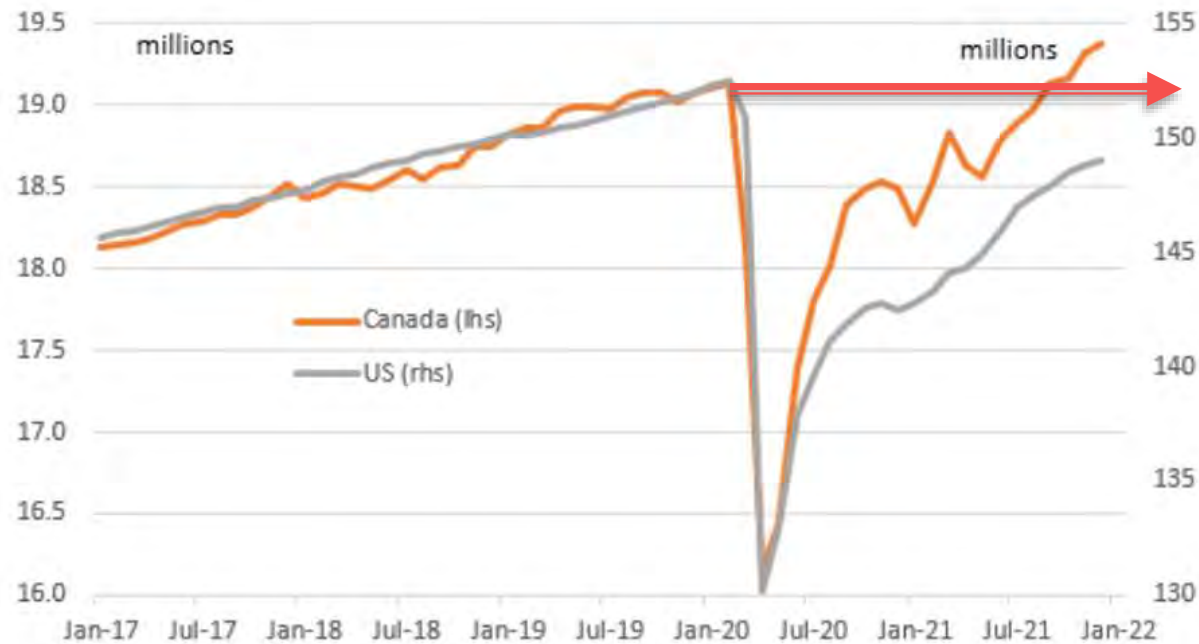
JOB MARKET

EMPLOYMENT

Accounting	107	Inventory	
Administrative/Clerical	110	Legal Administrative	
Automotive	129	Legal Employment/Maintenance/R	
Banking	106	Installation/Management	
Biotech	150	Manufacturing	
Business Development	111	Marketing	
Business/Mktg Apply	199	Media/Journalism/Ne	
Computer/IT	115	Non-Profit & Social	
Construction	158	Other	
Consultant	118	Part-Time	
Customer Service	132	Pharmaceut	
Design	156	Professio	
Distribution/Shipping	164	Purch	
Education	120		
Food/Hotel/Cas/Domestic	197		
Government Service/Resumes	101		

CONSIDERABLE MOMENTUM IN Q4

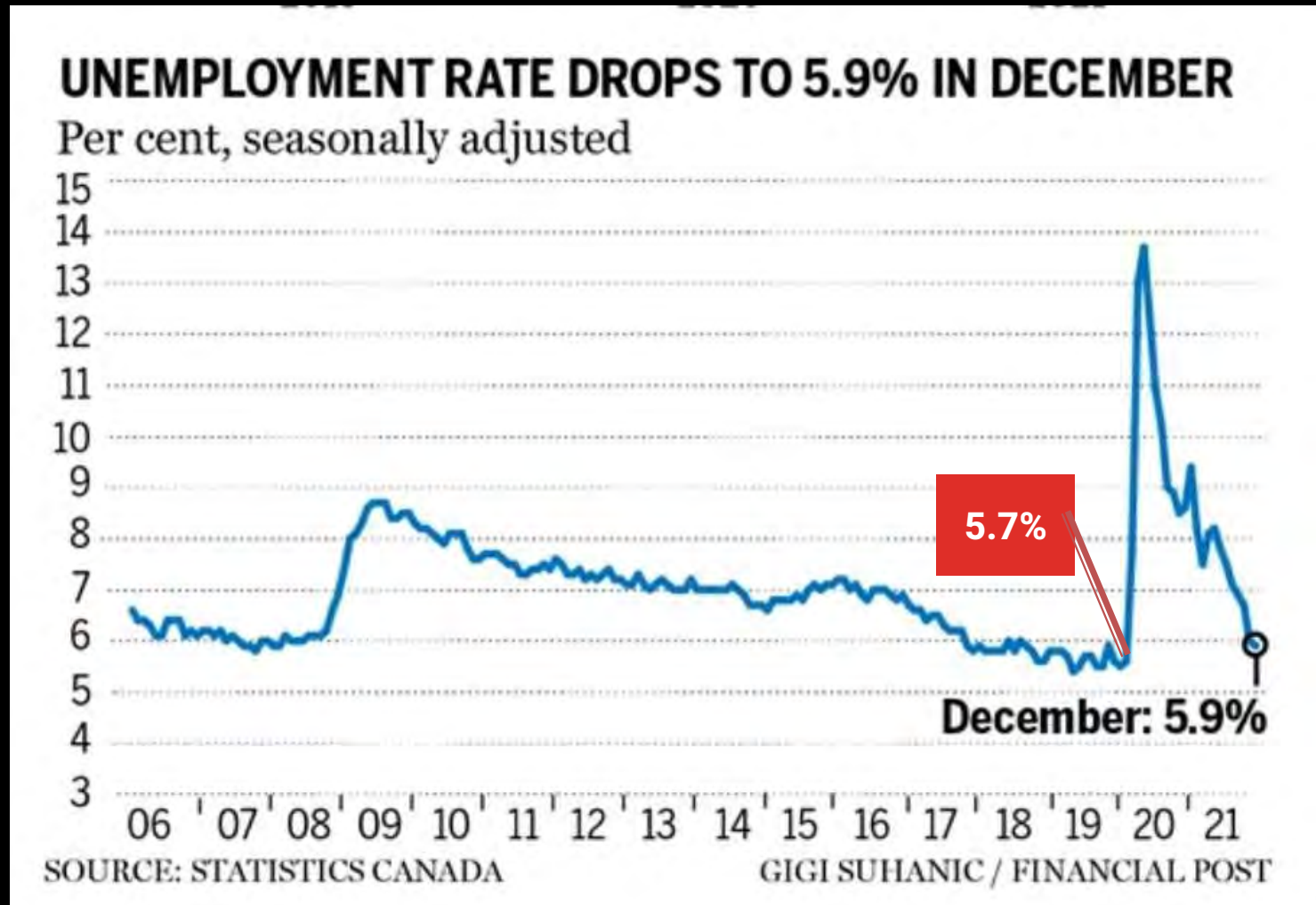
Employment levels (millions)



Source: Macrobond, ING

Jobs Exceed Pre-Pandemic Levels in Canada, not in the US

UNEMPLOYMENT RATE CLOSE TO PRE-PANDEMIC LEVEL





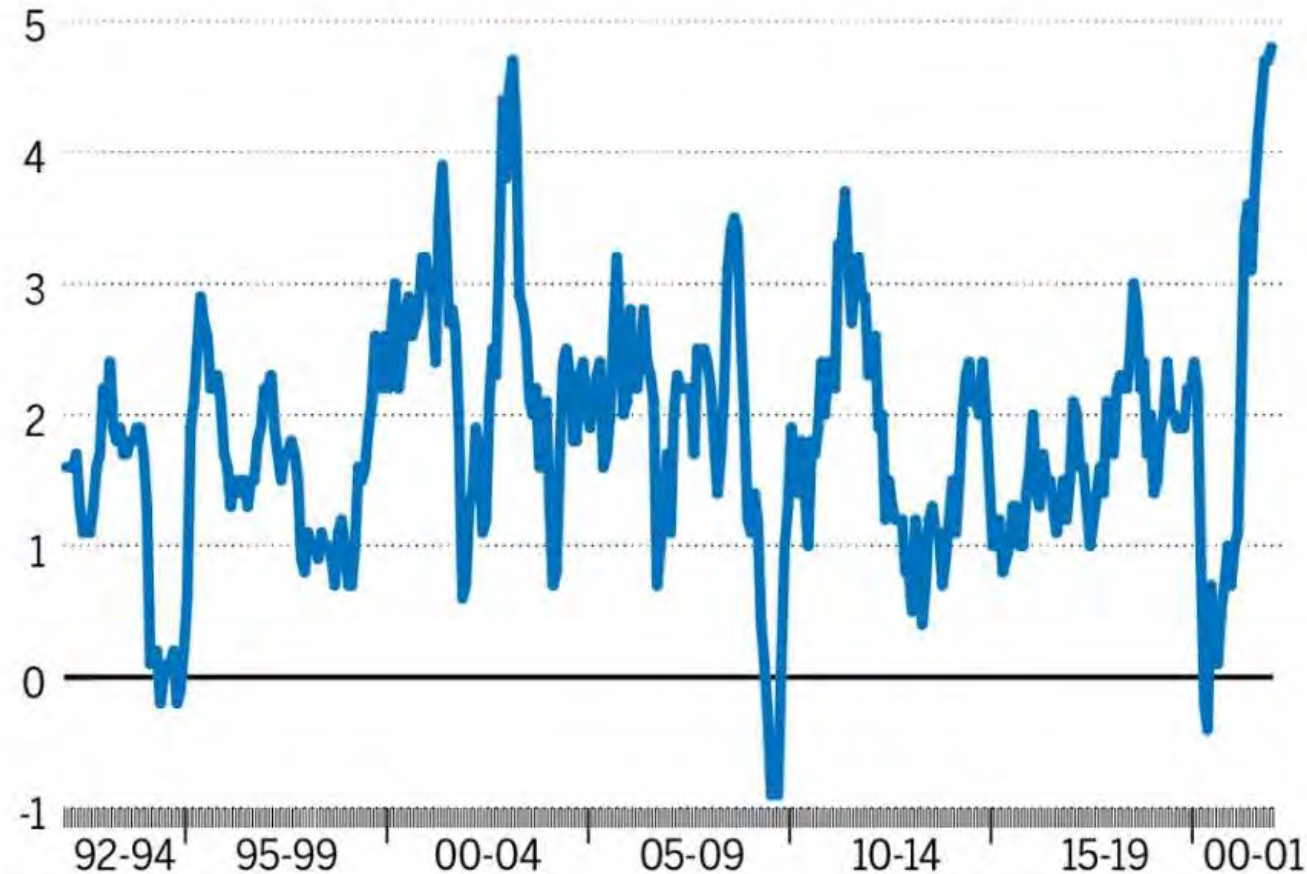


Supply disruptions
and extreme
weather:

Fuel shortages, food
shortages, chip
shortages, container
shortages, labour
shortages,
bottlenecks at the
ports...

DECEMBER INFLATION HITS 30-YEAR HIGH

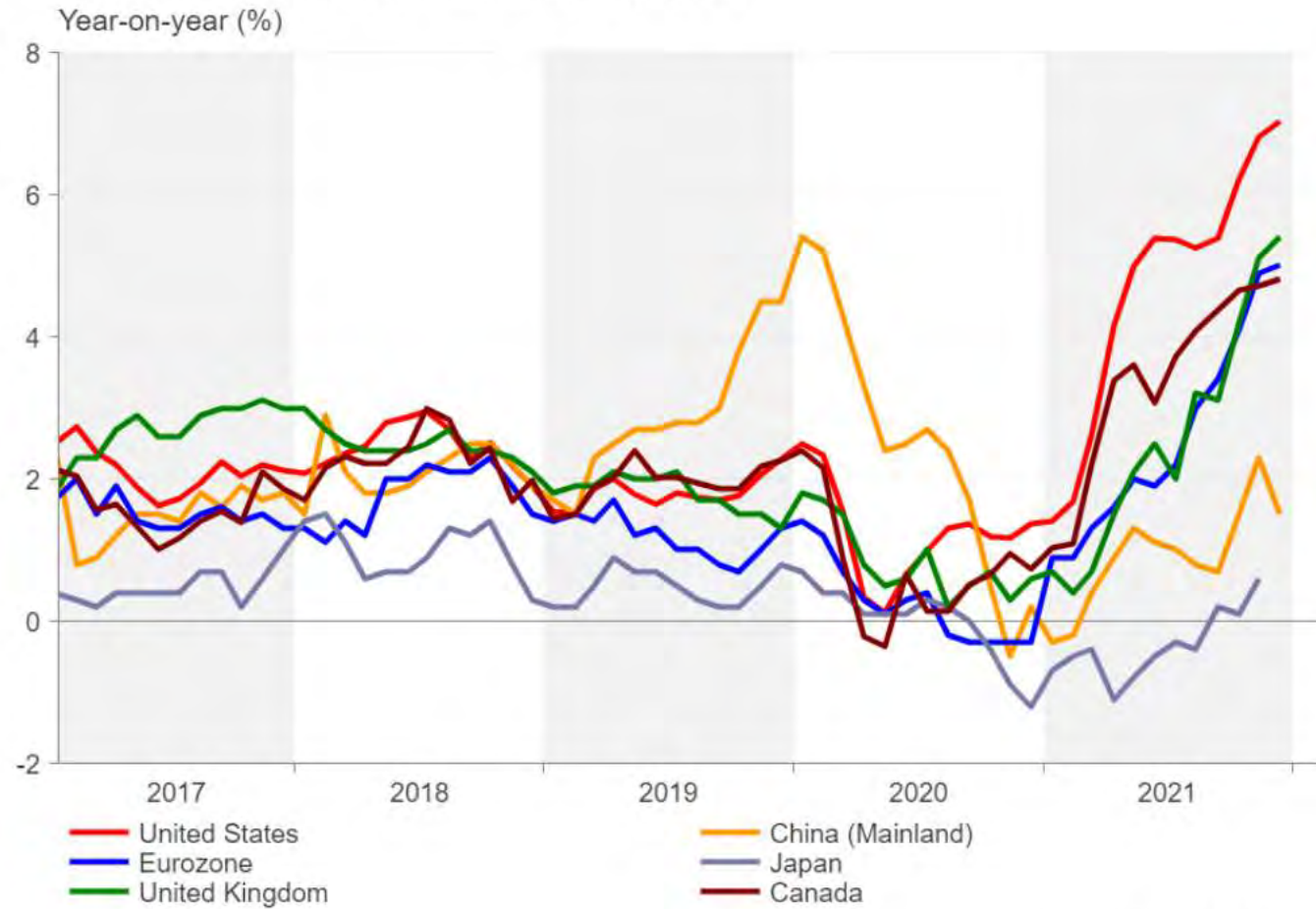
12-month per cent change in consumer price index



SOURCE: BLOOMBERG

GIGI SUHANIC / FINANCIAL POST

Inflation rates around the world

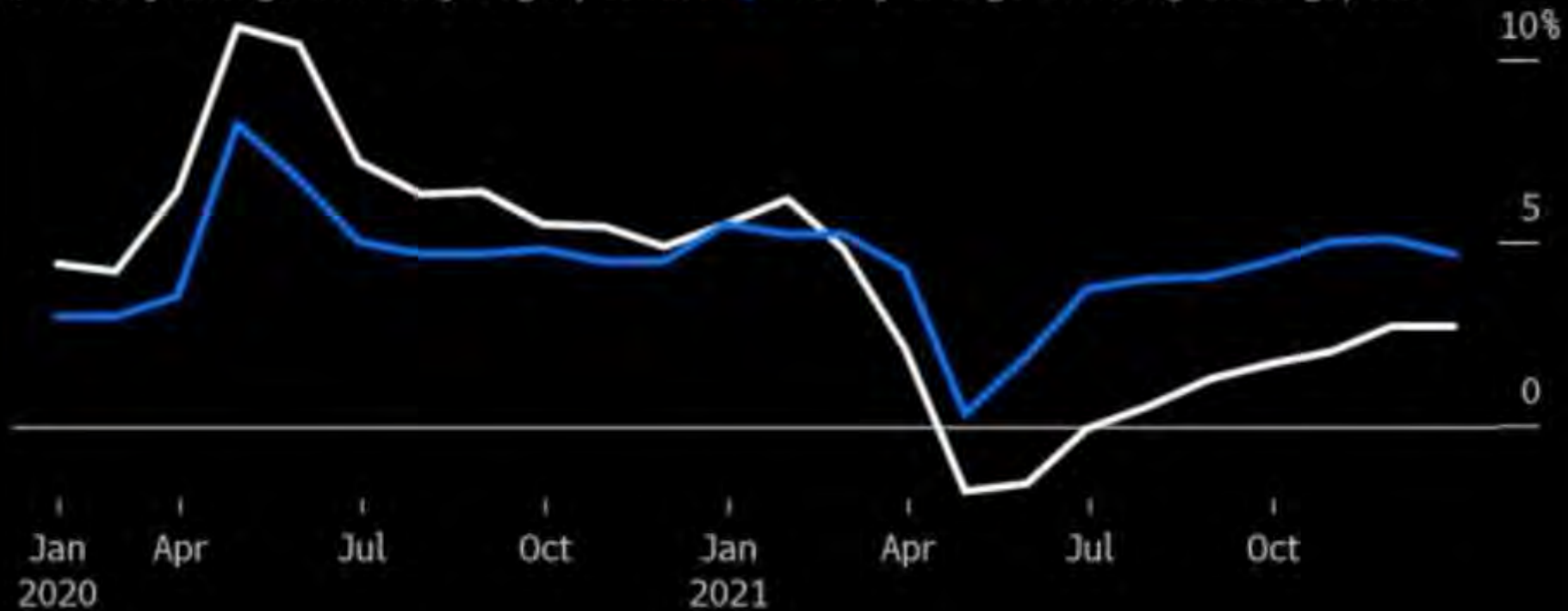


Source: Refinitiv Datastream

Less Pressured

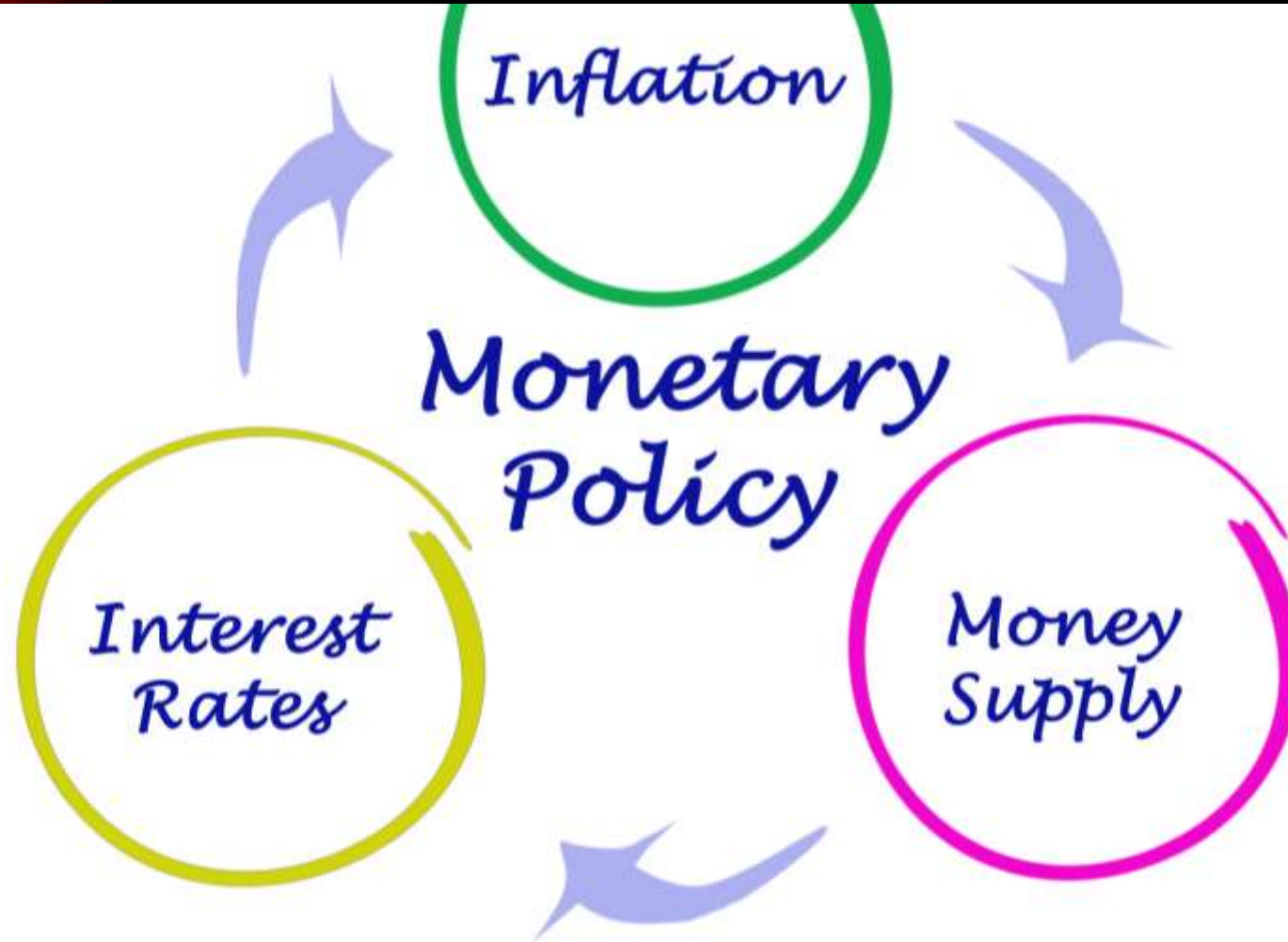
Wage gains stronger in U.S. than Canada

Yearly Change in Hourly Wages, Canada Yearly Change in Hourly Earnings, U.S.



Source: Statistics Canada, BLS

Bloomberg

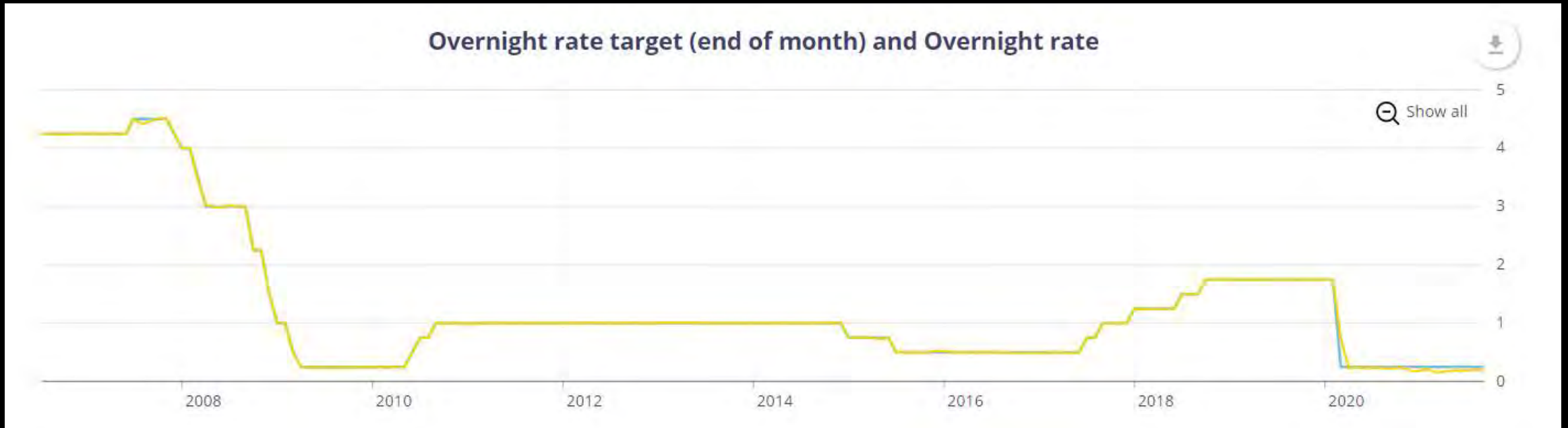




- Emergency Liquidity Measures No Longer Needed
- Rate Hikes Coming To Control Inflation
- QT Next

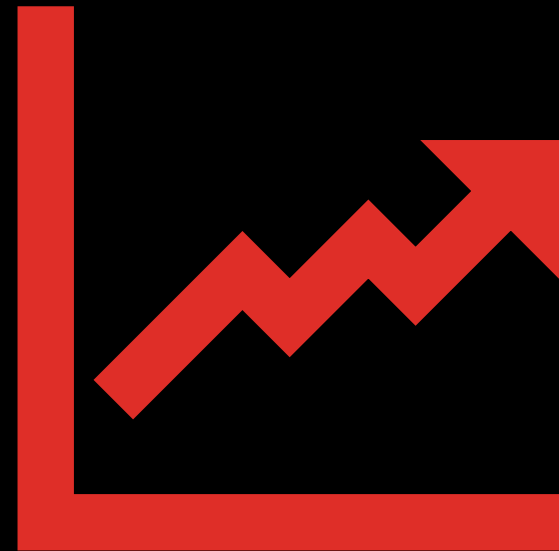
BANK OF CANADA

CAPACITY PRESSURES MOUNTING: OVERNIGHT RATE HIKE DRIVES UP PRIME RATE AND VARIABLE MORTGAGE RATES

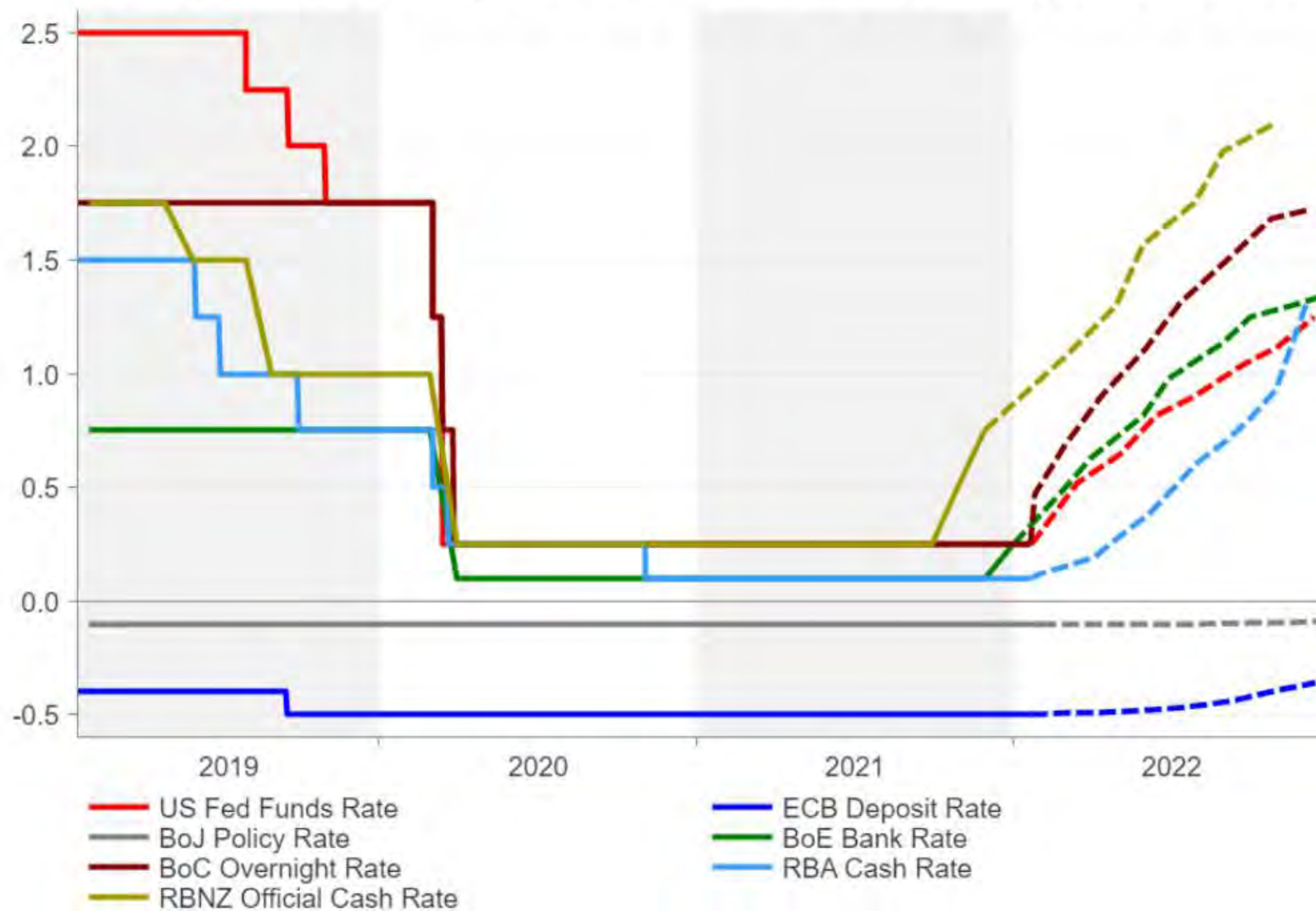


TRADERS' BETS FOR OVERNIGHT RATE HIKE

- Markets were pricing in 6 rate hikes in 2022
- And 2 more in 2023 to 2.25% in two years
- Was at 1.75% before Covid hit in March 2020

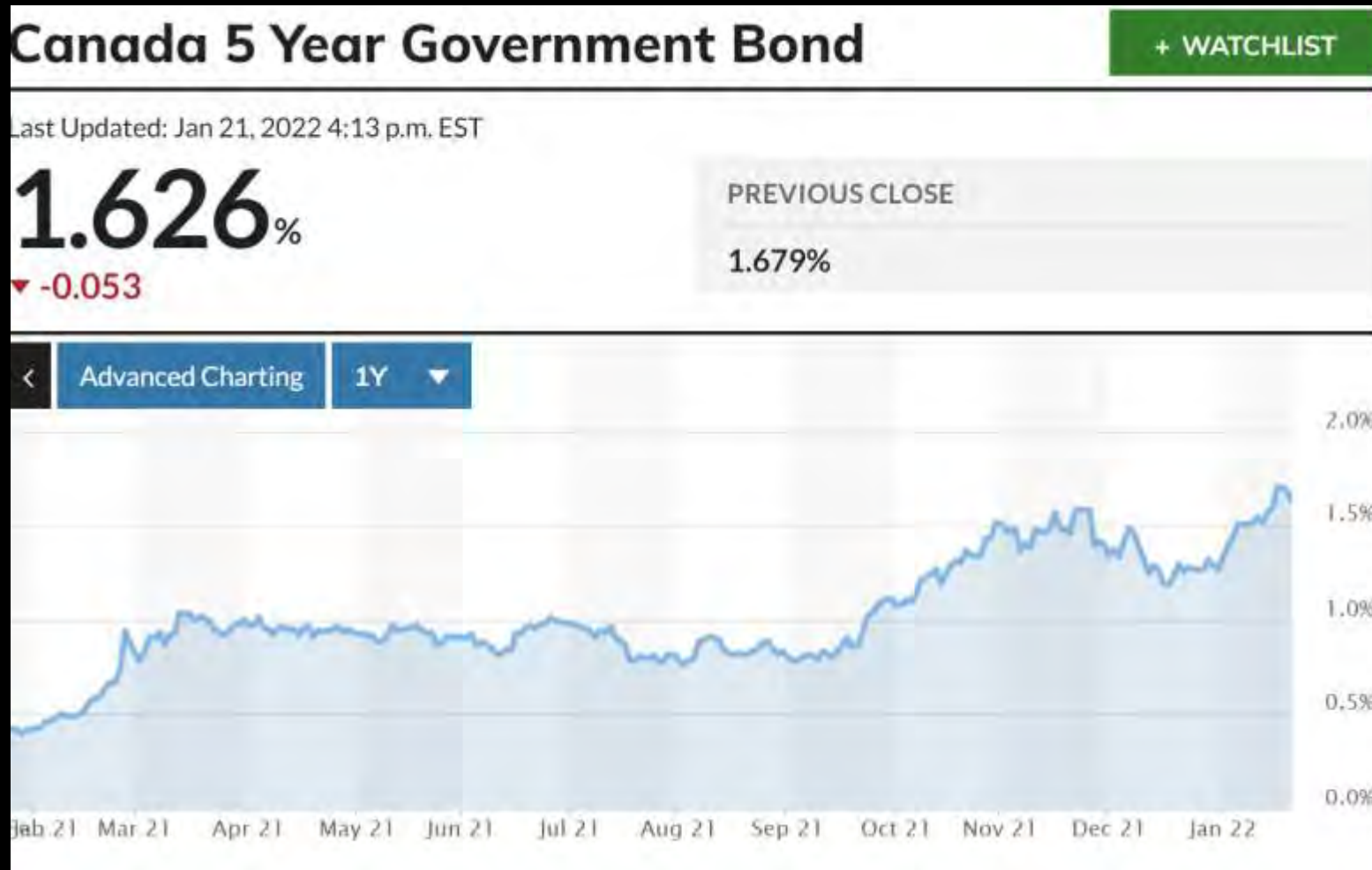


Policy Rates of Major Central Banks and Projected Path



Source: Refinitiv Datastream

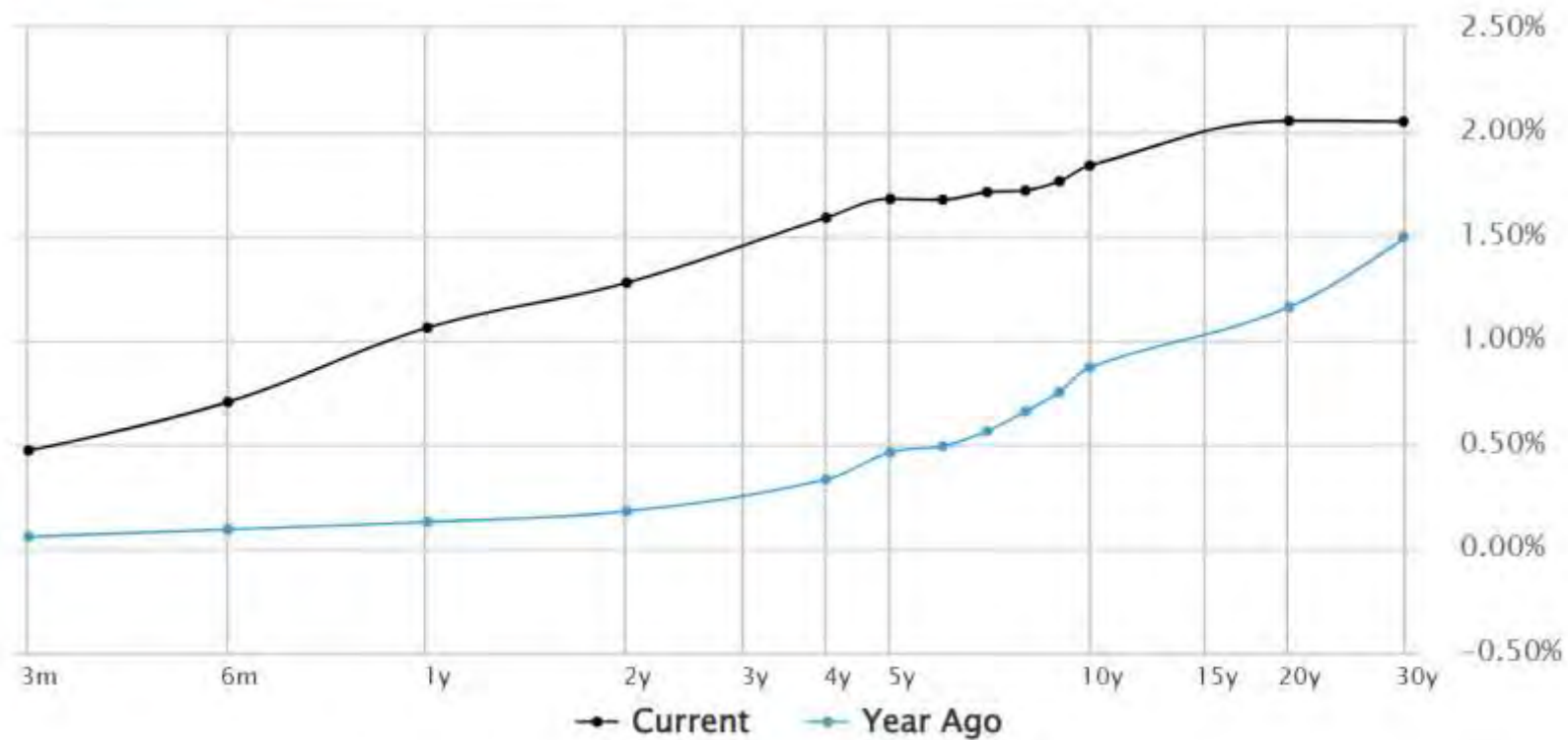
5-YEAR BOND YIELD IMPACTS FIXED MORTGAGE RATES—UP FROM 0.46% ONE YEAR AGO



Up
353%

YIELD CURVE RISES

YIELD CURVE - CA





CANADIAN HOUSING MARKET

December Home Sales

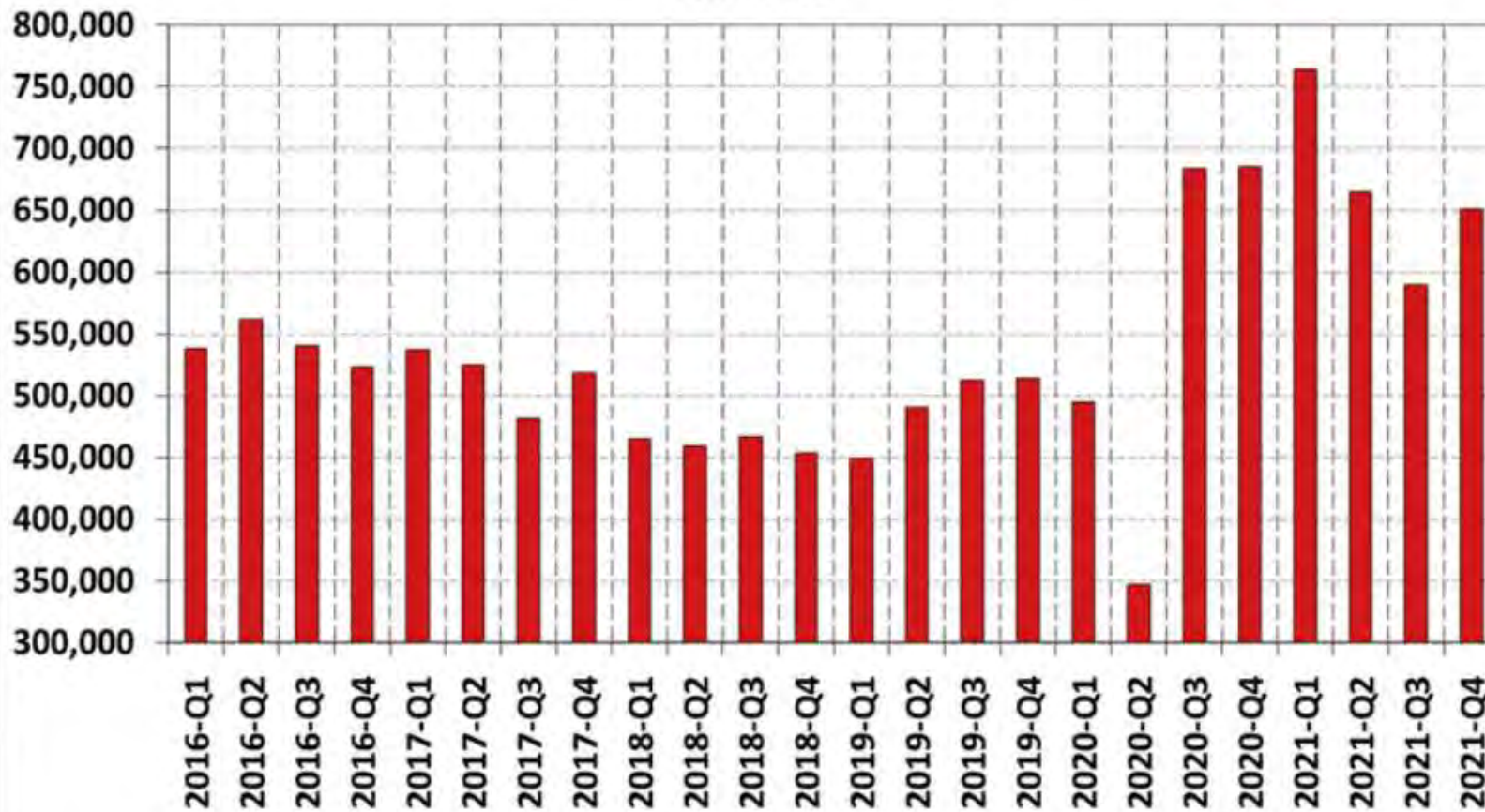
Boosted by expected rate hikes

Constrained by record low supply

Prices rise once again

Residential sales activity*

Canada



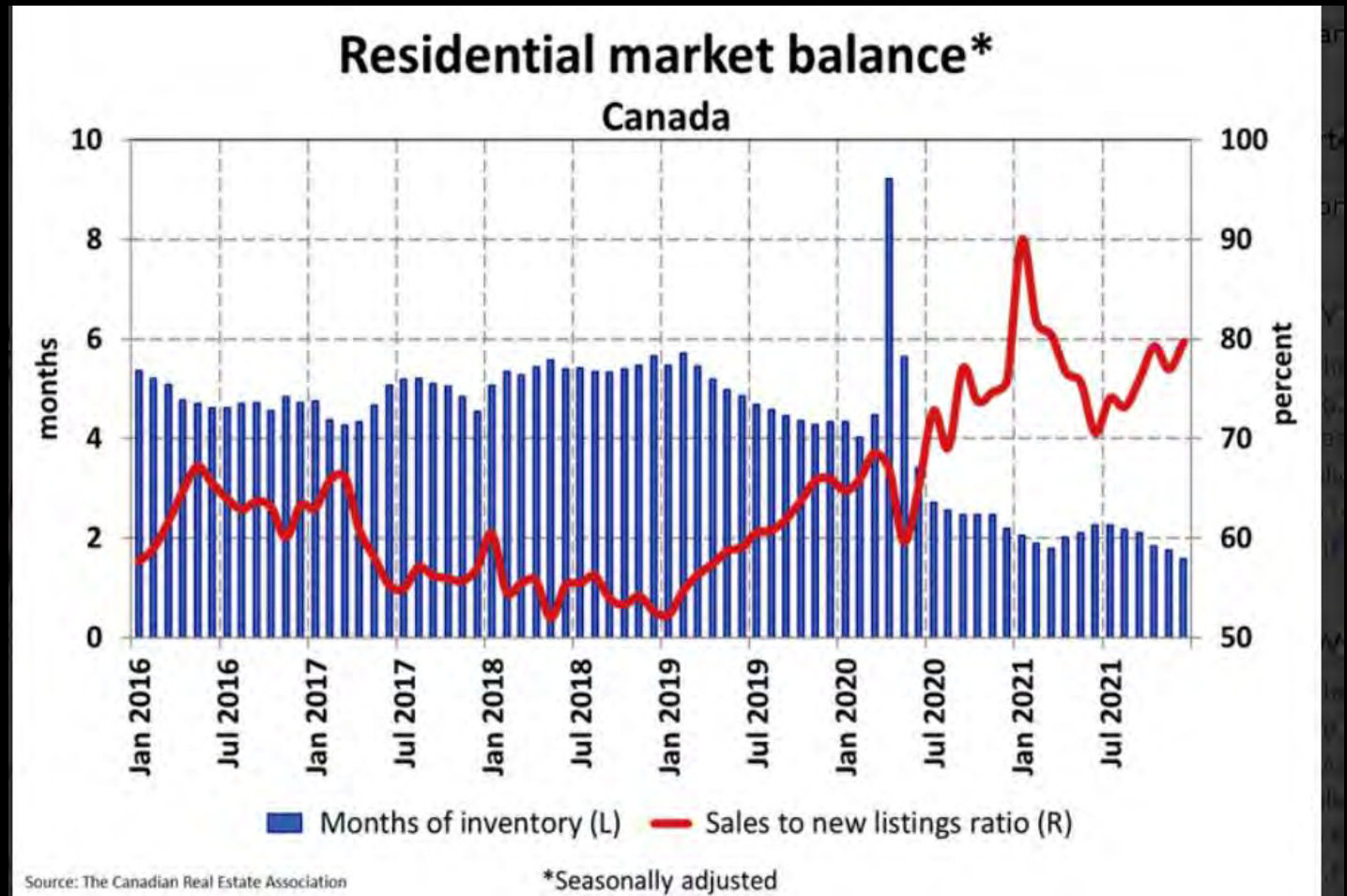
Source: The Canadian Real Estate Association

*Seasonally adjusted data at annualized rates

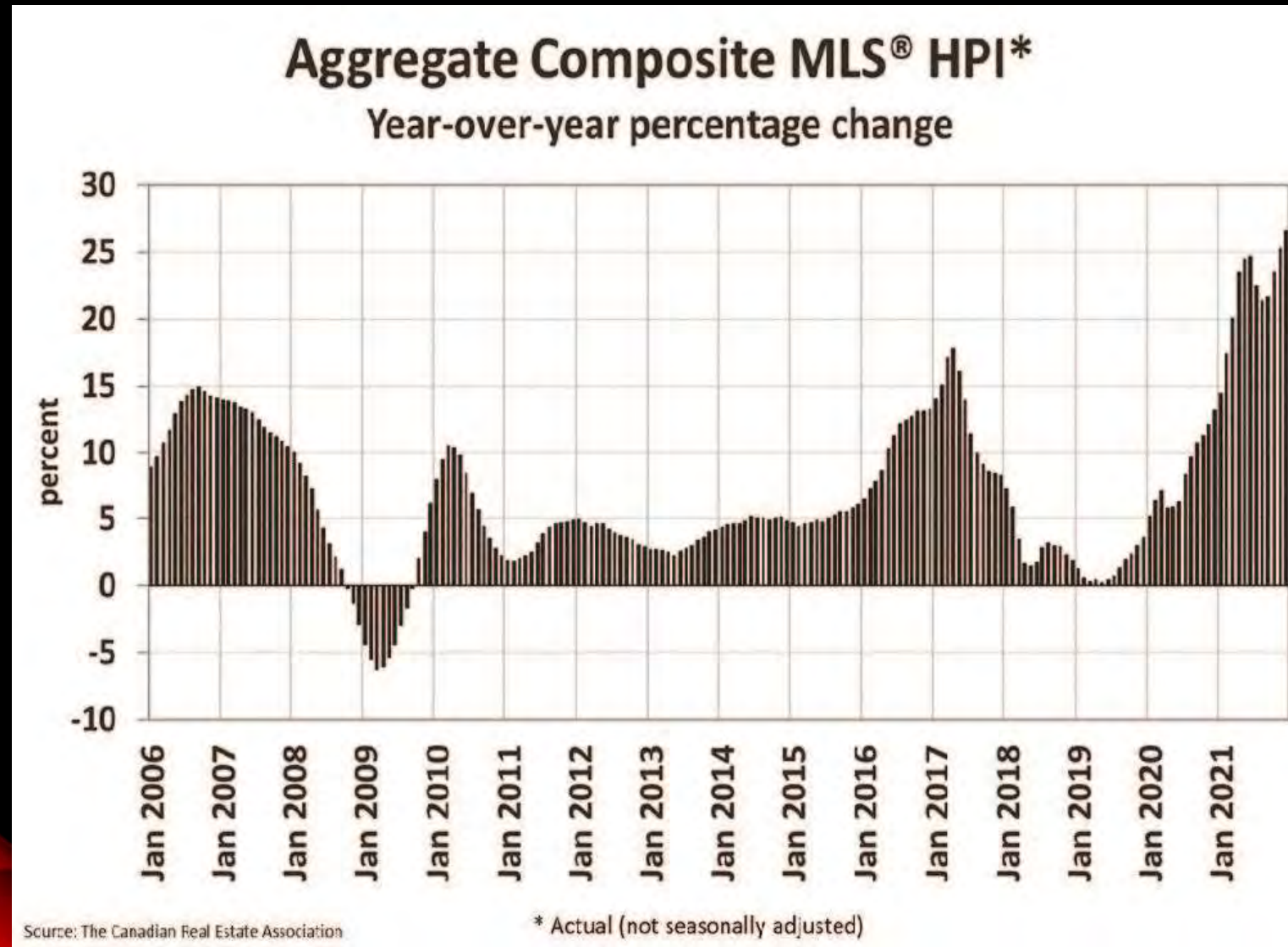
DECEMBER HOME SALES TOPPED OFF RECORD YEAR



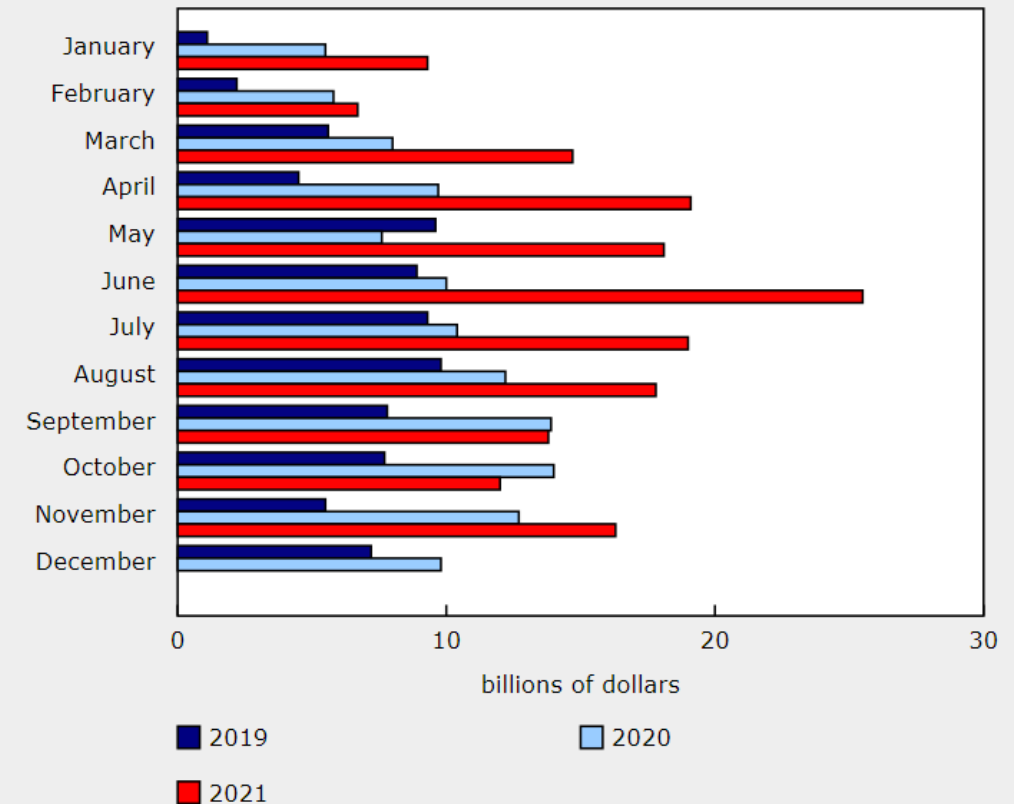
SELLER'S MARKET IN HOUSING



HOME PRICE INDEX AT RECORD HIGH



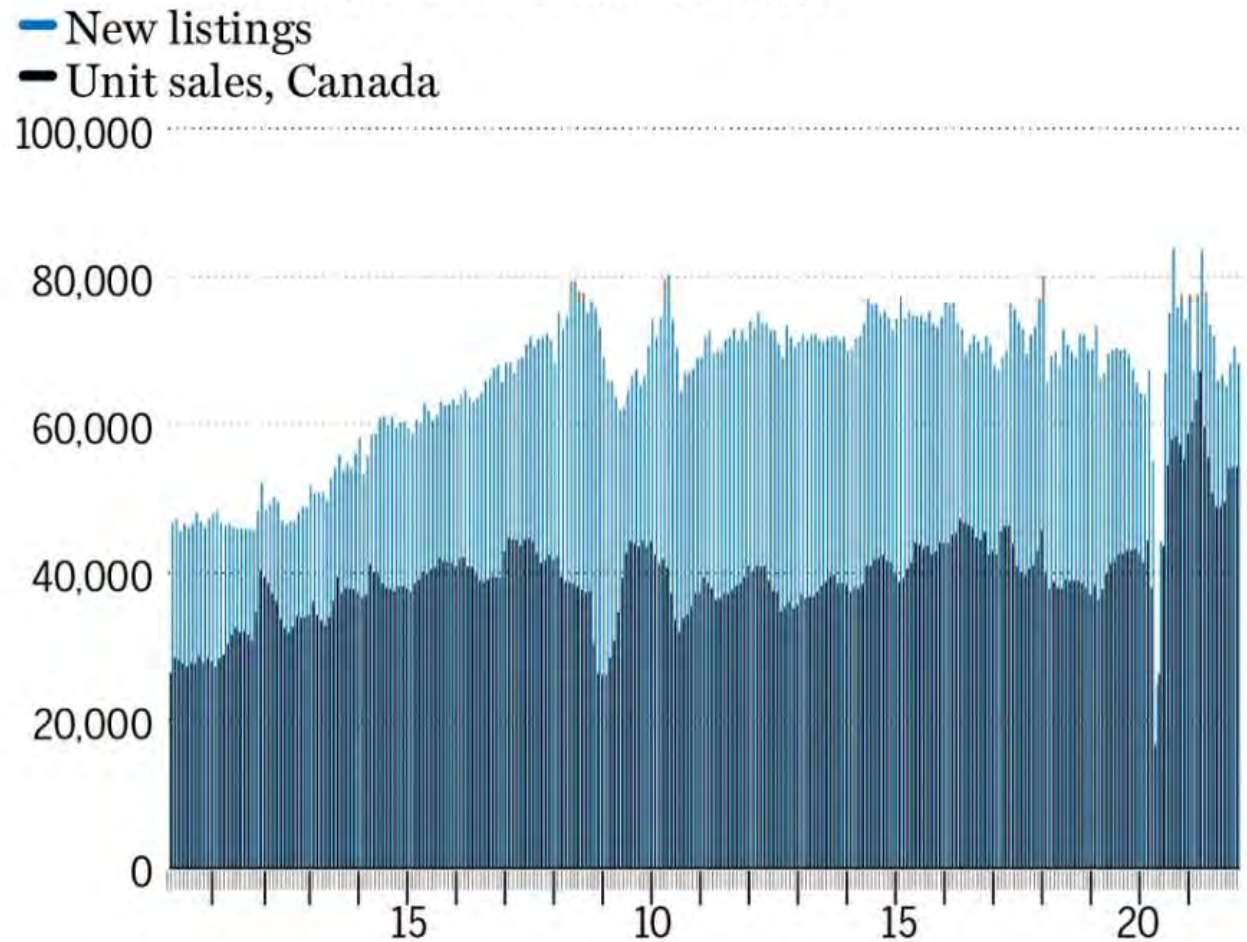
2021 WAS A BLOCKBUSTER YEAR FOR MORTGAGE LENDING



.. not available for a specific reference period.

Source(s): Table [36-10-0639-01](#).

HOUSING IN A SUPPLY-DEMAND BIND



SOURCE: CANADIAN REAL ESTATE ASSOCIATION

GIGI SUHANIC / FINANCIAL POST

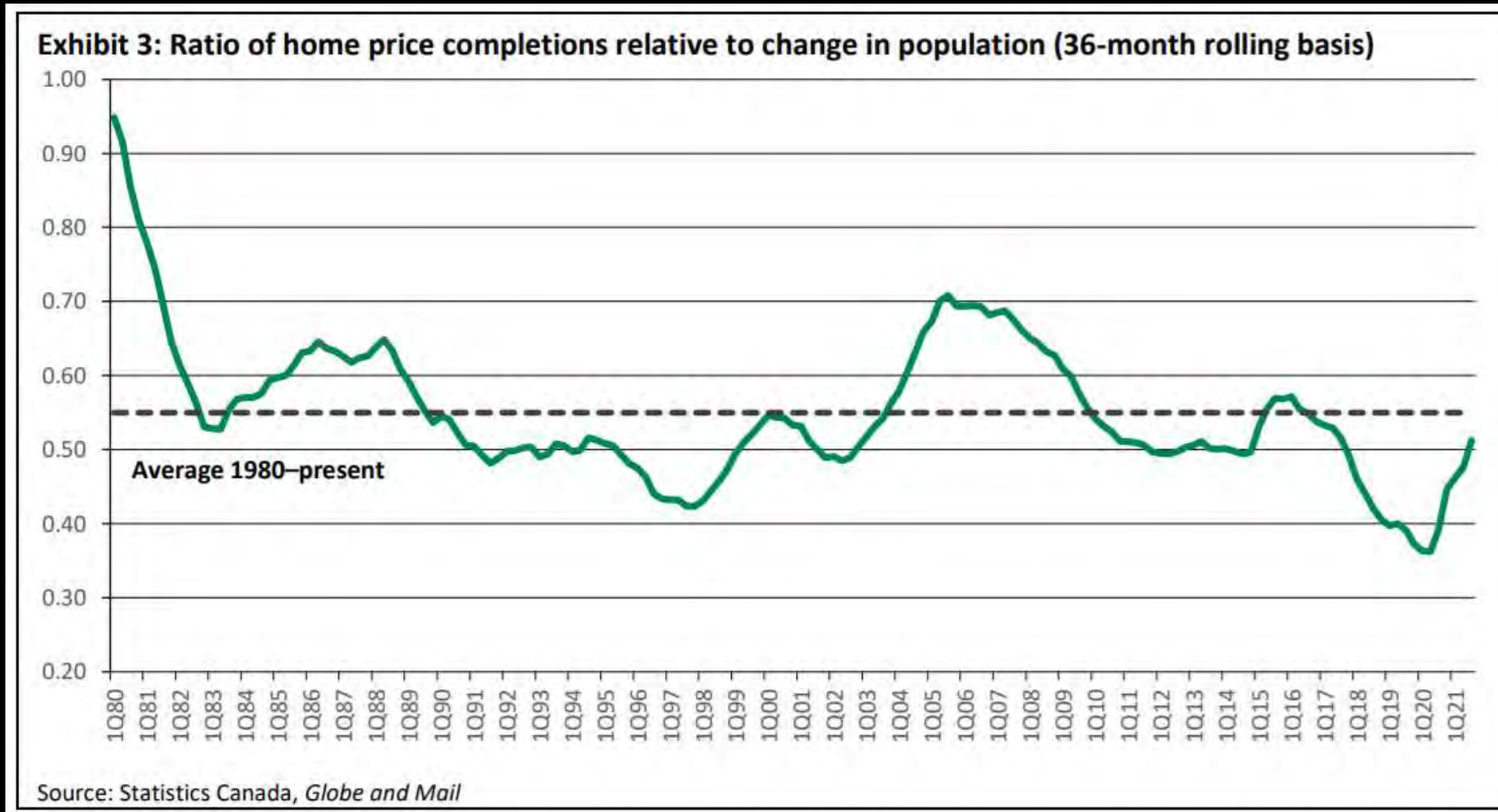


OVERALL PLANNED PERMANENT RESIDENT ADMISSIONS

	2021	2022	2023
High	410,000	420,000	430,000
Target	401,000	411,000	421,000
Low	300,000	320,000	330,000

2021-2023 IMMIGRATION LEVELS PLAN

HOMEBUILDING NOT KEEPING UP WITH NEW HOUSEHOLD FORMATION





The Chronic
Shortage Of
Housing Drives Up
Prices And
Reduces
Affordability



CANADA HAS ONE OF FASTEST GROWING POPULATIONS IN OECD

60% of the annual inflow of permanent residents are “economic” immigrants

Of Canada’s foreign-born population of working age, almost 70% have a post-secondary education

30% of the 25- to 44-year-old immigrants arriving in Canada in the previous five years were homeowners.

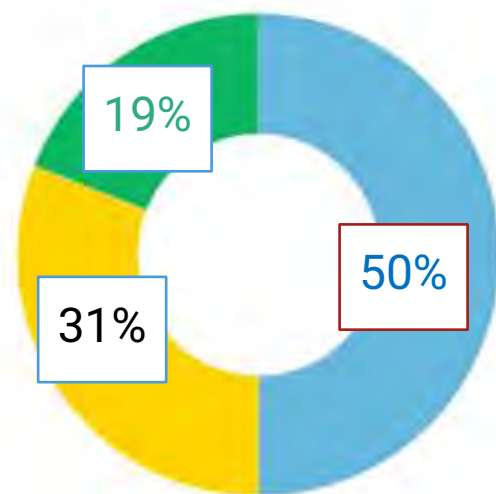
Among those who arrived between five and 10 years ago, 53% were homeowners, only 6 points less than the percentage for Canadian-born.

FIRST-TIME HOMEBUYERS WERE ABOUT HALF OF ALL HOME PURCHASES

Bank of
Canada
Study

Chart 2: First-time homebuyers generally account for about half of home purchases in Canada

Decomposition of home purchases, by type of homebuyer, 2014–2021H1

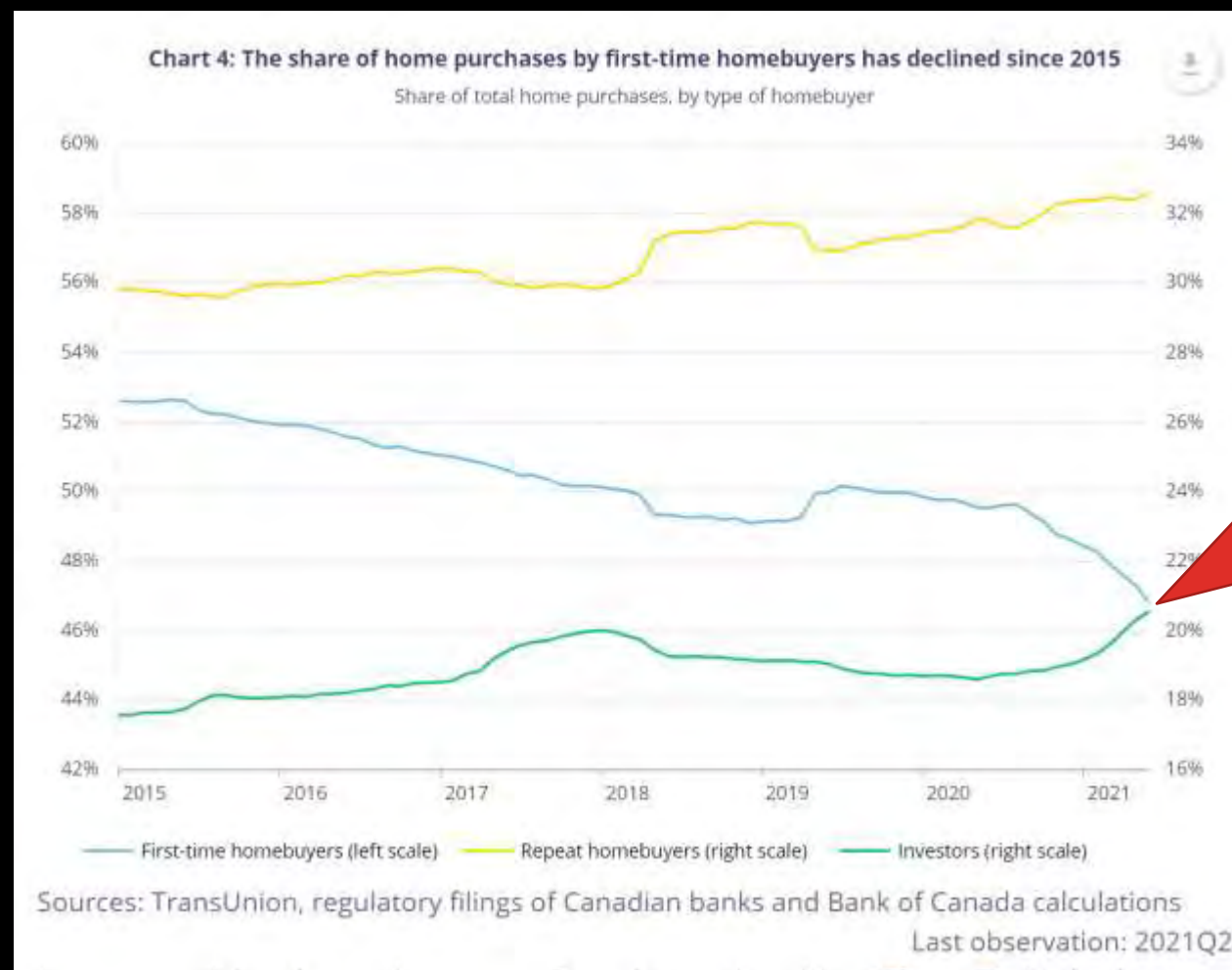


● First-time homebuyers ● Repeat homebuyers ● Investors

Sources: TransUnion, regulatory filings of Canadian banks and Bank of Canada calculations

Home Sales by
Type of Purchaser
(2014-2021H1)

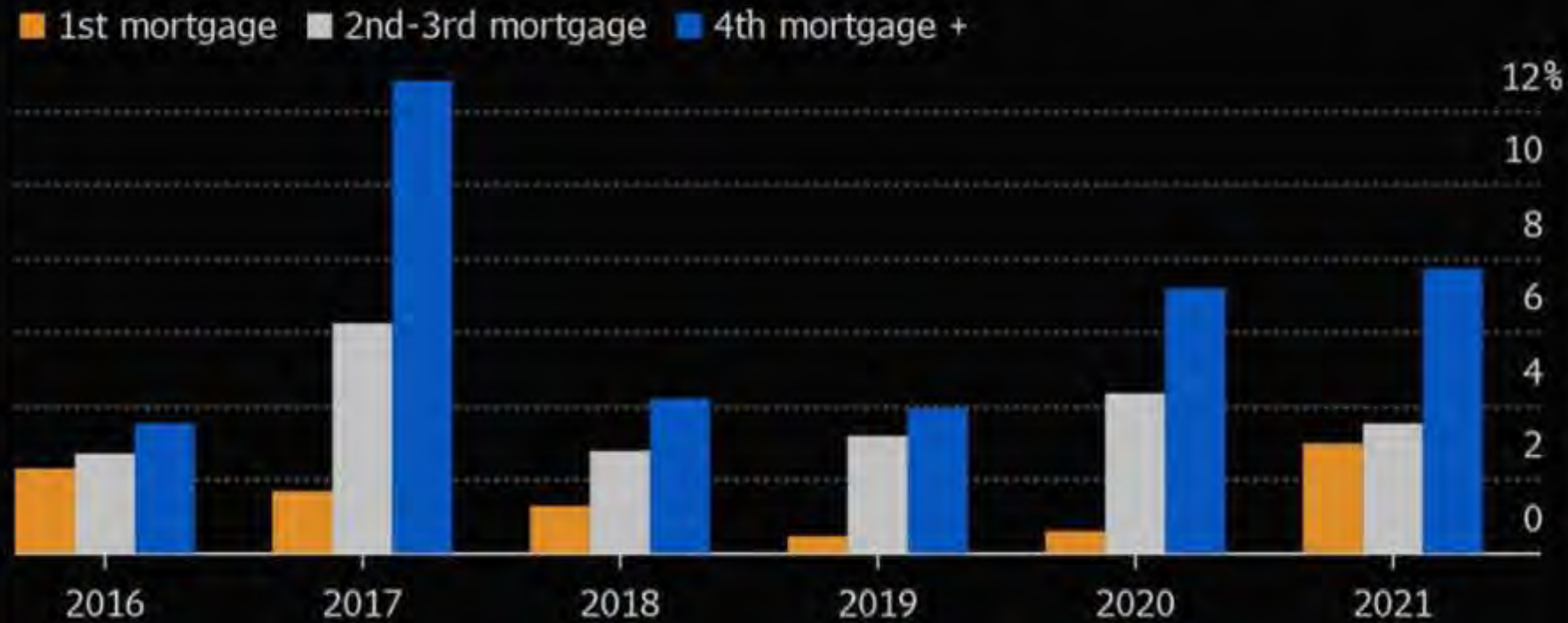
BANK OF CANADA STUDY—FIRST-TIME BUYER SHARE DECLINES



Investor
Share Rises
& FTB Share
Falls

Investor Advantage

The number of people with multiple mortgages has surged during the pandemic



Source: Equifax Canada Inc.

*Data shows year-over-year change in mortgage volumes to the second quarter

Bloomberg



**DOMINION LENDING
CENTRES**

FEDS REVIEW DOWN PAYMENT RULES FOR INVESTORS

“Speculative investing in residential real estate has become an important concern, prompting Canadians to overbid on properties, borrow beyond what they can afford, and push home prices even higher.”

CMHC and Ministry of Housing

FEDS TARGET INVESTORS IN HOUSING

POSSIBLE FEDERAL ACTIONS TO CURB HOUSING INVESTMENT

Could Raise
20% Minimum
Downpayment

Restrict
Borrowing
Sources

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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.

