



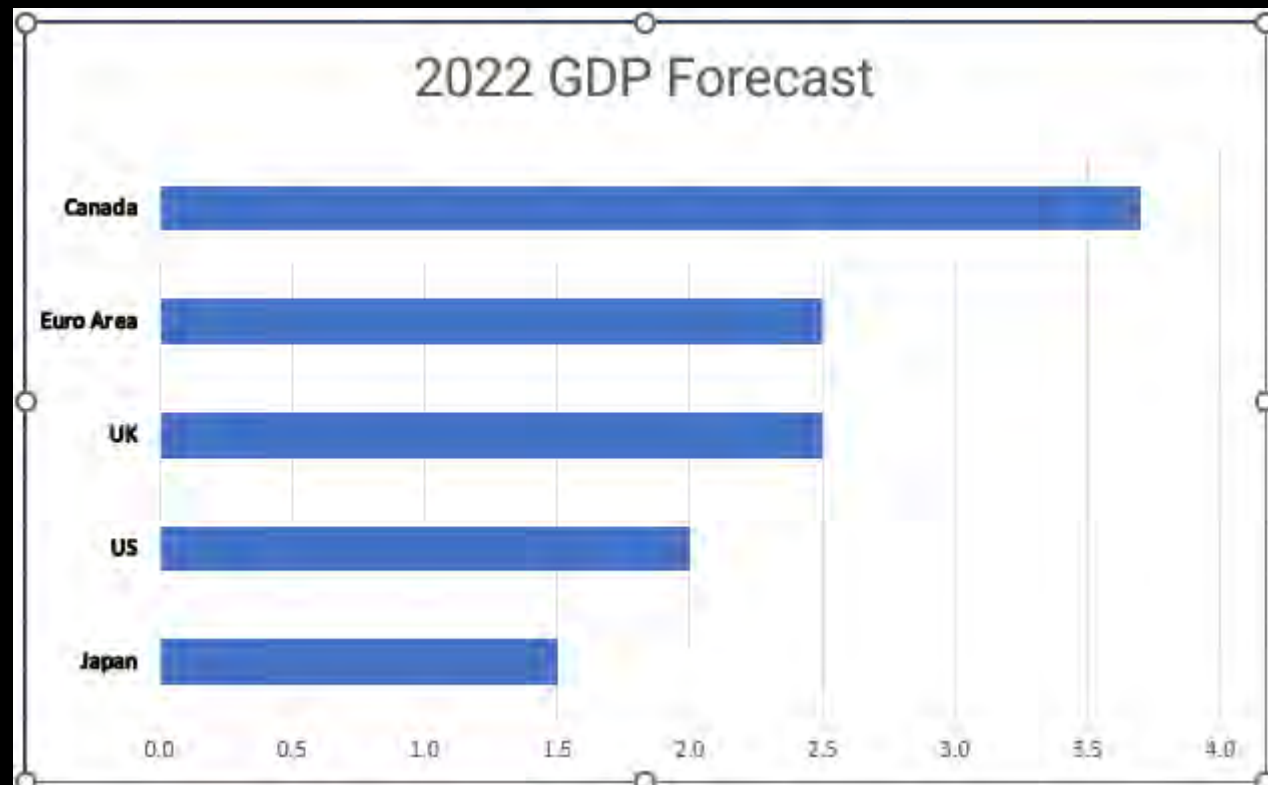
Dr. Sherry Cooper
July 13, 2022

RECESSION FEARS MOUNT WITH HIGHER INFLATION AND AGGRESSIVE RATE ACTION

	Canadian GDP Growth
2021	4.6%
2022f	3.7%f
2023f	0.8%f

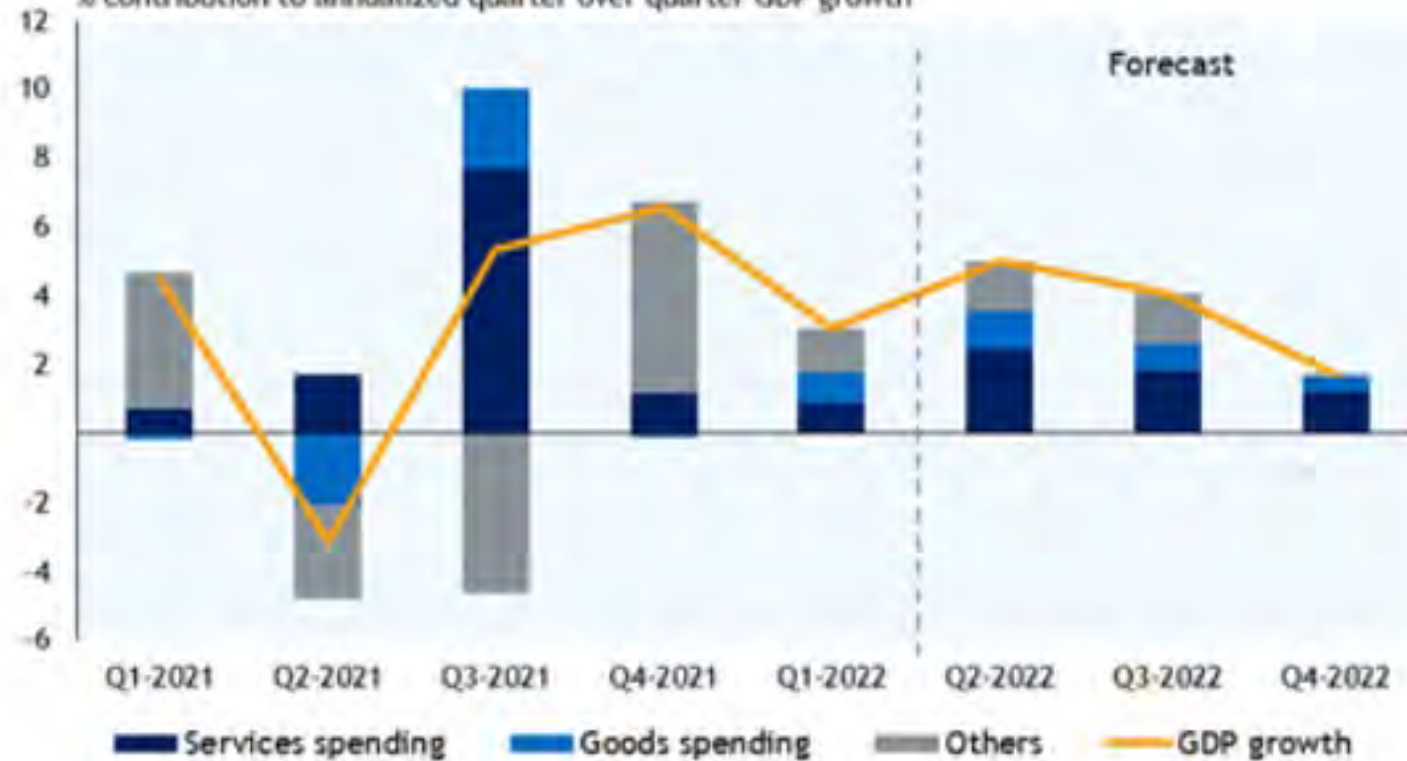
Canada's Commodity-Rich Economy Slowed in May

CANADA STILL OUTPERFORMS THANKS TO COMMODITIES



GDP growth to slow as the year progresses

% contribution to annualized quarter over quarter GDP growth



Source: StatCan, RBC projections

CANADIAN GDP SLOWDOWN IN MAY

OUTPUT
SLID IN

Oil & Gas

Manufacturing

Construction



DOMINION LENDING
CENTRES

LEADING INDICATOR OF GLOBAL SLOWDOWN



■ LME Metals Index



Source: London Metal Exchange

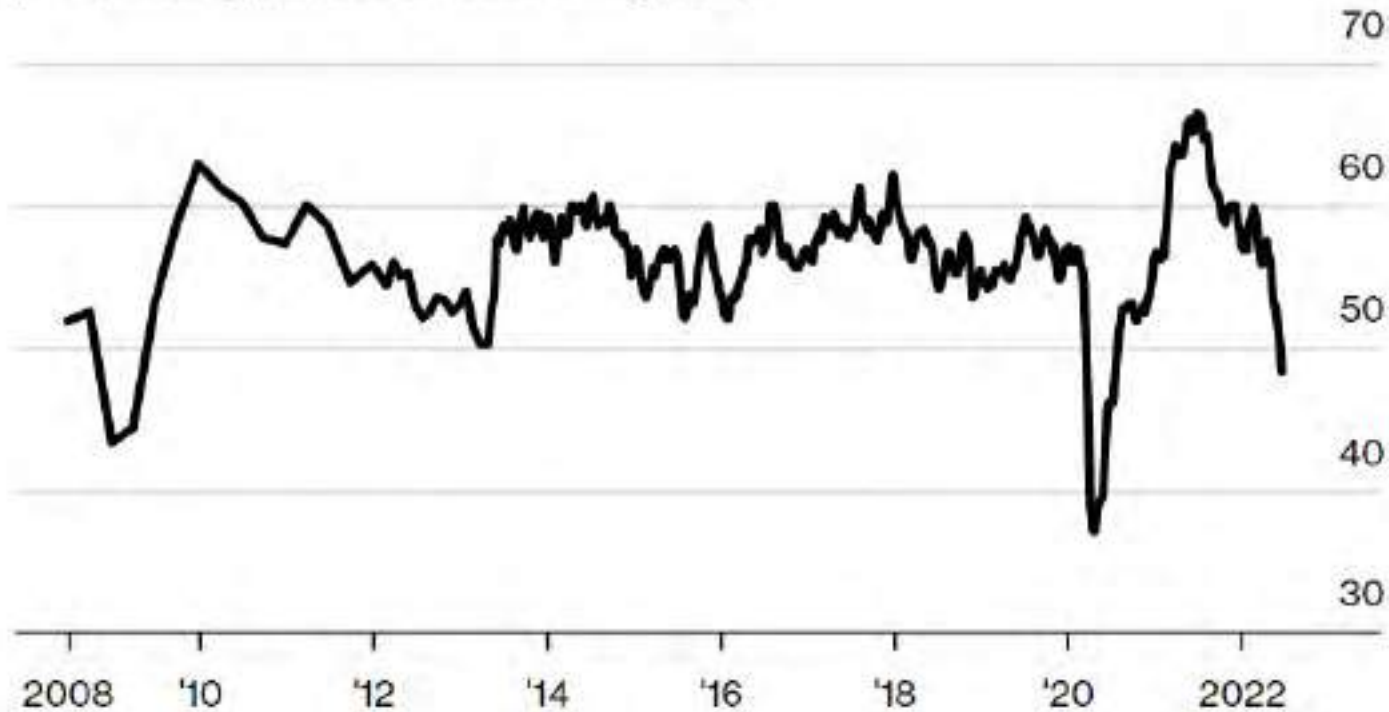
Bloomberg

Consumer Confidence Falls Amid Inflation, Higher Interest Rates And Housing Correction

Optimism Shaken

Canada consumer confidence continues to fall

✓ Bloomberg Nanos Economic Mood, Index



Source: Bloomberg, Nanos

HIGH-END FURNITURE RETAILER RH SLUMPS



- Slashed forecast for the second time in less than a month.
- Blamed soaring mortgage rates and shrinking sales of luxury homes.
- Slowing housing market for the rest of 2022.

Canada Hits Full Employment With Labour Shortages

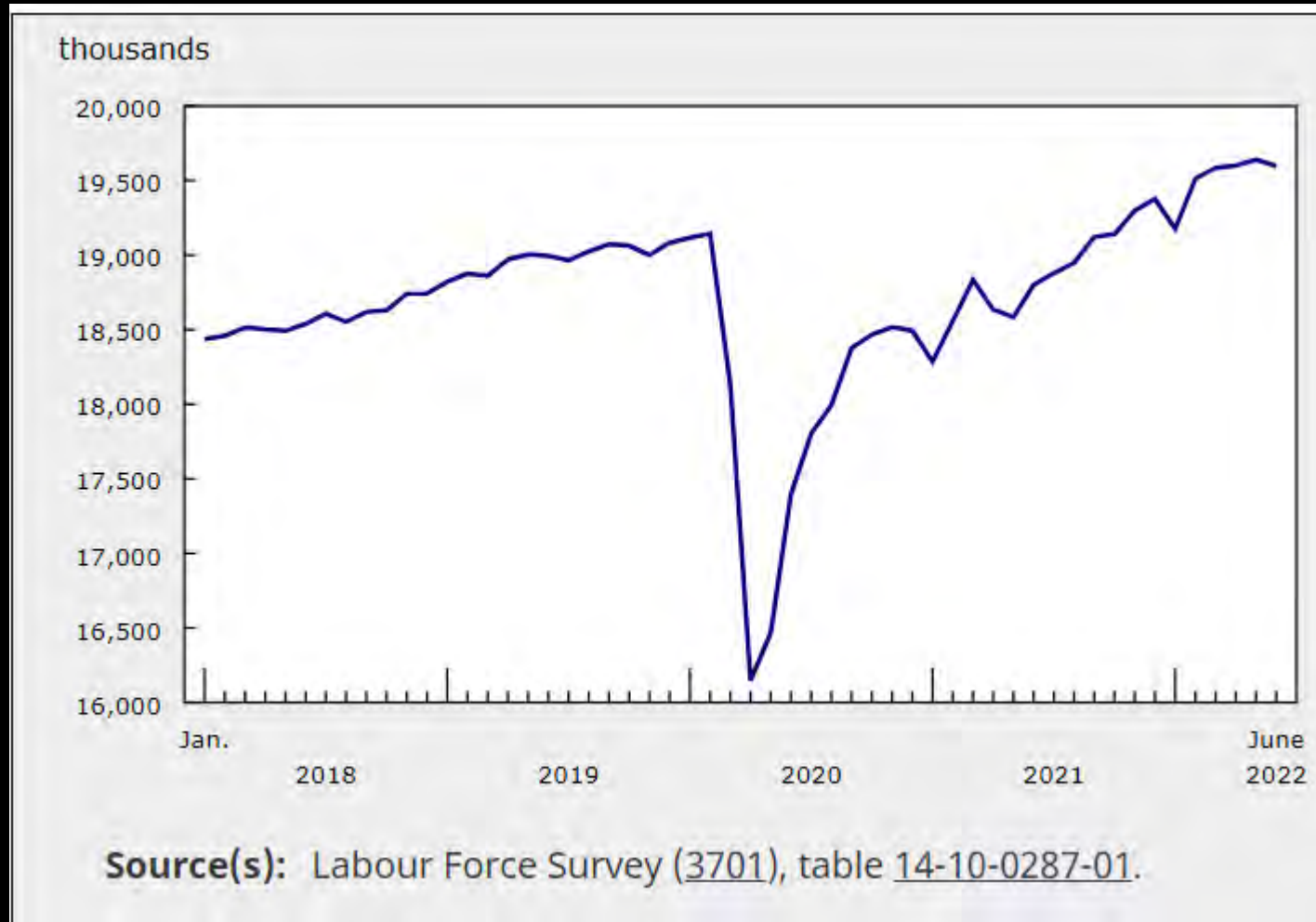
Rate Rate

JOB MARKET

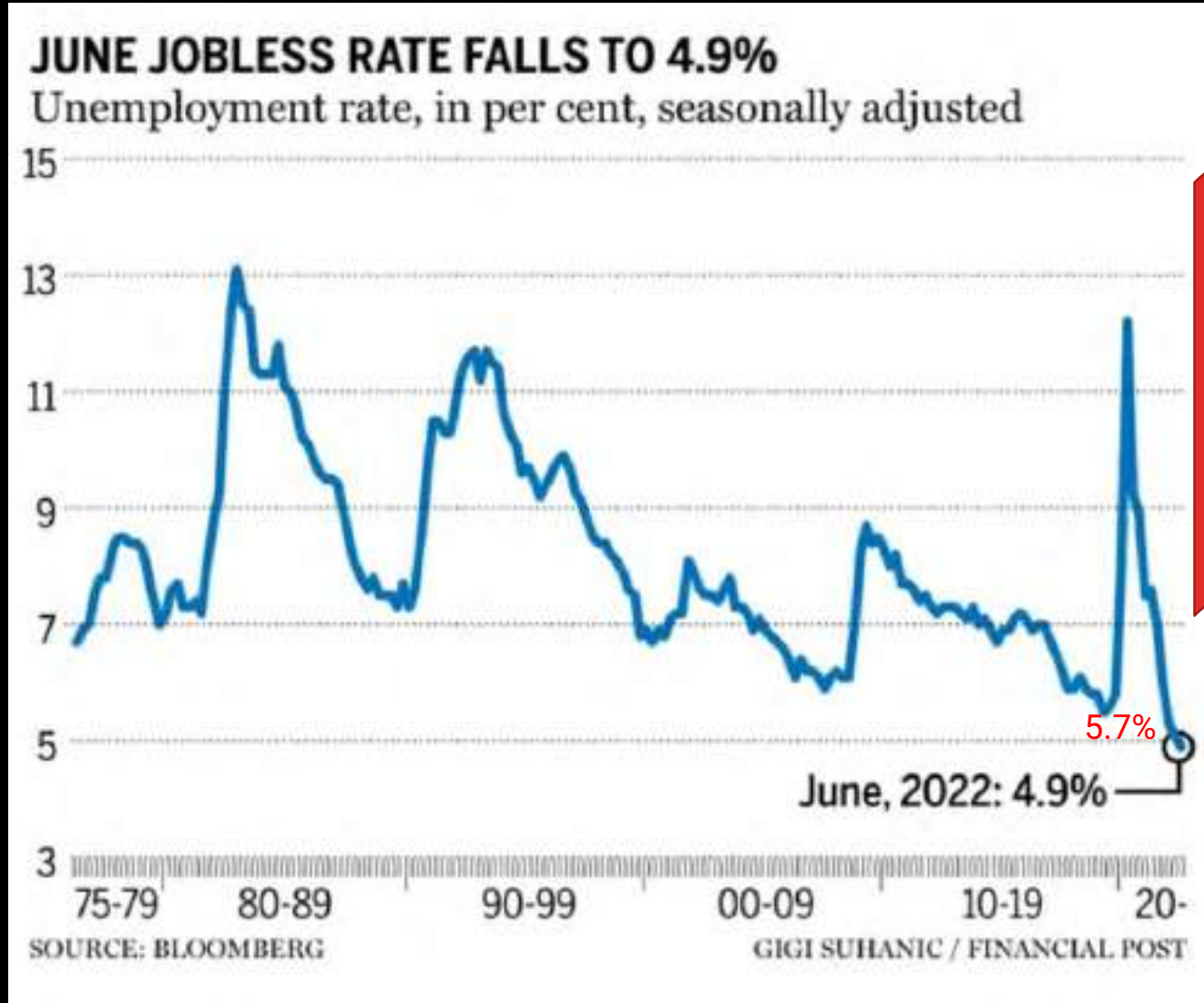
EMPLOYMENT

Accounting.....	107	Inventory.....
Administrative/Clerical.....	110	Legal Administrative.....
Automotive.....	129	Legal Employment/Maintenance/R.....
Banking.....	106	Installation.....
Biotech.....	150	Management.....
Business Development.....	111	Manufacturing.....
Business/Mktg Supply.....	199	Marketing.....
Computer/IT.....	115	Media/Journalism/Arts.....
Construction.....	158	Non-Profit & Social.....
Consultant.....	118	Other.....
Customer Service.....	132	Part-Time.....
Design.....	156	Pharmaceutical.....
Distributing/Shipping.....	164	Professional.....
Education.....	120	Purchasing.....
Food/Hotel/Casino/Tourism.....	197	
Government Services/Resumes.....	191	

EMPLOYMENT WELL ABOVE 2020 LEVEL



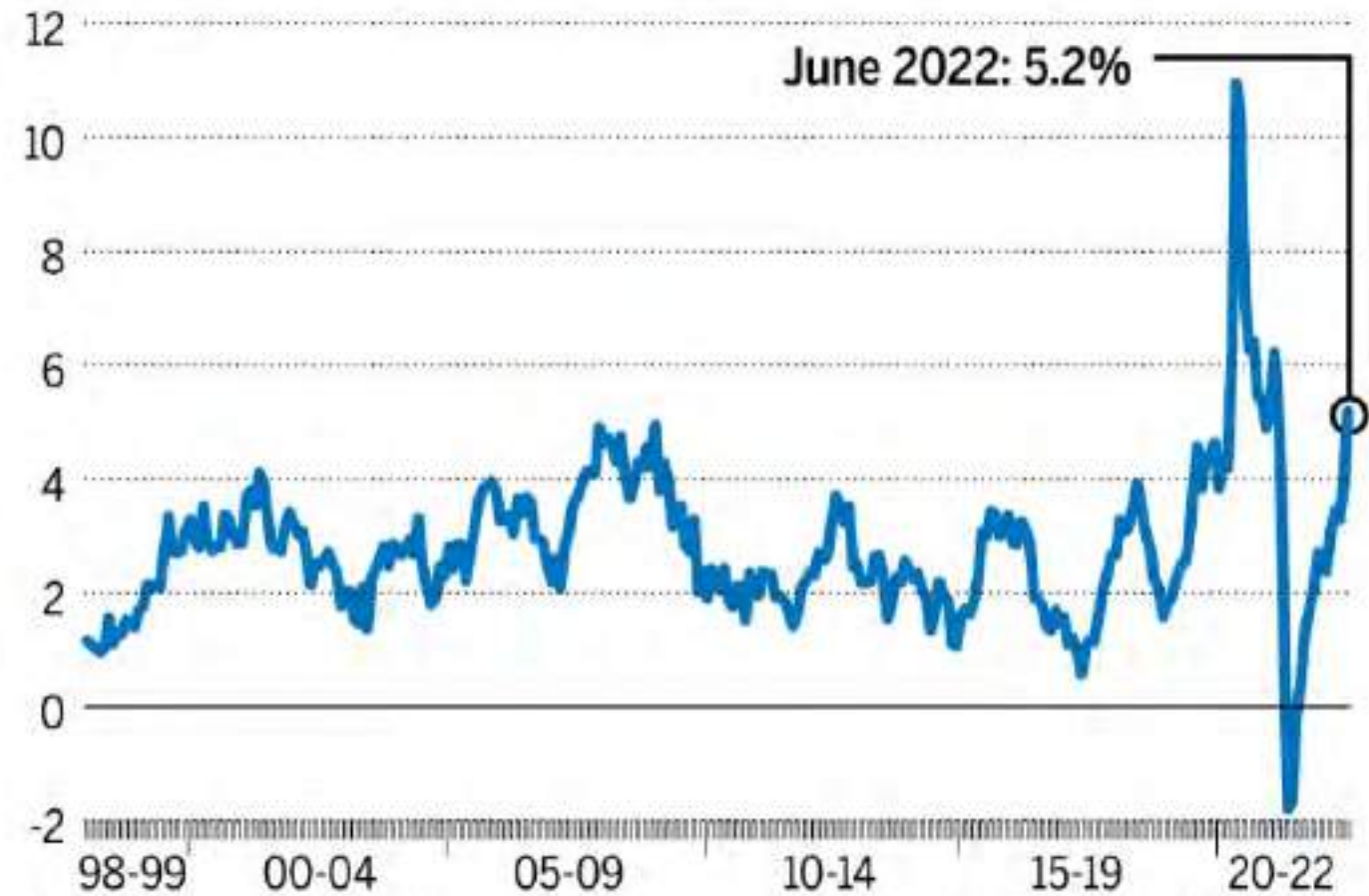
JOBLESS RATE AT A NEW RECORD LOW



Job vacancies reach record high in Alberta and Ontario

AVERAGE HOURLY WAGES CONTINUE TO RUN UP

Year-over-year per cent change



SOURCE: STATISTICS CANADA

GIGI SUHANIC / FINANCIAL POST



DOMINION LENDING
CENTRES

Ottawa Expands Temporary Foreign Workers Program To Reduce Labour Shortages



WAGE INFLATION LIKELY TO ACCELERATE

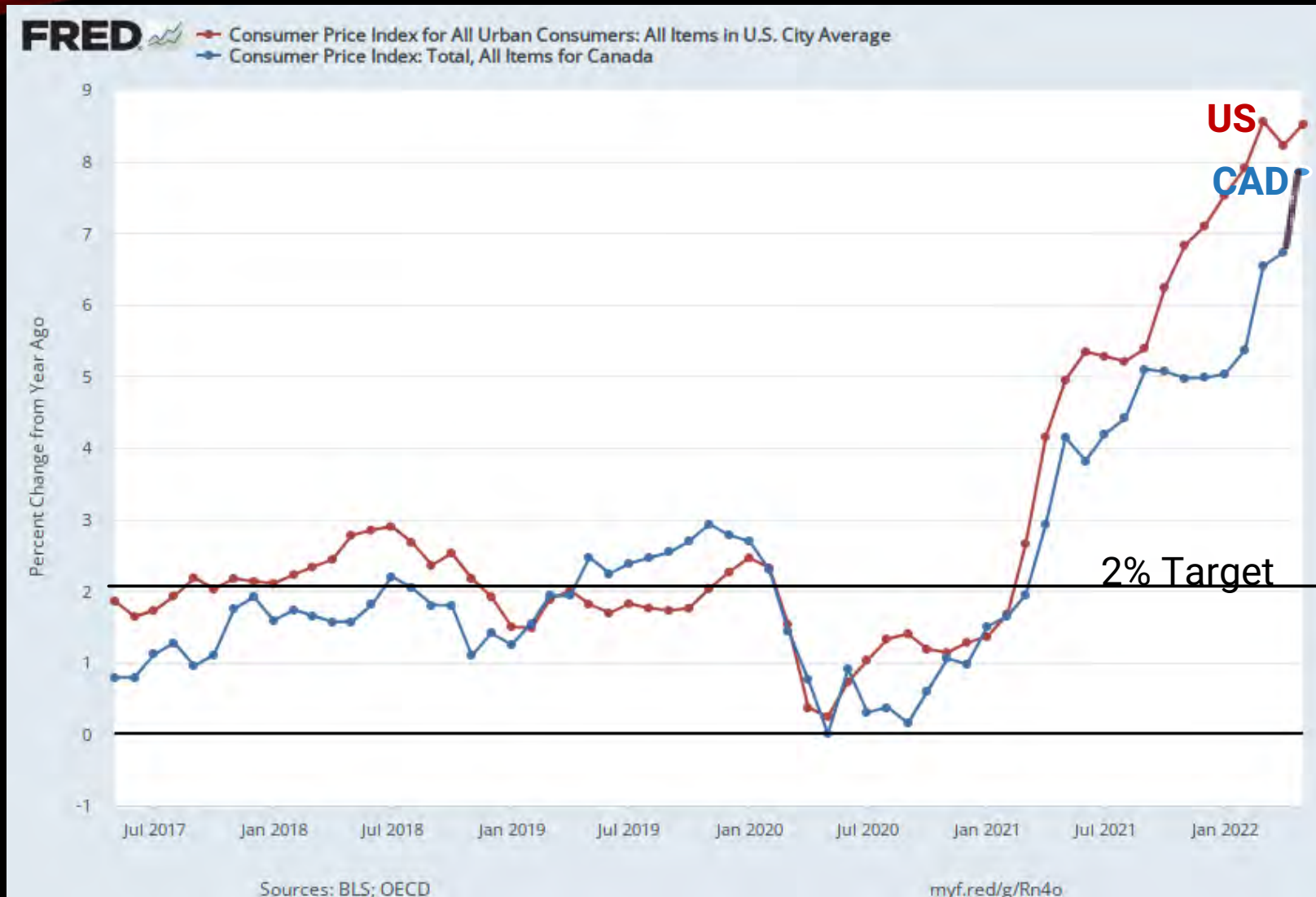
Average offered hourly wages in the hotel and restaurant industry have surged in recent months.





INFLATION

INFLATION IS WAY OVER TARGET



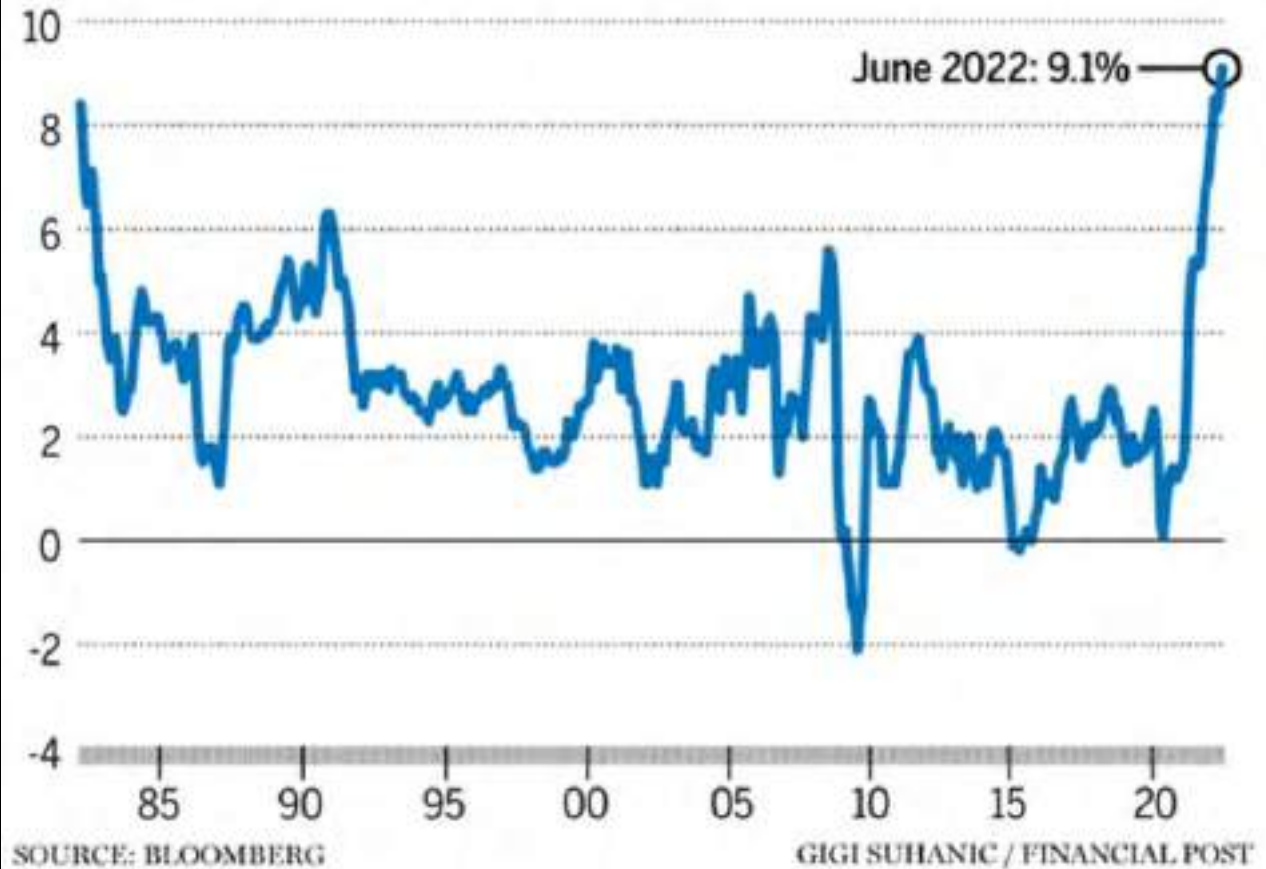
8.6% in May

7.7% in May,
June data
expectation over 8%

US INFLATION RISES TO 9.1% IN JUNE

U.S. INFLATION BATS ASIDE FORECASTS

Consumer price index, per cent

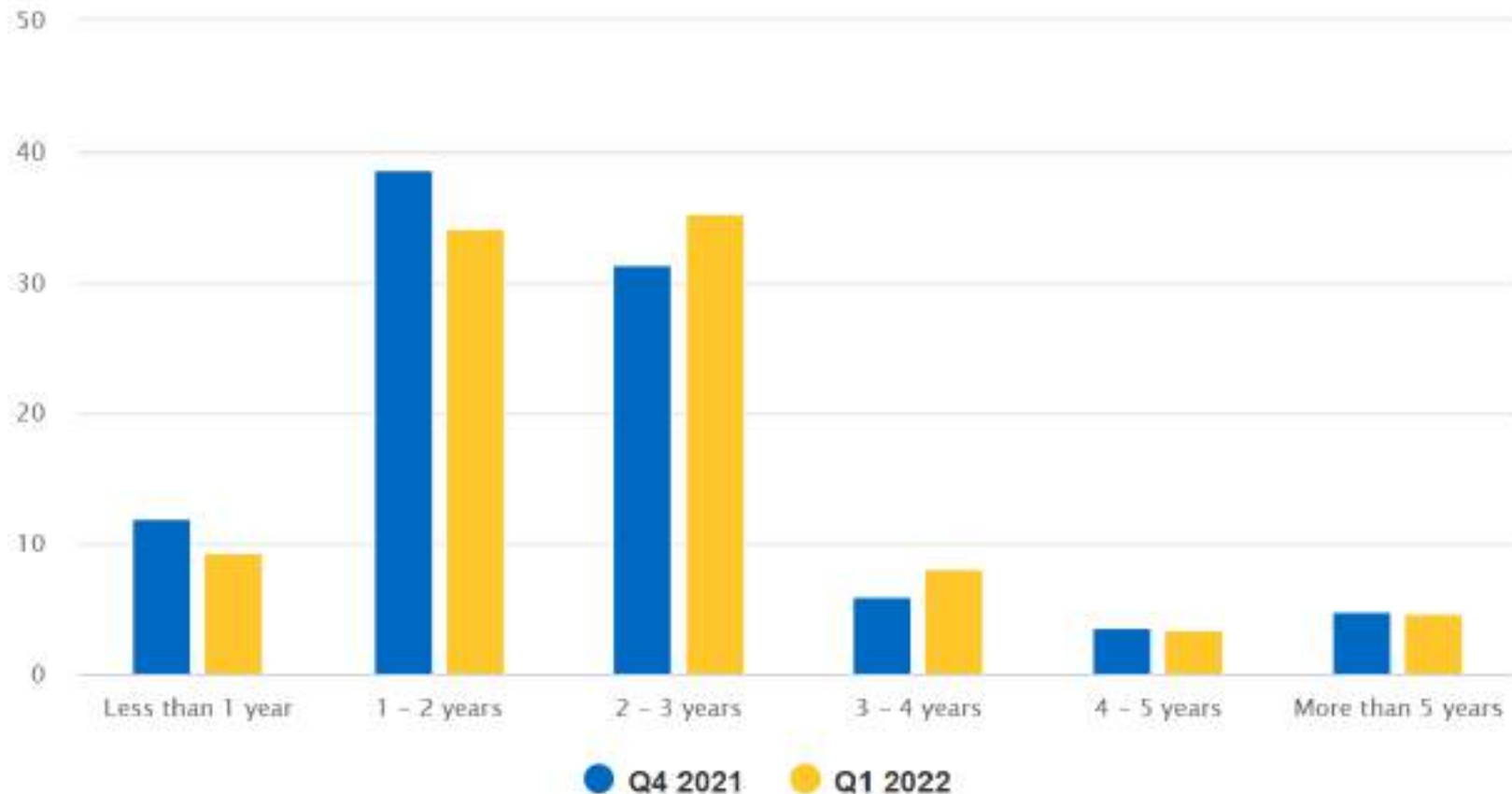


Higher Gasoline, Shelter and Food Costs

INFLATION EXPECTATIONS RISE

Businesses expect inflation to stay high for two years

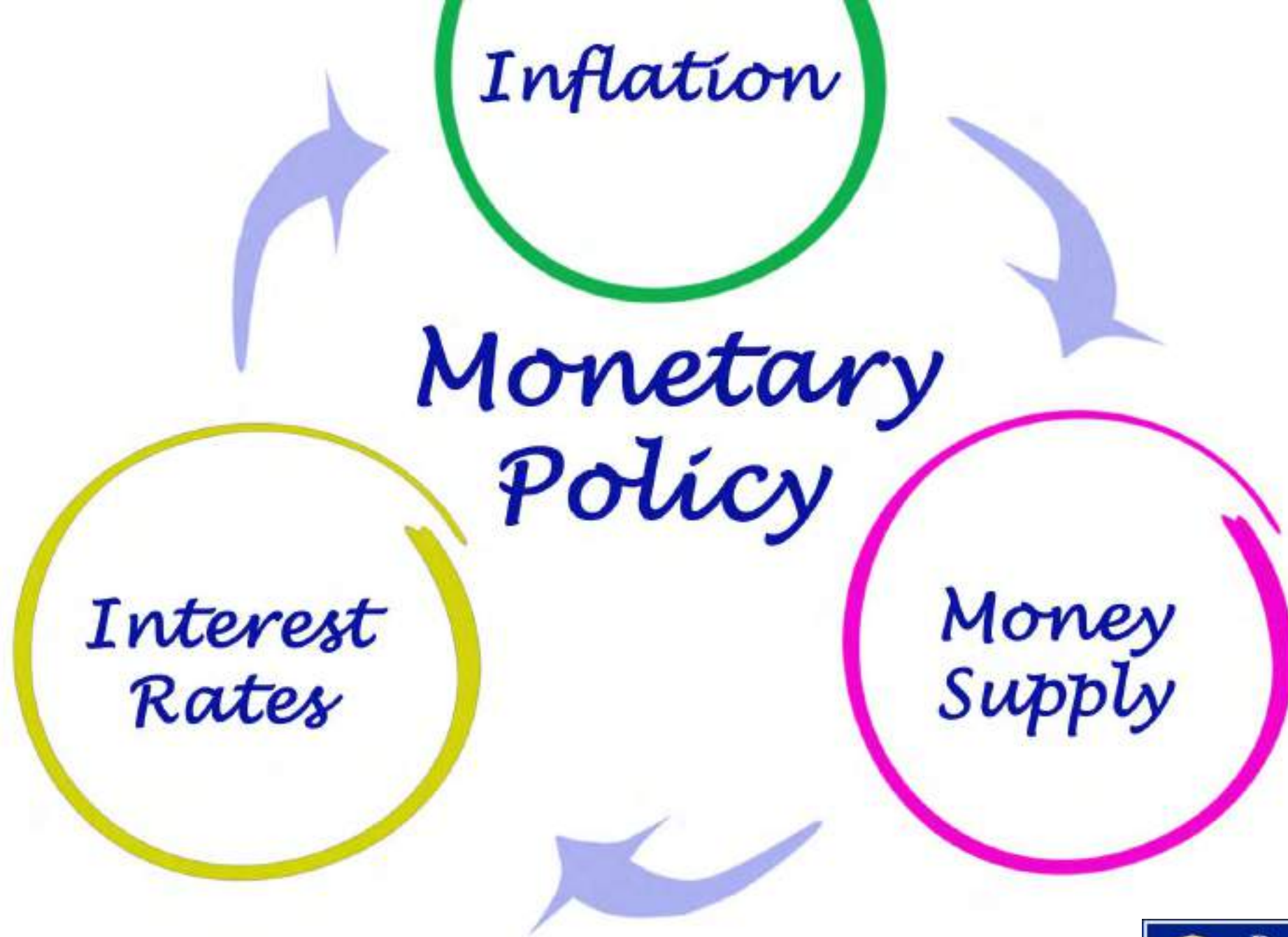
% of firms, how long is inflation expected to remain substantially above 2%



Source: Bank of Canada Business Outlook Survey, RBC Economics

DOMESTIC INFLATION RISKS







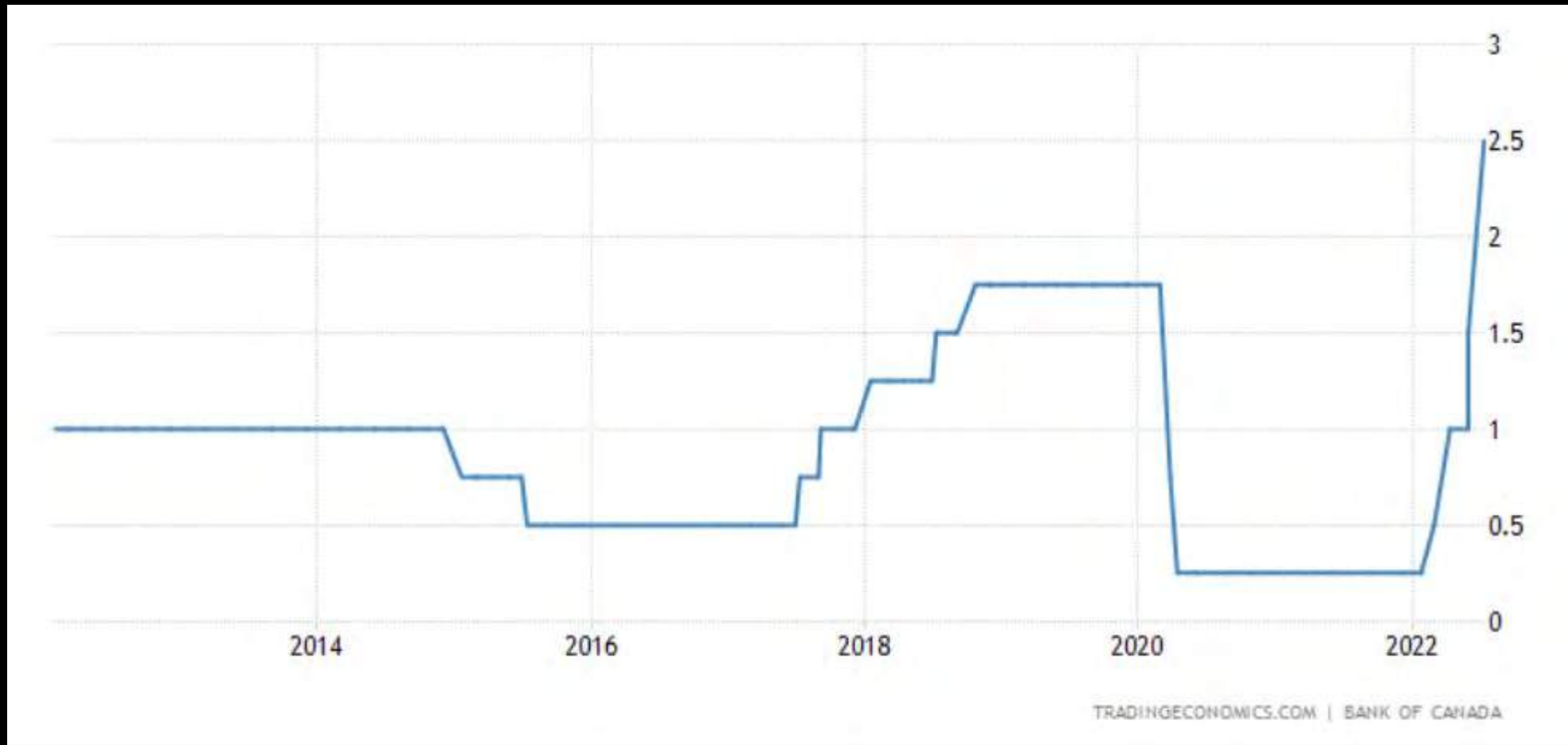
- 100 Bps Hike July 13
- Quantitative Tightening
- Overnight Rate at 3.5% by yearend

BANK OF CANADA

**MORE THAN 30 CENTRAL BANKS HAVE TAKEN
SIMILAR ACTION IN 2022**



BOC OVERNIGHT RATE



PRIME RATE WILL MOVE TO 4.7%



Headed For 5.2% to 5.7% By Yearend

Borrowing rates for households and businesses have risen sharply

as, weekly data



5-YEAR BOND YIELD SPIKED TODAY

Canada 5 Year Government Bond

[ADD TO WATCHLIST](#)

3.161%
▲ 0.049

Last Updated: Jul 13, 2022 at 12:11 p.m. EDT

PREVIOUS CLOSE

3.112%

3.102

DAY RANGE

3.238

0.720

52 WEEK RANGE

3.616





BOC HOPES FOR A SOFT LANDING

**A SLOWDOWN
DOESN'T HAVE TO
MEAN A RECESSION.**



**DOMINION LENDING
CENTRES**

A row of suburban houses with a rainbow graphic in the top left corner. The houses have grey roofs, white trim, and various colored siding (tan, blue, red). A white picket fence and green bushes are in the foreground. A blue banner with white text is overlaid in the center.

CANADIAN HOUSING MARKET

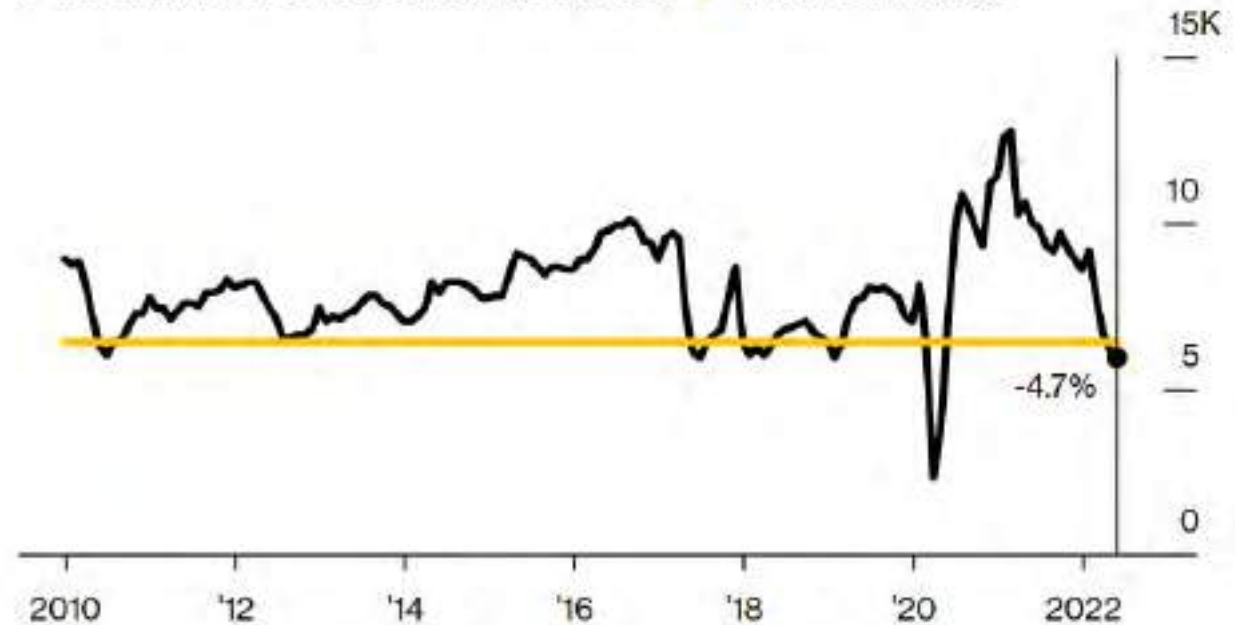
TORONTO HOME SALES PLUNGE IN JUNE

Sales down 41% y/y
Listings Surge
Average Prices Fall

Sharp Decline

Toronto home sales continue to slow as rates rise

Monthly Home Sales, Seasonally Adjusted Historical Average



Source: CREA, TRREB

HOUSING MARKETS COOL FURTHER IN JUNE

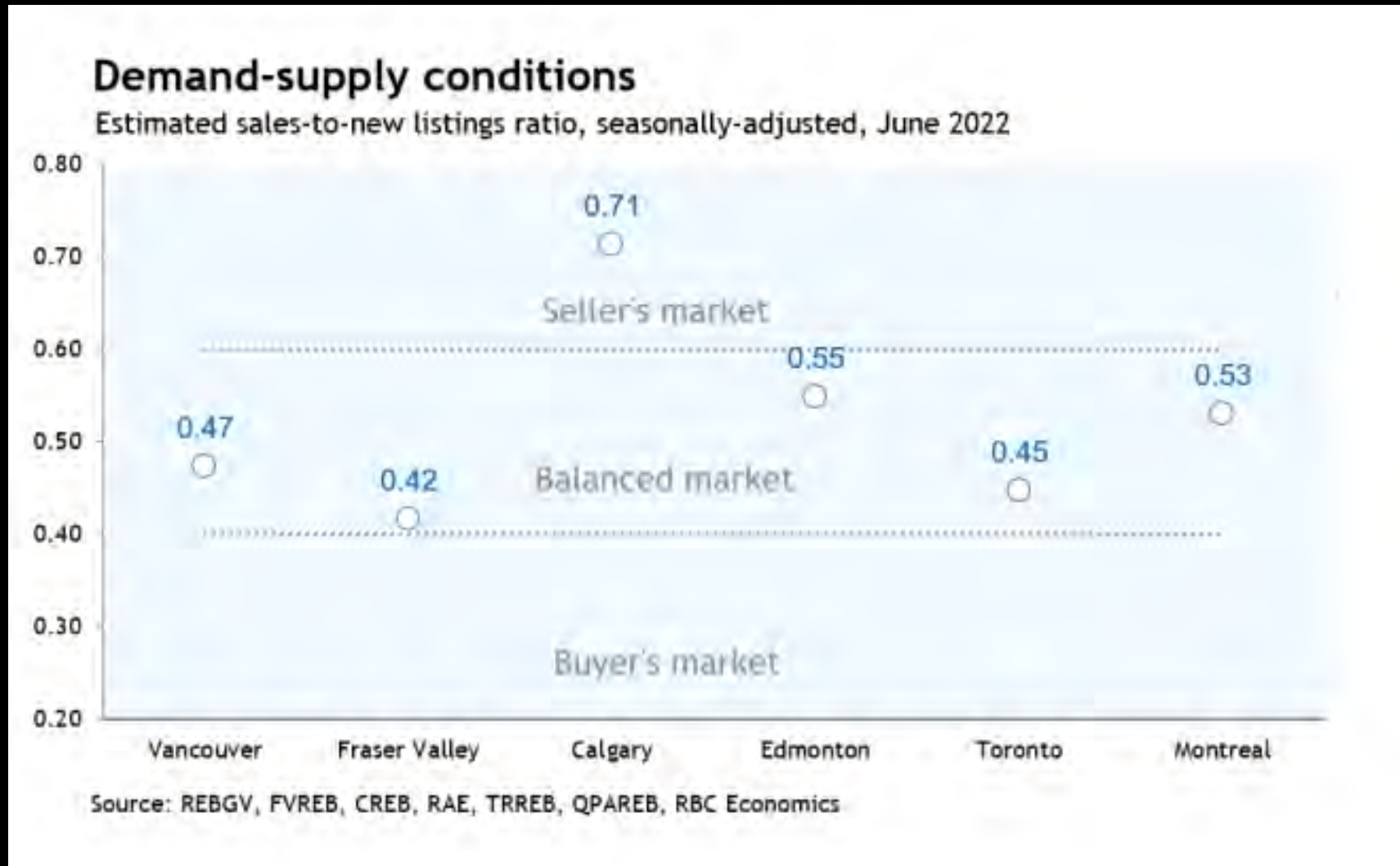
Market activity

Annual % change, June 2022

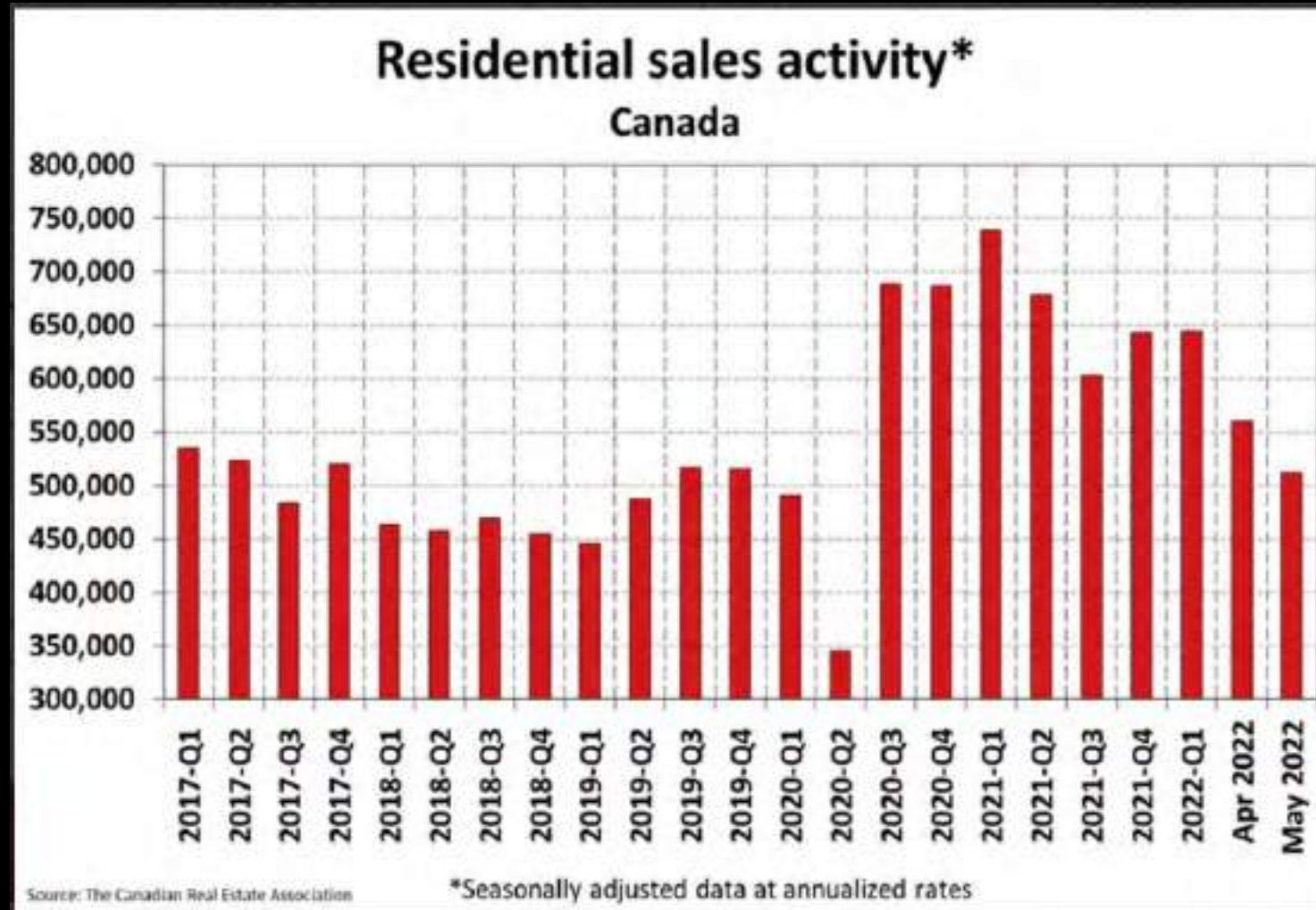


Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

RISING INVENTORY AND FALLING DEMAND—SALES-TO-NEW LISTING RATIOS FALL



MAY HOME SALES FELL FOR THIRD CONSECUTIVE MONTH



Residential market balance*

Canada



Source: The Canadian Real Estate Association

*Seasonally adjusted



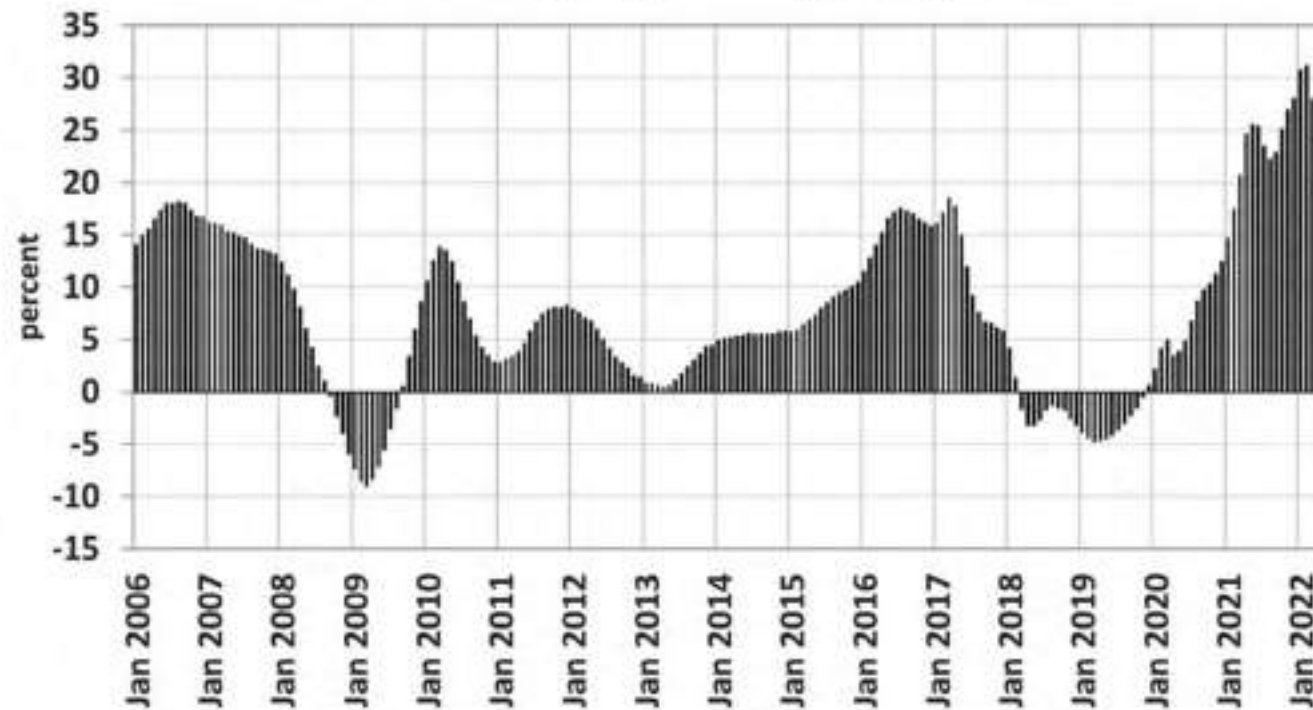
DOMINION LENDING
CENTRES

Chart B



Aggregate Composite MLS® HPI*

Year-over-year percentage change



Source: The Canadian Real Estate Association

* Actual (not seasonally adjusted)



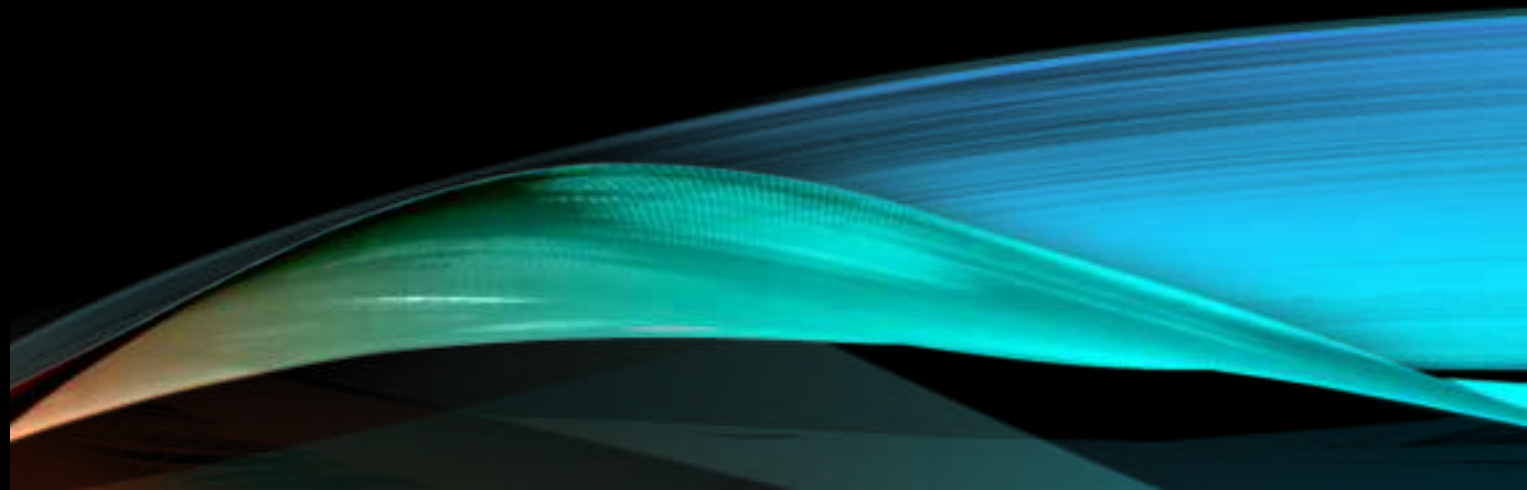
DOMINION LENDING
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MLS HOME PRICE INDEX BENCHMARK PRICE

CMA	3-month % chg
Greater Vancouver	0.8
Fraser Valley	-1.4
Chilliwack & District	-5.4
Greater Toronto	-2.5
Brantford	-7.0
Cambridge	-13.5
Hamilton-Burlington	-4.8
Kitchener-Waterloo	-7.8
Oakville	-9.2
Ottawa	-0.5
Montreal	3.2
Quebec City	5.1
Calgary	0.9



FALLING HOME
PRICES CAUSE
APPRAISAL GAPS IN
SOME REGIONS



HIGHER INTEREST RATES REMOVE SOME
BUYERS FROM HOUSING MARKET AND
REDUCE THE PURCHASING POWER OF
OTHERS



INVESTORS COULD MOVE TO THE SIDELINES

A white wooden signpost stands in the foreground, holding a red rectangular sign with a white border. The sign has the words 'FOR RENT' in large, white, serif capital letters. In the background, a two-story house with a white porch and red steps is visible. The house has a light-colored exterior and dark shutters. The sky is blue with some clouds.

**FOR
RENT**

**Mortgage payments
and property taxes
are rising much
faster than rents in
many hot markets**

COULD SEE SOME DISTRESSED LISTINGS

- Especially For Recent Investors With Short-term Financing
- Metro Toronto Is Already A Buyer's Market

Federal Government Goal

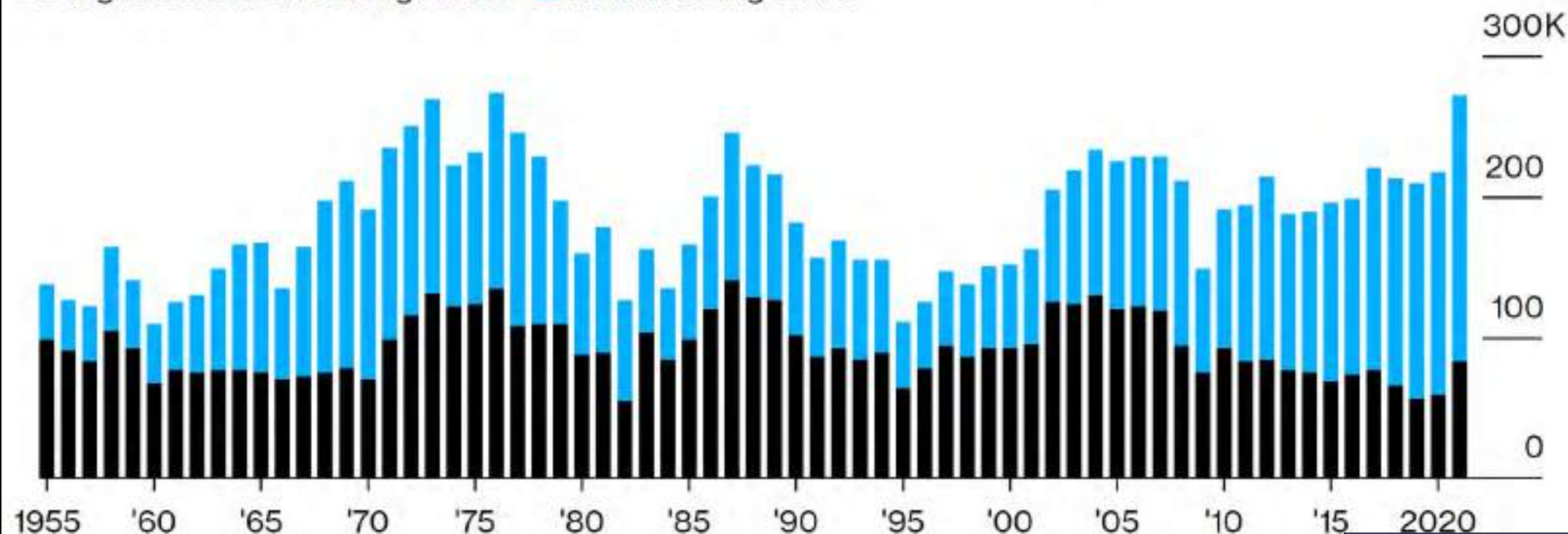
DOUBLING HOME
CONSTRUCTION OVER
NEXT DECADE

2021 HOMEBUILDING ALREADY AT 46-YEAR HIGH

Start Me Up

Canadian construction crews begin work on most homes since 1976

■ Single Detached Housing Starts ■ Multi Housing Starts



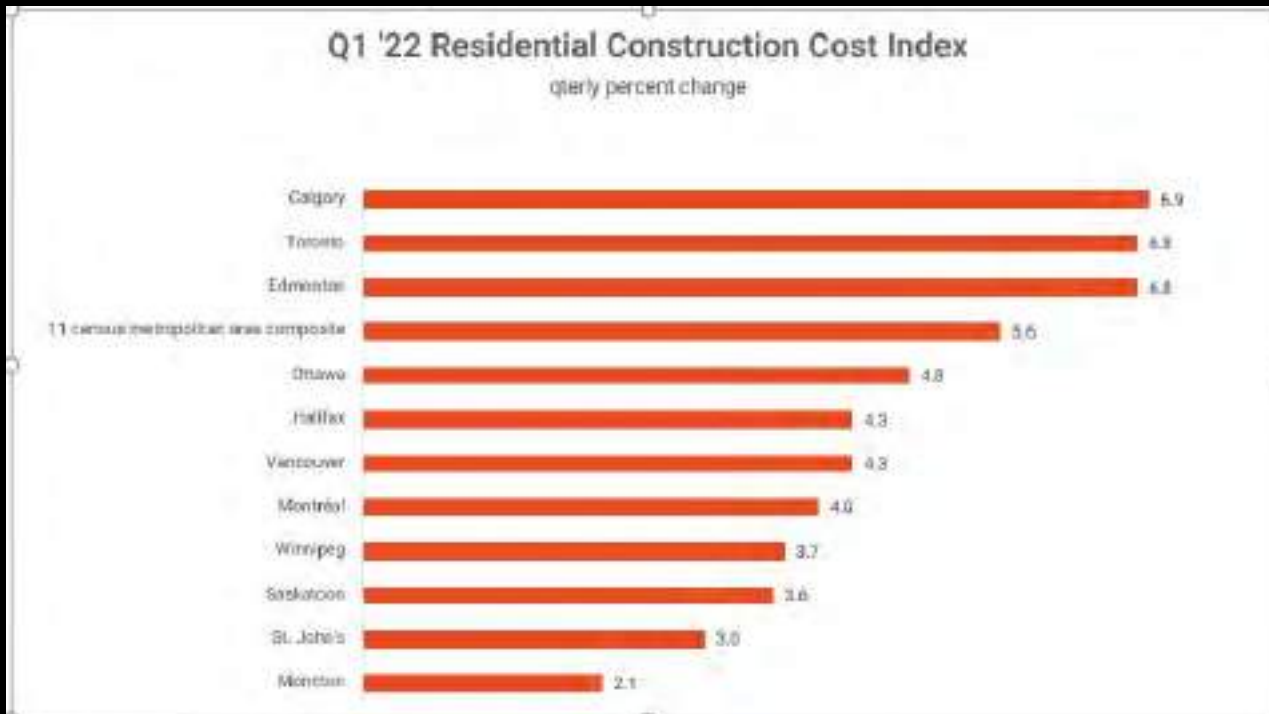
CANADA WANTS TO DOUBLE HOME CONSTRUCTION BUT NEEDS TO FIND SKILLED WORKERS



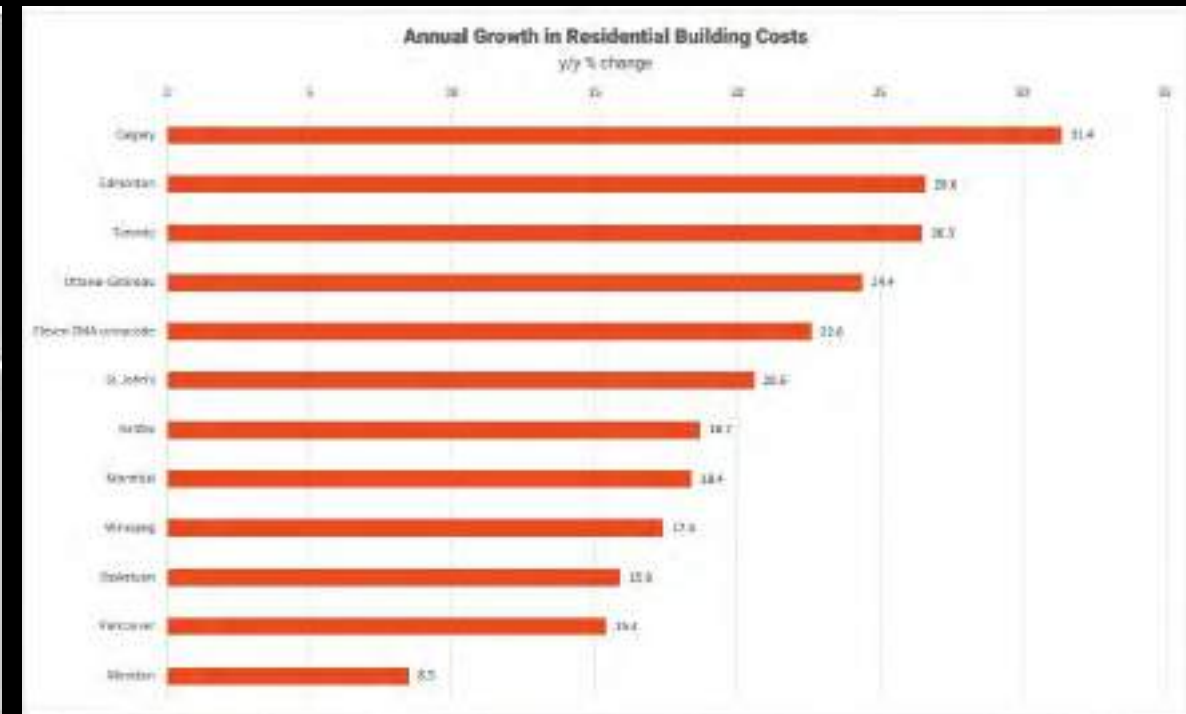
**DOMINION LENDING
CENTRES**

RESIDENTIAL CONSTRUCTION COSTS SURGE

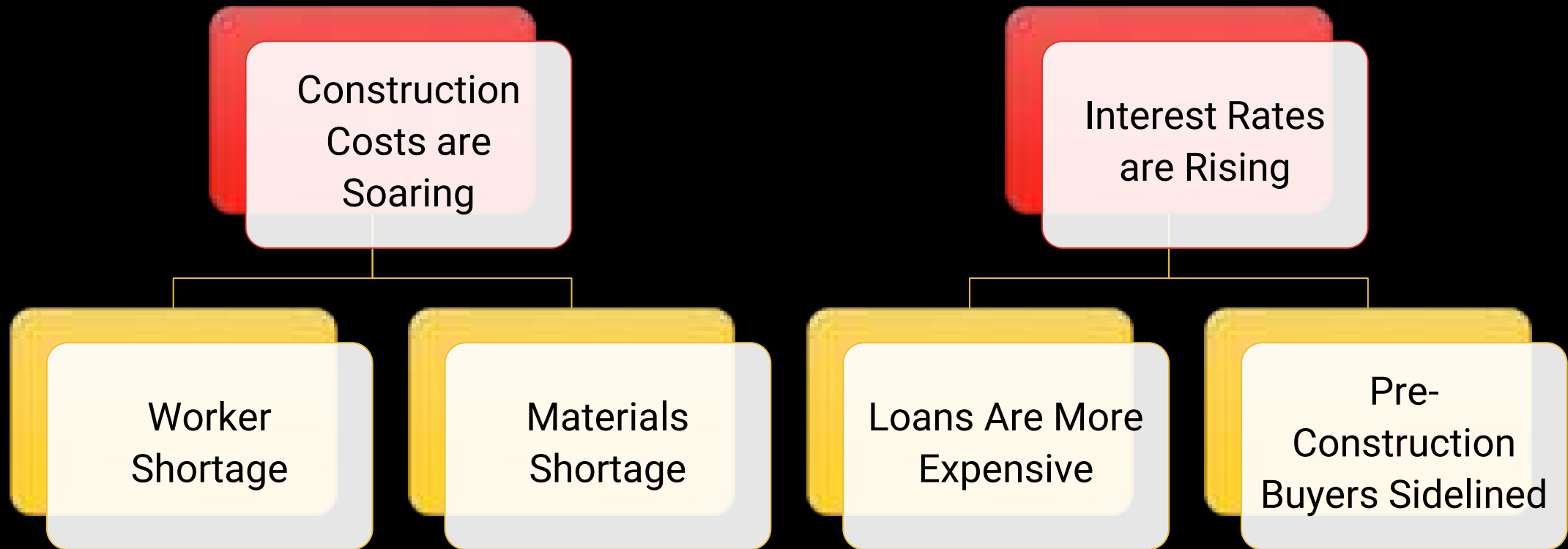
Quarterly Inflation, Q1 2022



Annual Inflation, Q1 2022



HOUSING DEVELOPERS EXPECTED TO CANCEL SOME PROJECTS



BoC SEES A SIZABLE PULLBACK IN HOUSING ACTIVITY OVER THE NEXT YEAR

Home resales and prices decline

Residential construction and renovations drop

Activity stabilizes in late 2023 as both population and income growth boost housing demand

Growth resumes in 2024

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DR. SHERRY COOPER

Chief Economist of
Dominion Lending Centres

