

# CANADIAN ECONOMIC RESILIENCE



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# Canadian Economy



DOMINION LENDING  
CENTRES

# OMICRON HITS CANADIAN GROWTH IN Q1

Canada	2021 Q1	Q2	Q3f	Q4f
GDP Growth	4.9%	-3.2	5.4	4.5

Canada	2022 Q1f	Q2f	Q3f	Q4f
GDP Growth	0.0%	8.0	7.0	4.5

Global GDP Growth	2021 (%)	2022 (%)
US	5.6	3.5
Canada	4.5	4.0
UK	7.3	4.5
Euro Area	5.2	4.0
China	8.0	5.5
Global	5.8	4.5



# Employment Rate Is At Pre-Pandemic Level

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/Mfg 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	Pum.....
Education.....	120	
Food/Chd Care/Domestic.....	197	
Government Services/Resources.....	191	

# CONSIDERABLE MOMENTUM IN Q4

## Nearing Full Employment Canada jobs exceed pre-pandemic levels

■ Canada Total Employment

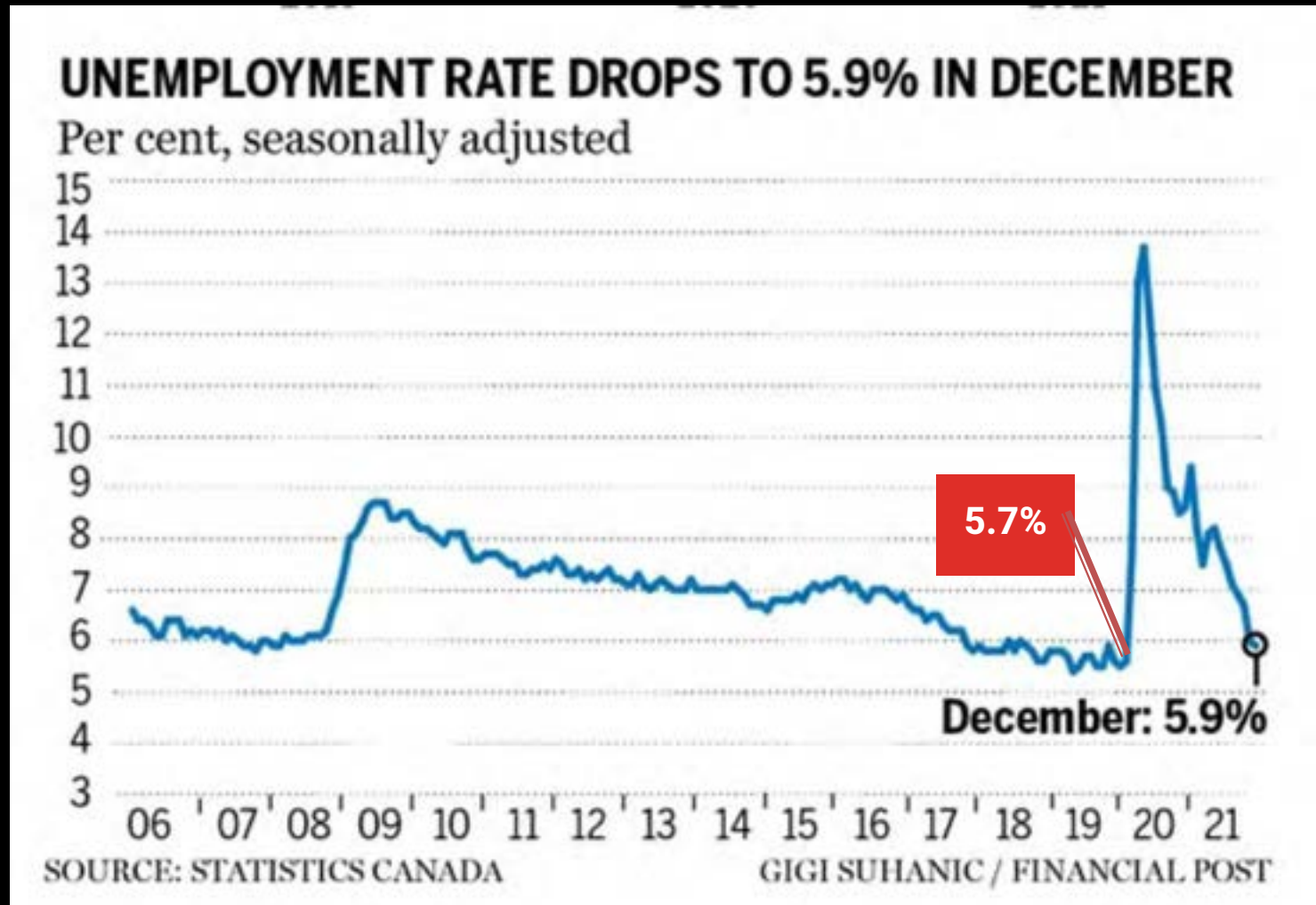


Jobs Exceed Pre-Pandemic Levels

Source: Statistics Canada

Bloomberg

# UNEMPLOYMENT RATE CLOSE TO PRE-PANDEMIC LEVEL









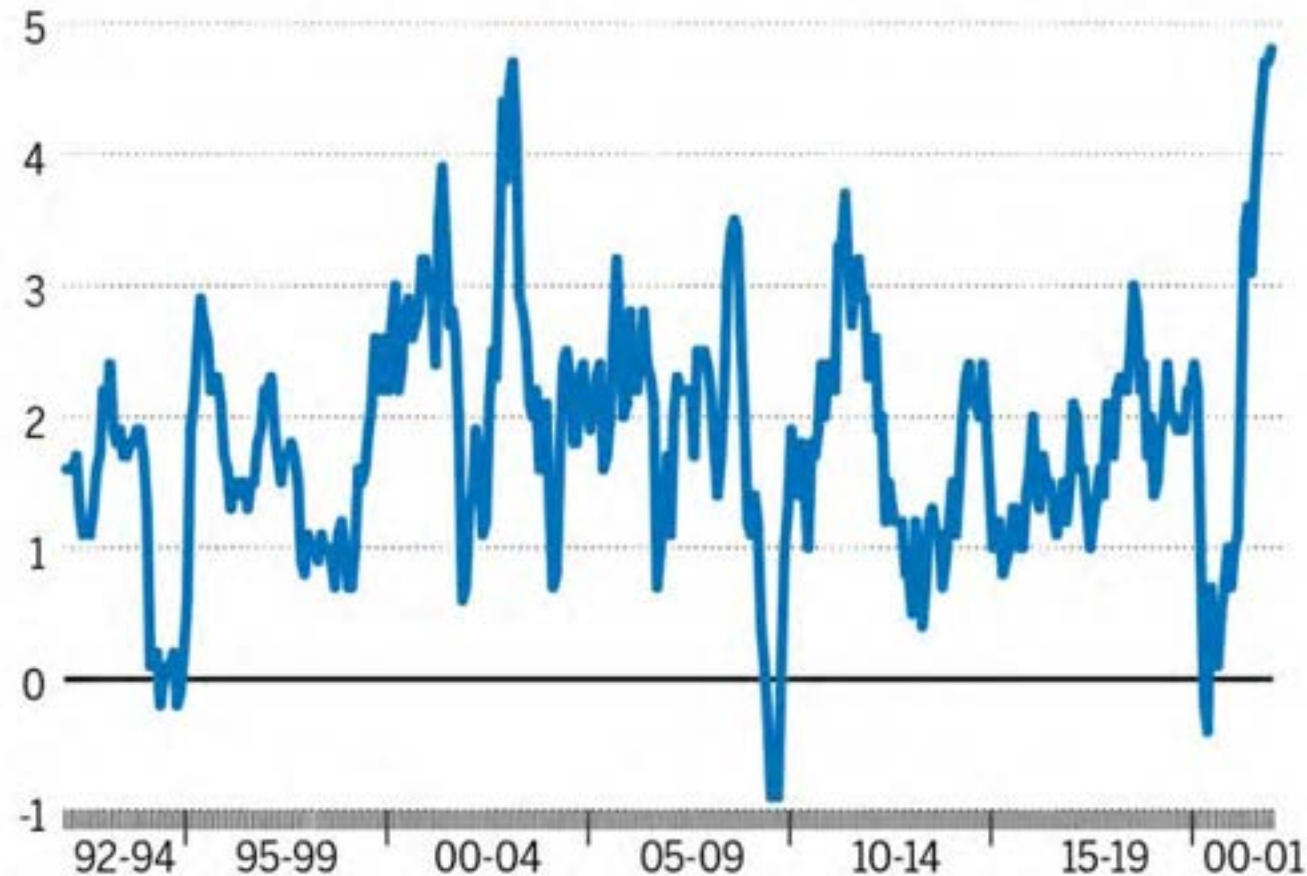
Supply disruptions  
and extreme  
weather:

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

# Expecting Heat

Record 97% of firms see inflation above the BOC's 2% target

■ Proportion Expecting Inflation Over 2% Over Next Two Years

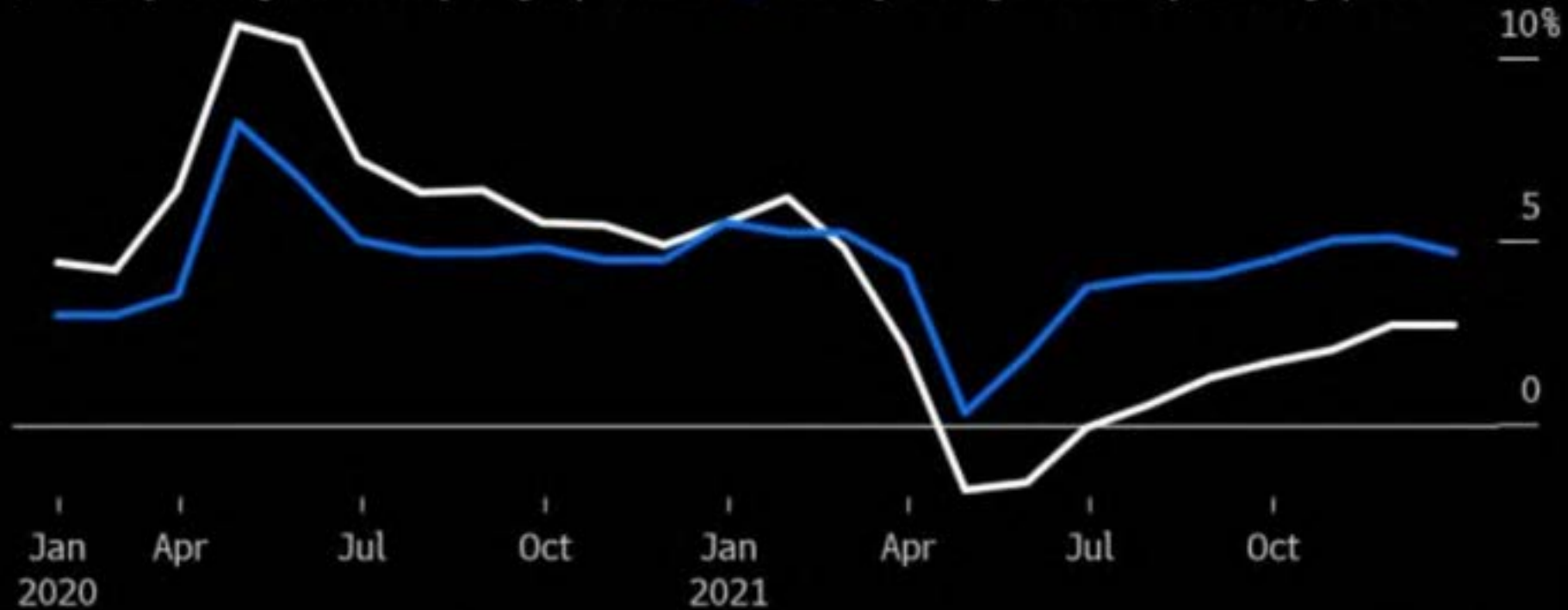


Source: Bank of Canada, Business Outlook Survey

## Less Pressured

Wage gains stronger in U.S. than Canada

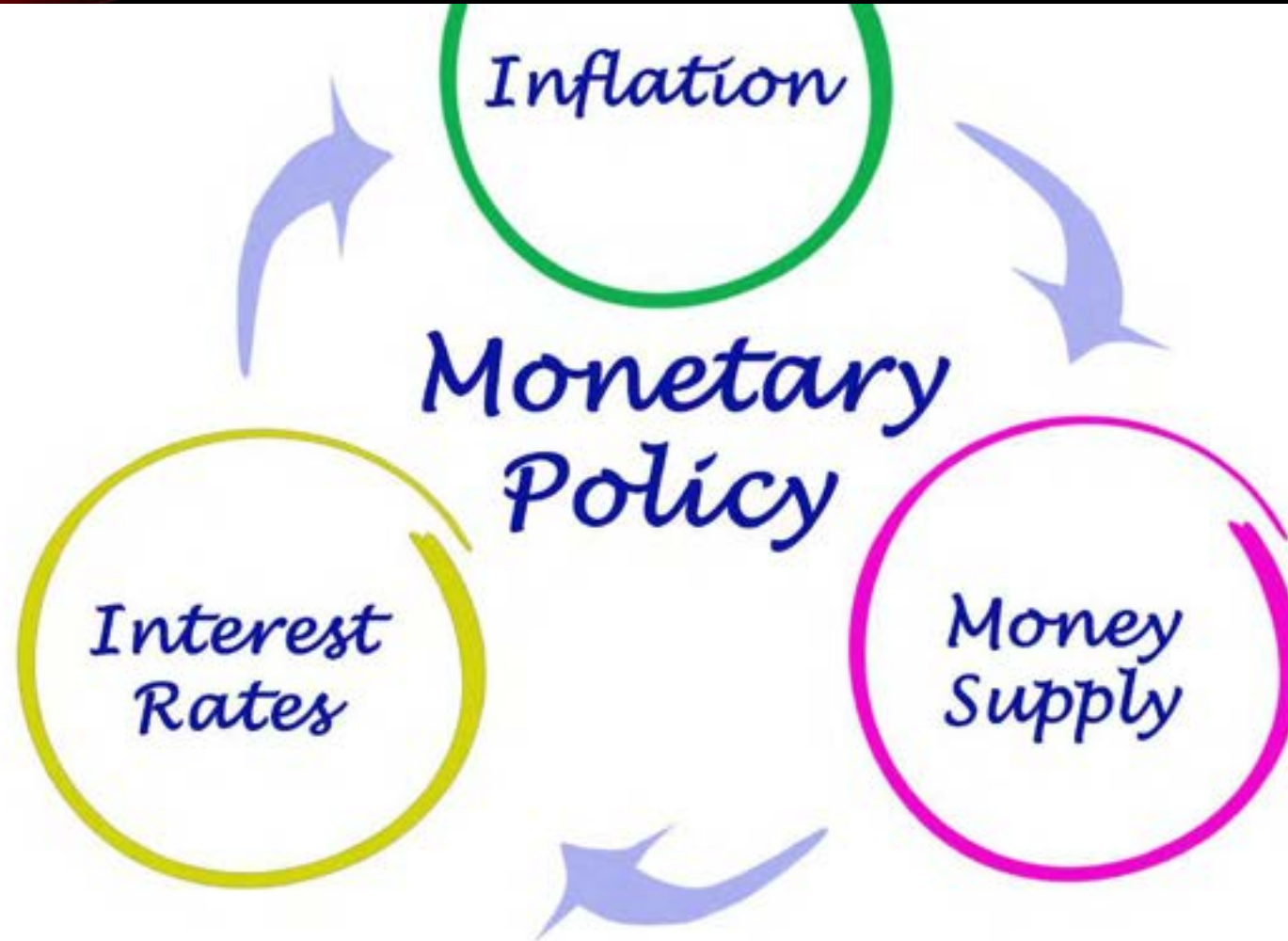
Yearly Change in Hourly Wages, Canada Yearly Change in Hourly Earnings, U.S.



Source. Statistics Canada, BLS

Bloomberg







- Rate Hikes Coming
- Bond Holdings Constant

# BANK OF CANADA

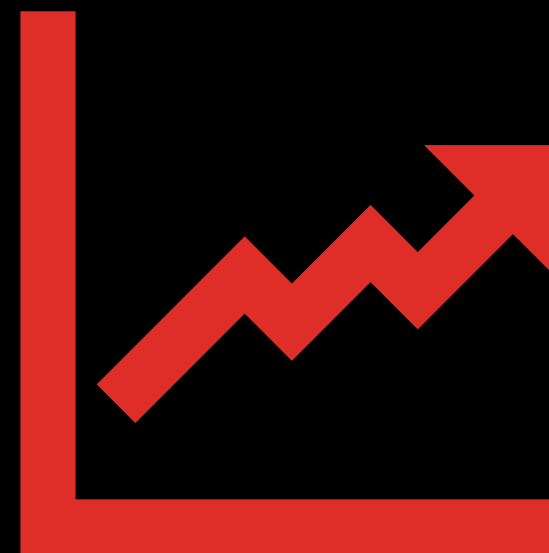
# OVERNIGHT RATE HIKE DRIVES UP PRIME RATE AND VARIABLE MORTGAGE RATES



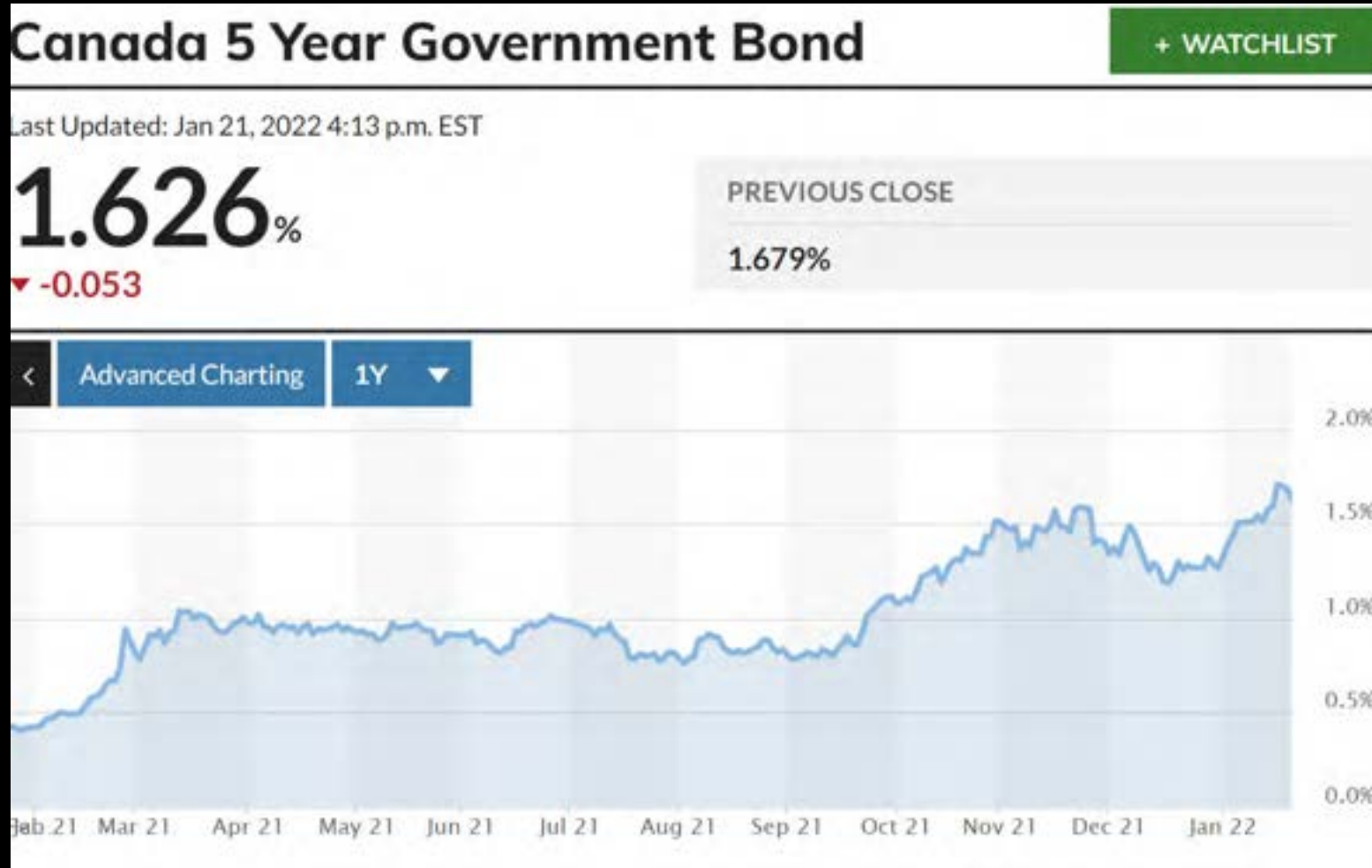


# TRADERS' BETS FOR OVERNIGHT RATE HIKE

- Markets are 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



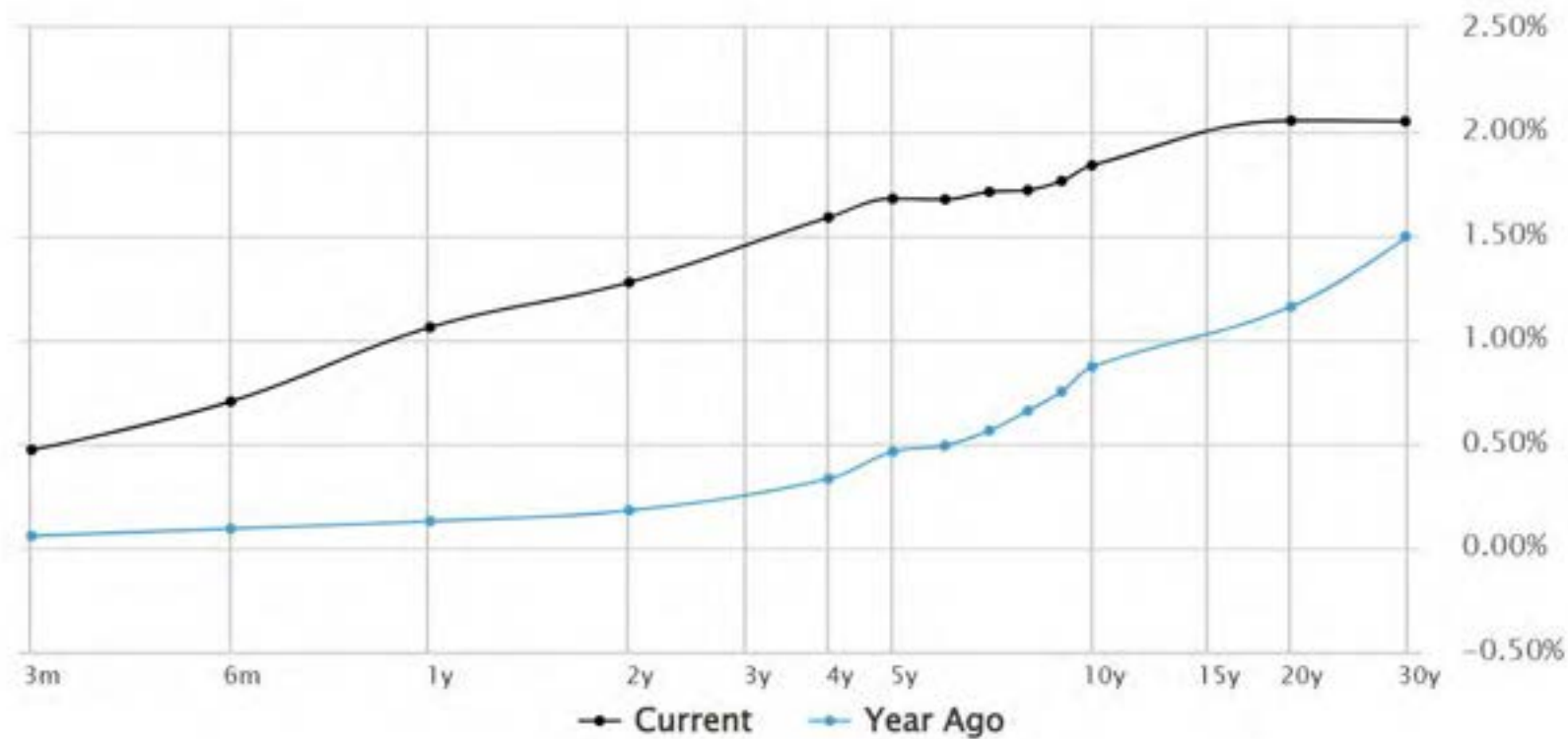
# 5-YEAR BOND YIELD IMPACTS FIXED MORTGAGE RATES—UP FROM 0.46% ONE YEAR AGO



Up  
353%

# YIELD CURVE RISES

YIELD CURVE - CA







# CANADIAN HOUSING MARKET

# December Home Sales

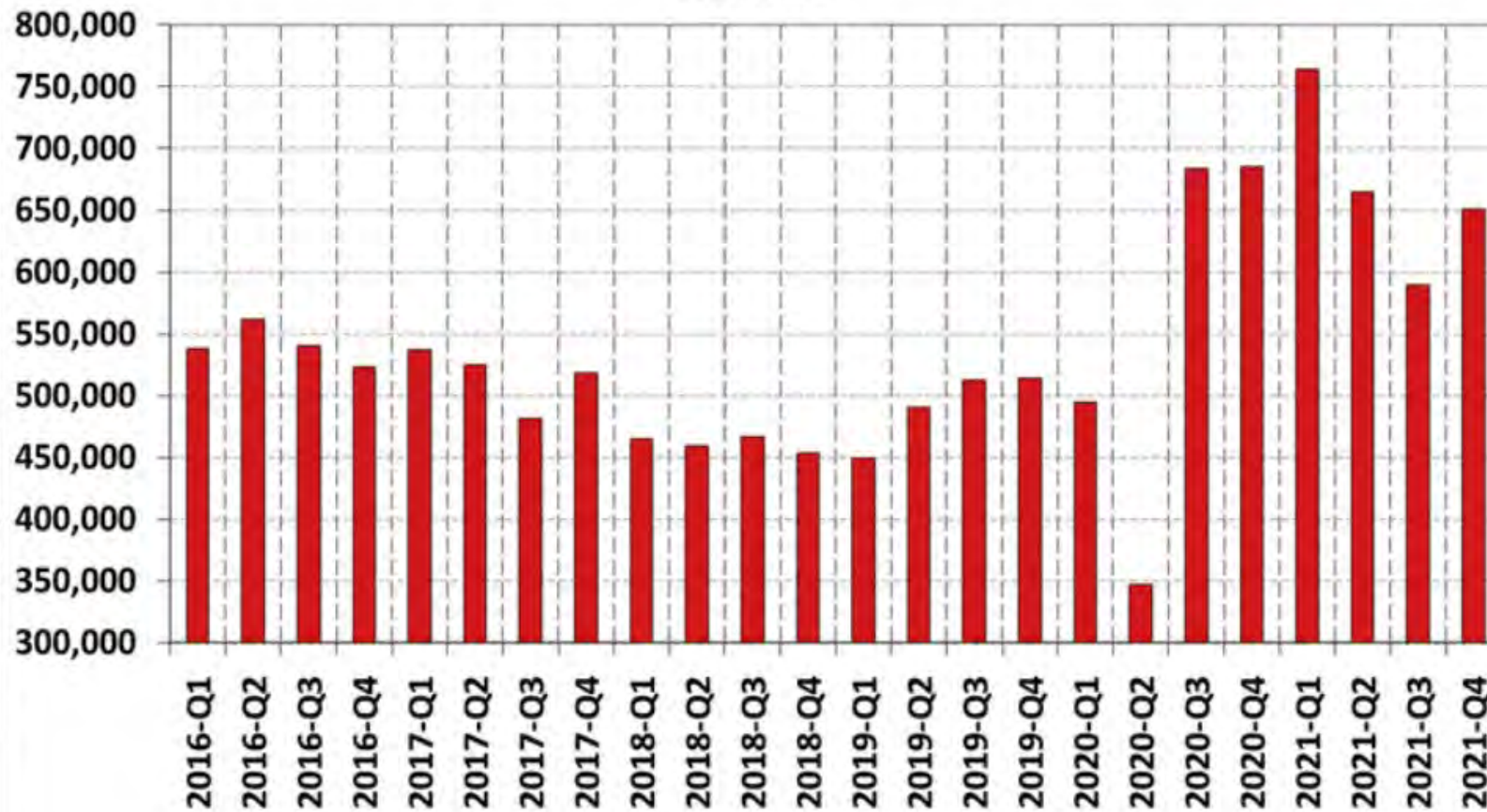
Boosted by expected rate hikes

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



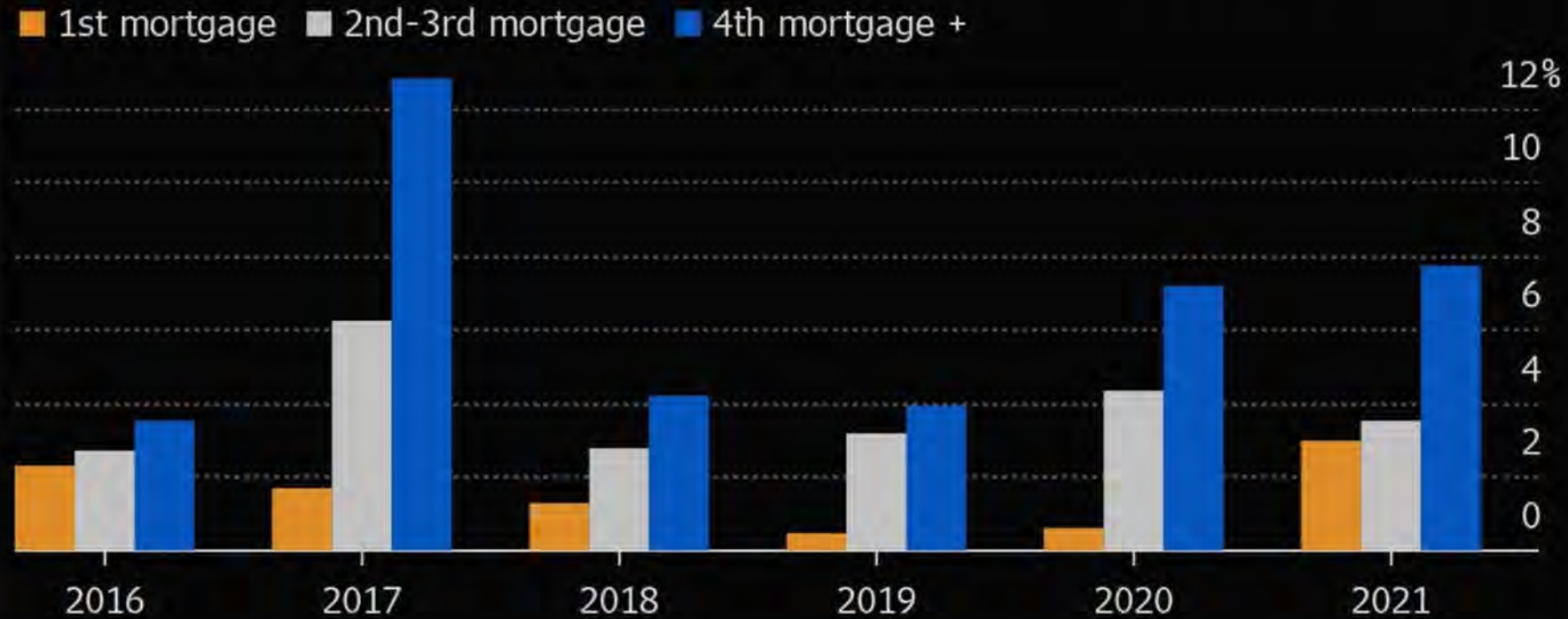
# DECEMBER HOME SALES TOPPED OFF RECORD YEAR





## Investor Advantage

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

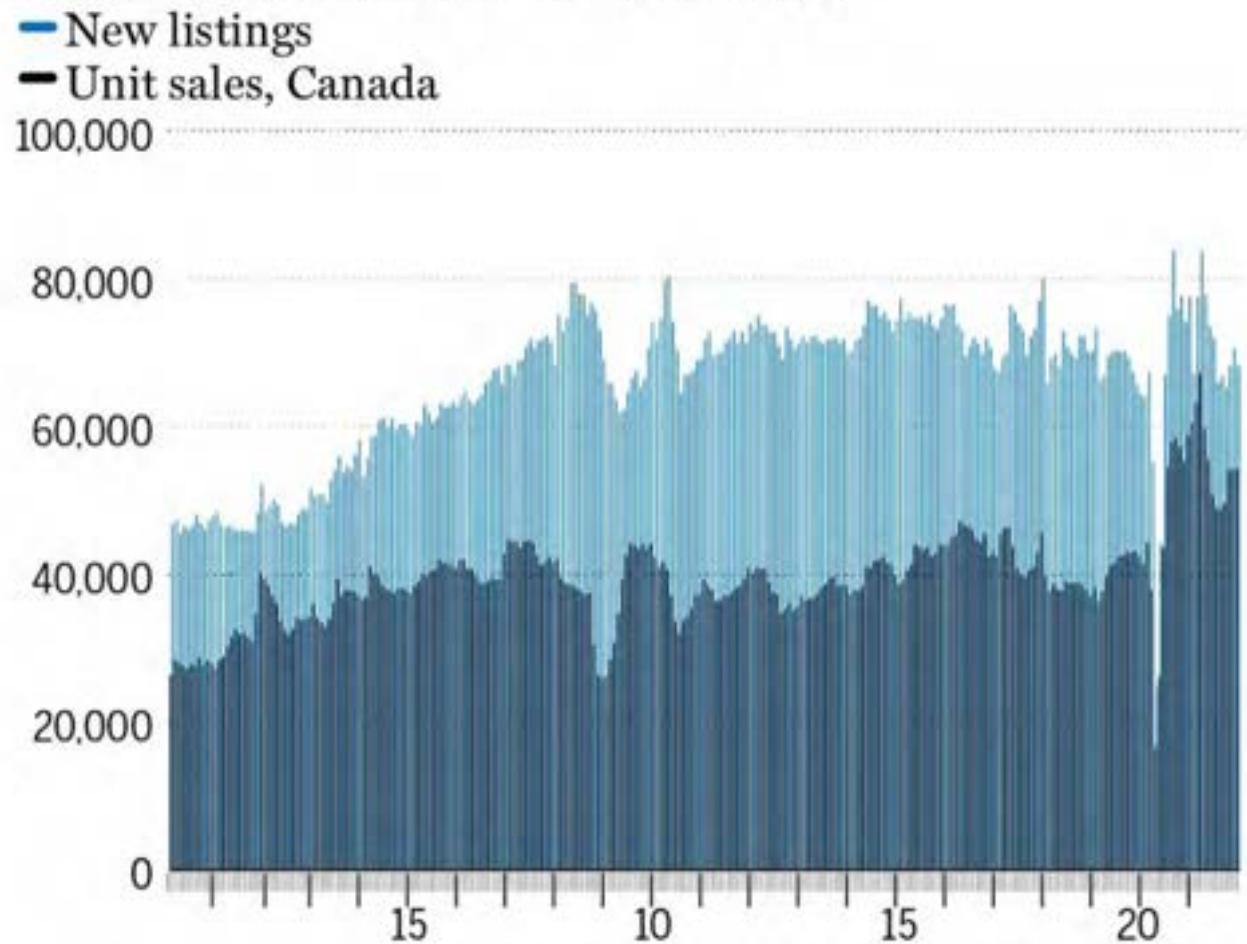


Source: Equifax Canada Inc.

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

**Bloomberg**

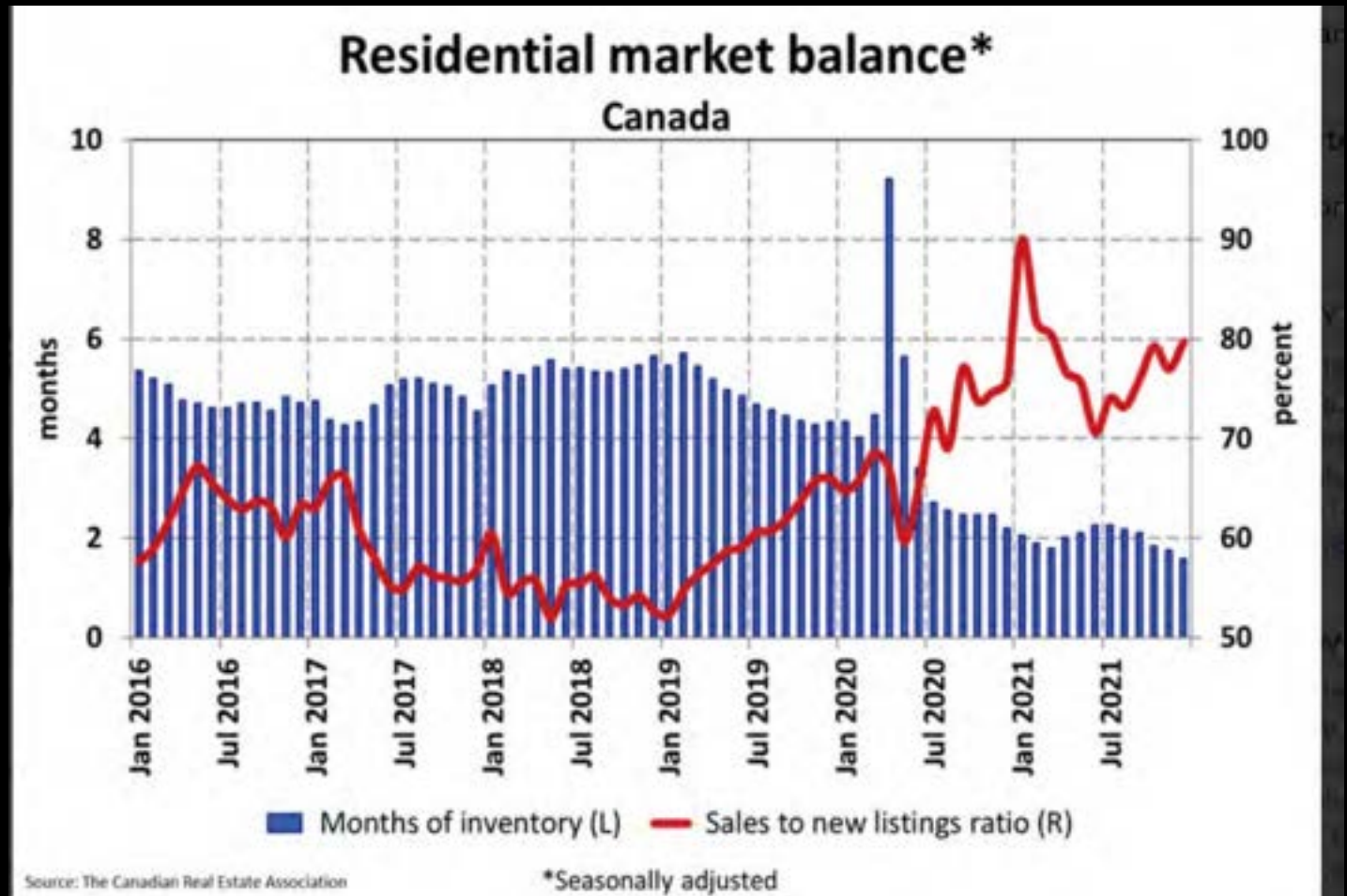
## HOUSING IN A SUPPLY-DEMAND BIND



SOURCE: CANADIAN REAL ESTATE ASSOCIATION

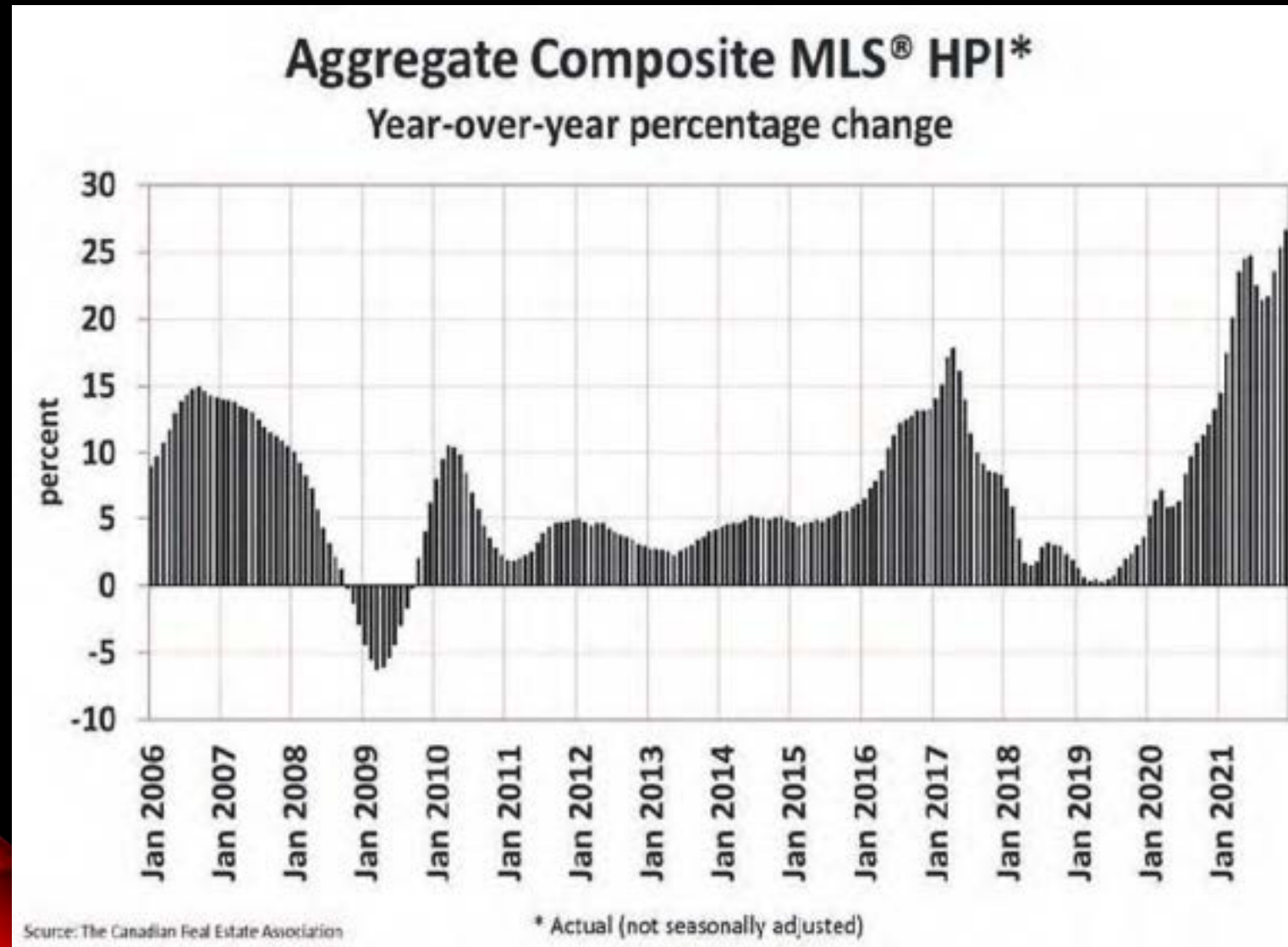
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# SELLER'S MARKET IN HOUSING



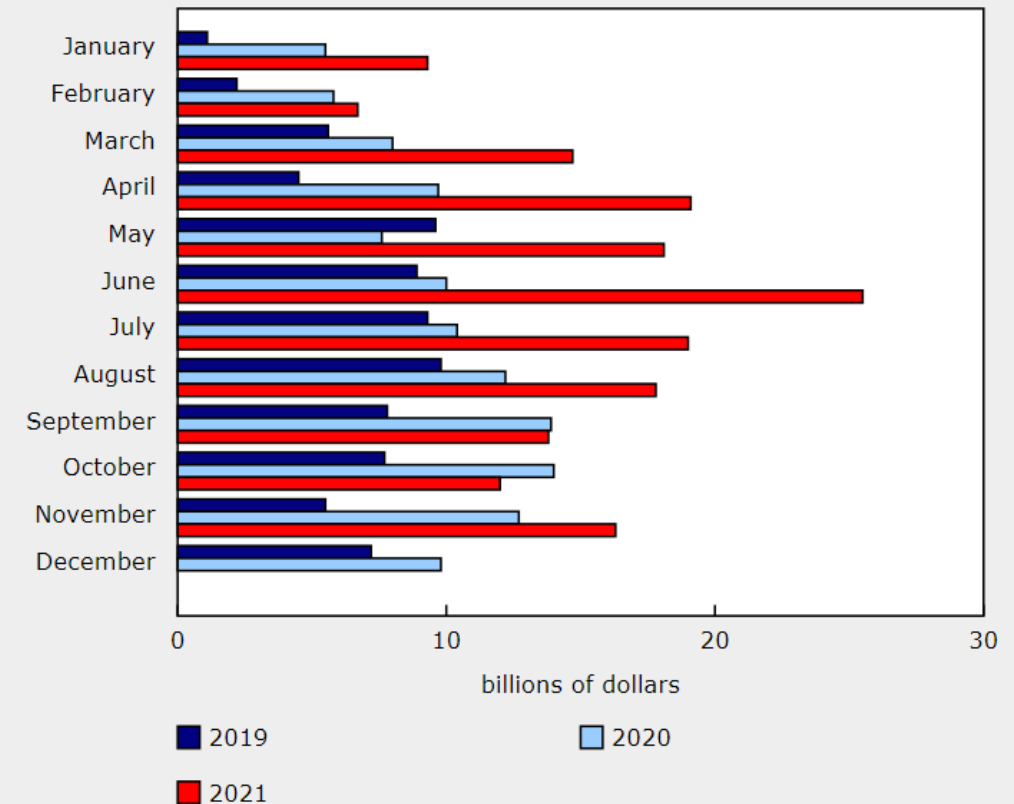


# HOME PRICE INDEX AT RECORD HIGH





# 2021 WAS A BLOCKBUSTER YEAR FOR MORTGAGE LENDING



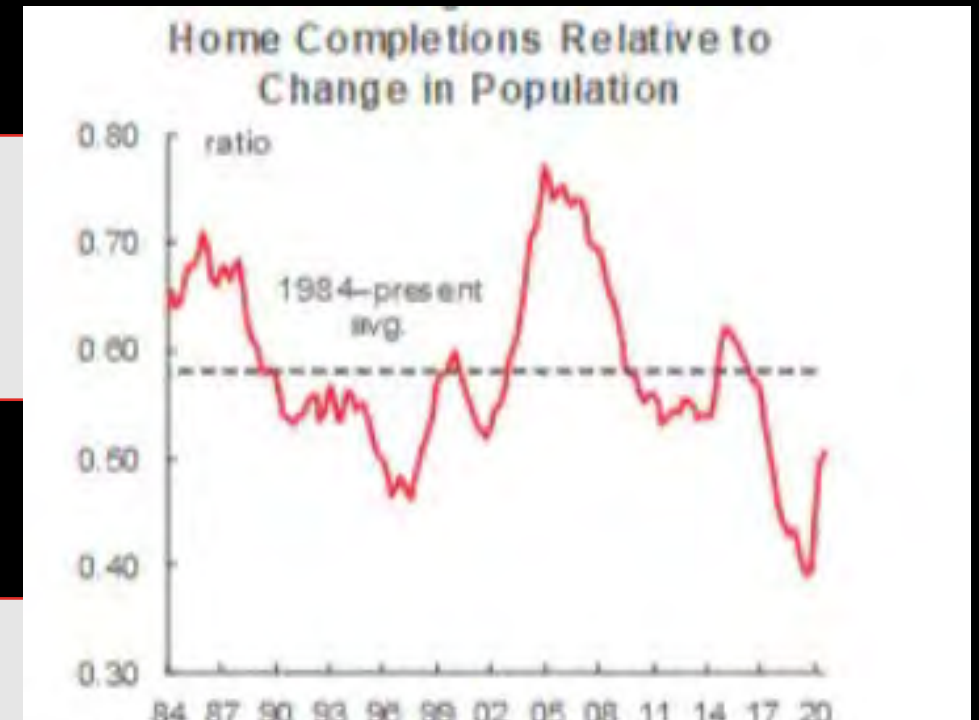
.. not available for a specific reference period.

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

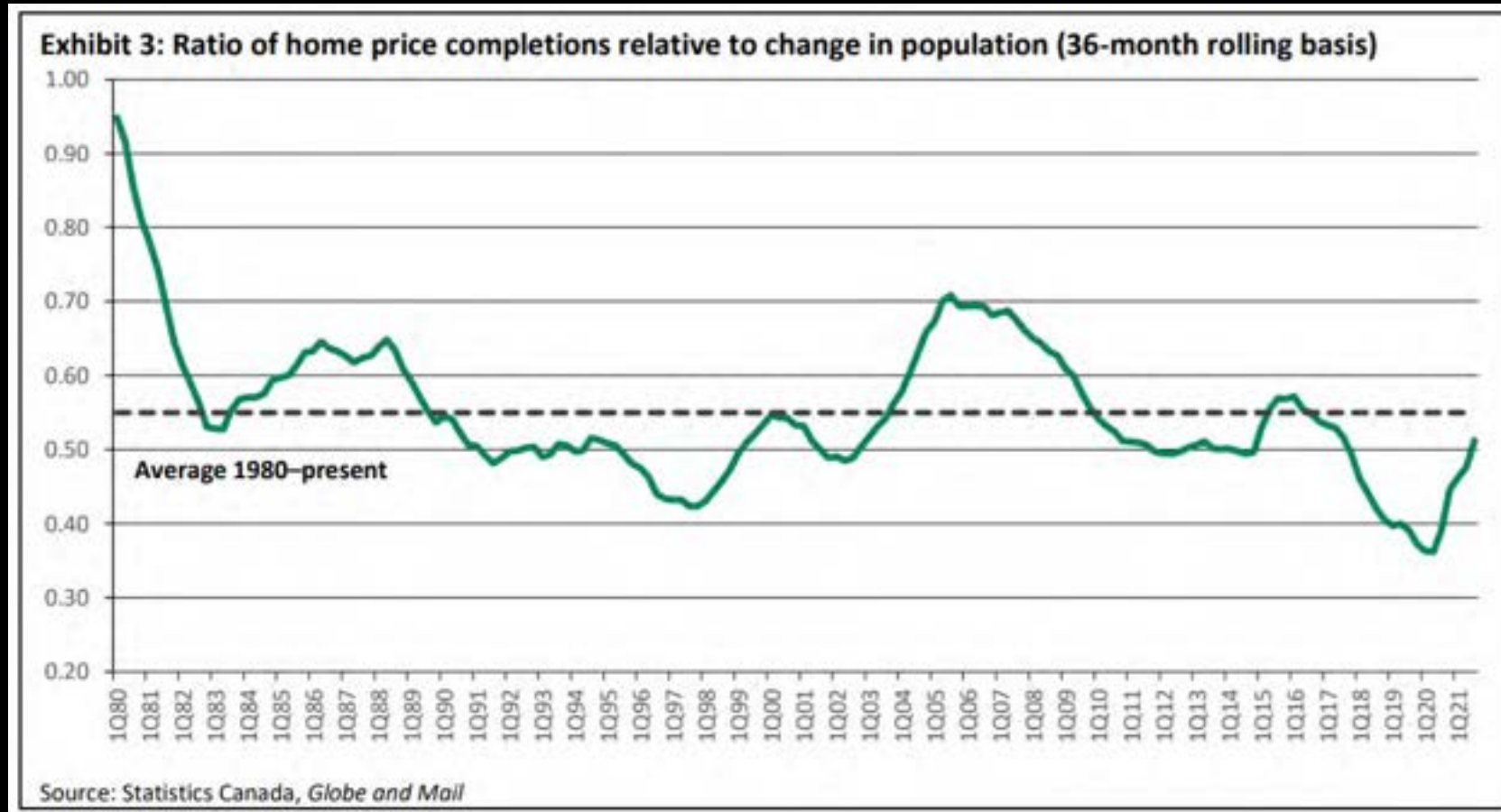
# UNDER-SUPPLY OF HOUSING SINCE 2016

Immigration Surge Since 2015  
Boosted Population

Housing Completions Did Not Keep  
Up

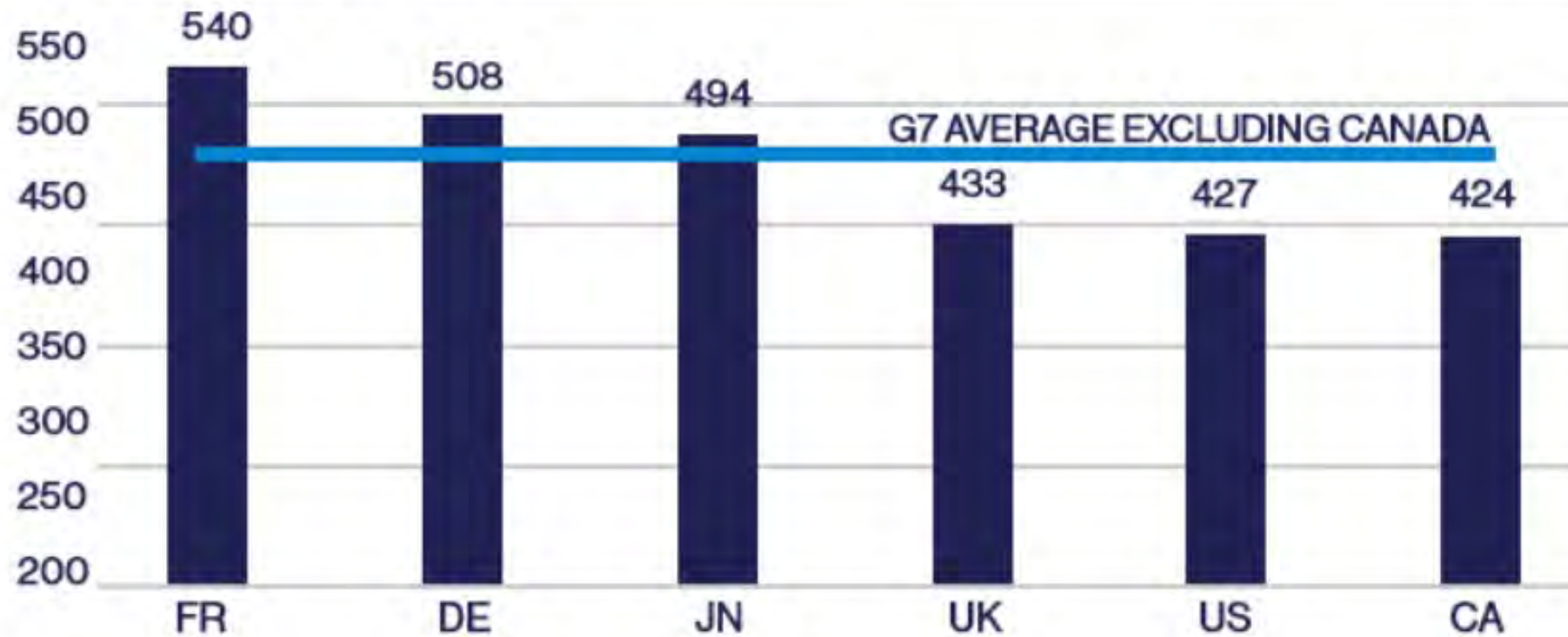


# HOMEBUILDING NOT KEEPING UP WITH NEW HOUSEHOLD FORMATION



# HOMES TO POPULATION IN G7 COUNTRIES

UNITS PER 1000 PERSONS



SOURCE: SCOTIABANK

BNN  
Bloomberg



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## 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

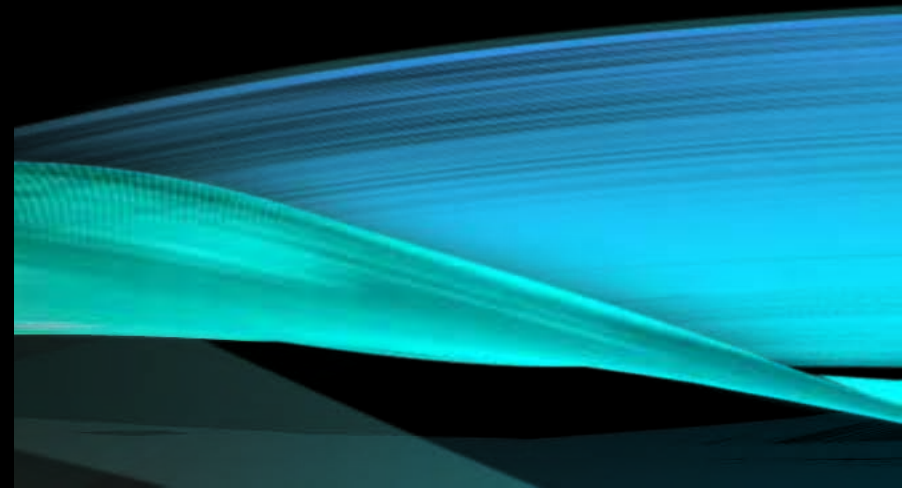
2021-2023 IMMIGRATION LEVELS PLAN



**DOMINION LENDING  
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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

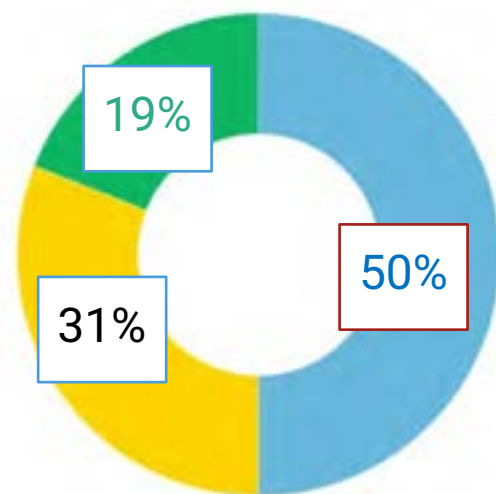
30% of the 25- to 44-year-old immigrants arriving in Canada in the previous five years were homeowners.

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 ARE ABOUT HALF OF ALL HOME PURCHASES

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

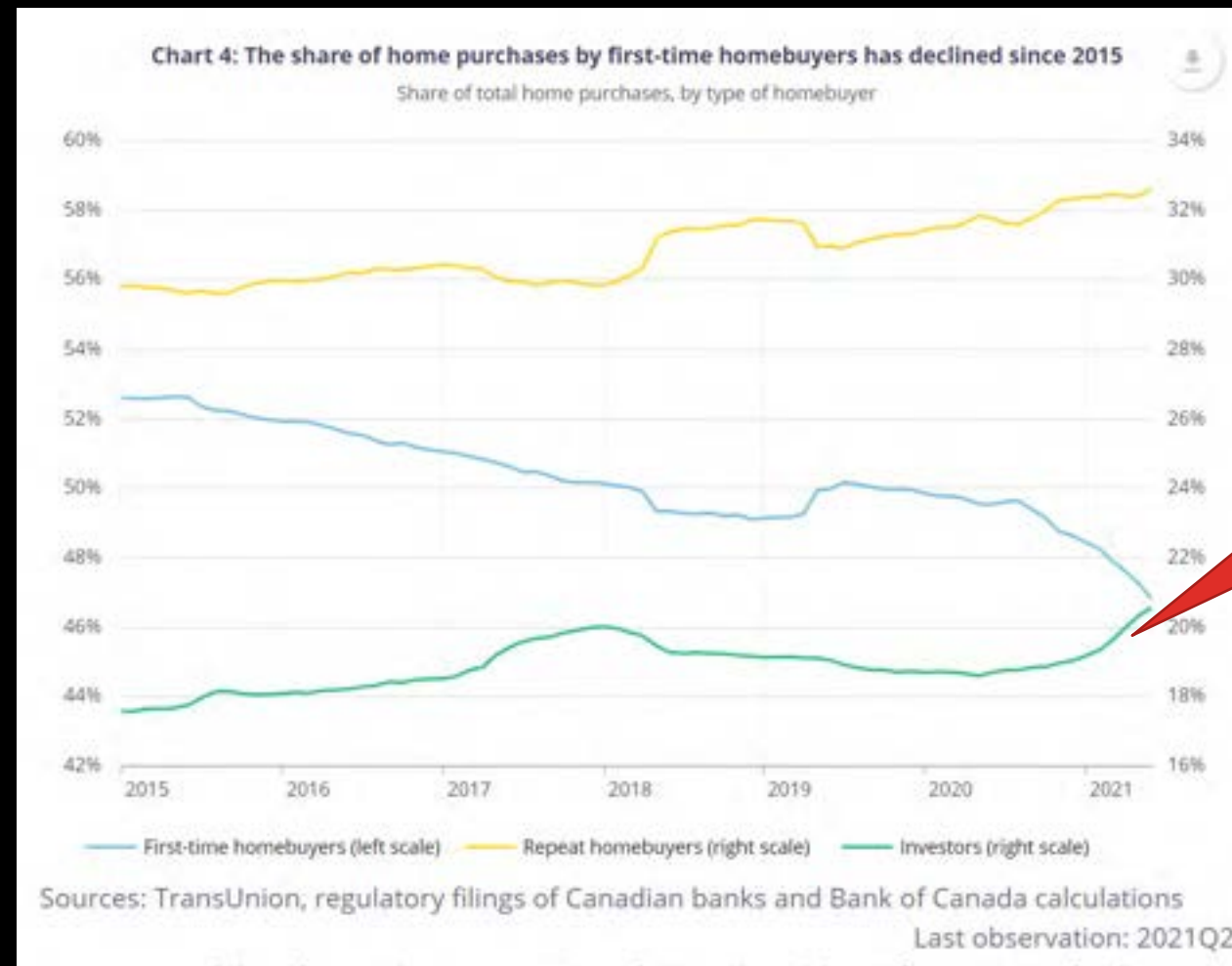


● First-time homebuyers ● Repeat homebuyers ● Investors

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



# BANK OF CANADA STUDY—FIRST-TIME BUYER SHARE DECLINES



Investor  
Share  
Rises

# FEDS TARGET INVESTORS IN HOUSING

# 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

# POSSIBLE FEDERAL ACTIONS TO CURB HOUSING INVESTMENT

Could Raise  
20% Minimum  
Downpayment

Restrict  
Borrowing  
Sources



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