

in conversation *with*  
**Eddy Coccio** and  
**Dr. Sherry Cooper**

**JOIN US**  **LIVE**

**Wednesday, June 7<sup>th</sup>**

**06.07.23**

**11:30AM PT / 2:30PM ET**



# IS THE BANK OF CANADA FINISHED HIKING RATES?

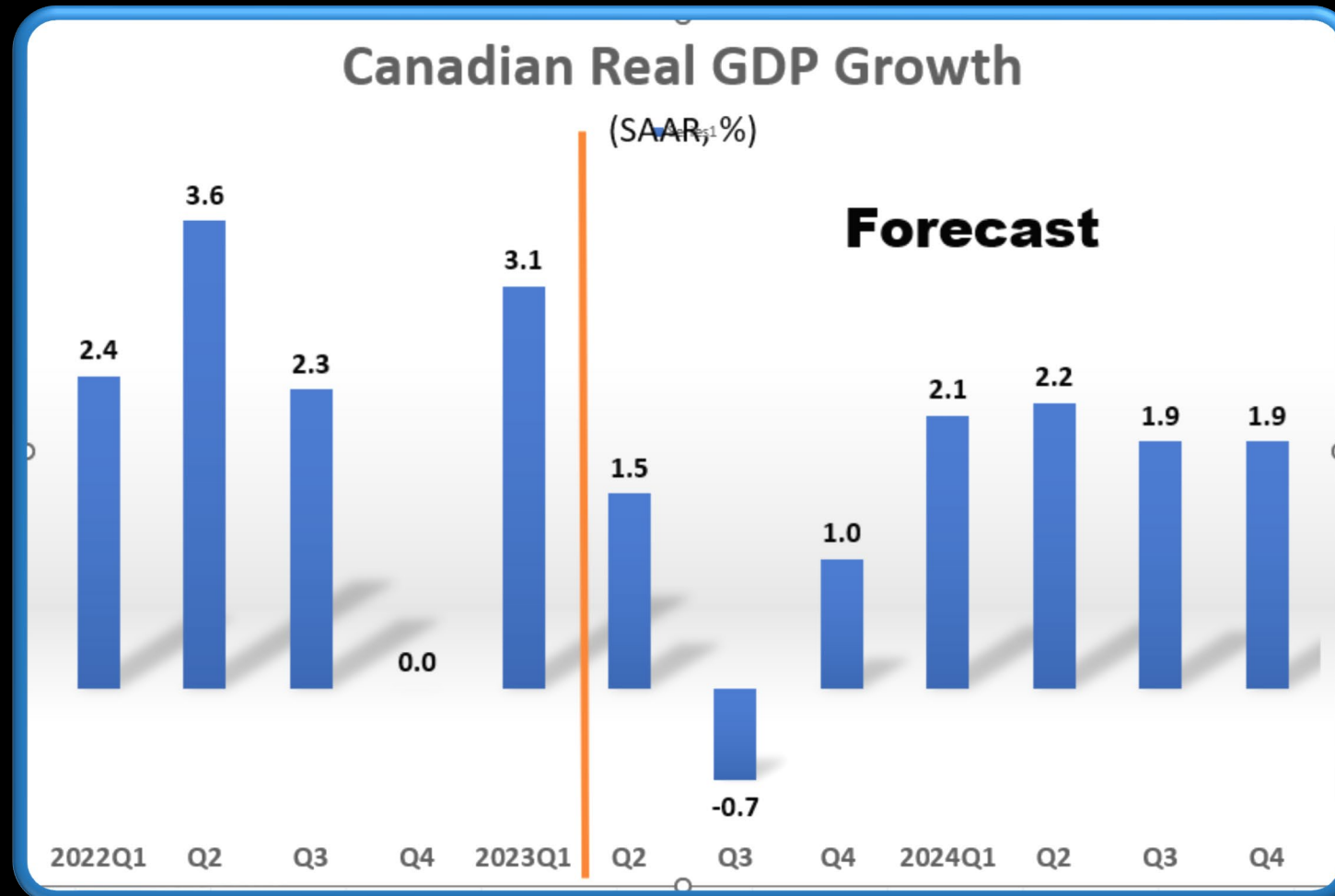
Dr. Sherry Cooper  
June 7, 2023



Year	GDP Growth (%)
2021	5.0
2022	3.4
2023	1.0
2024	1.3

# CANADA'S ECONOMY REMAINS RESILIENT

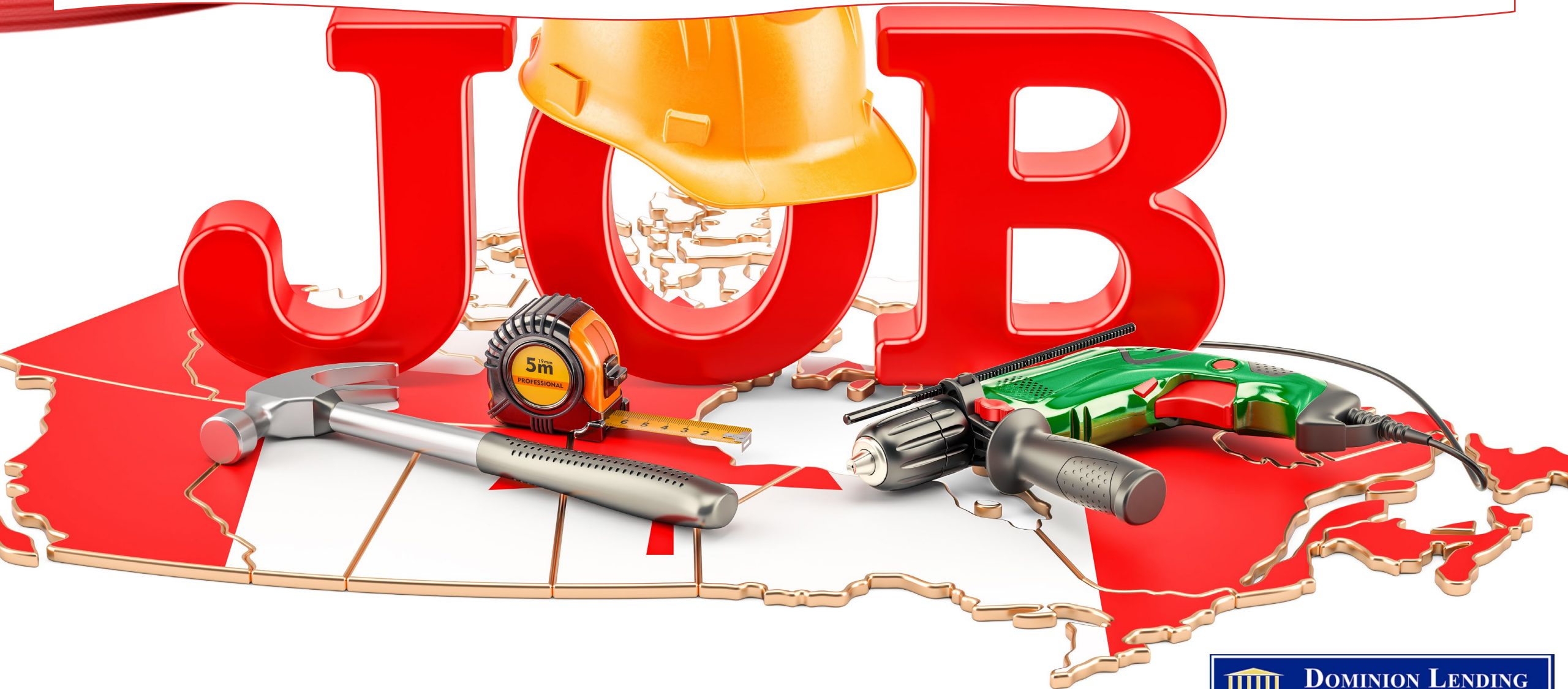
# CANADIAN ECONOMY NOT SLOW ENOUGH



**DOMINION LENDING**  
CENTRES

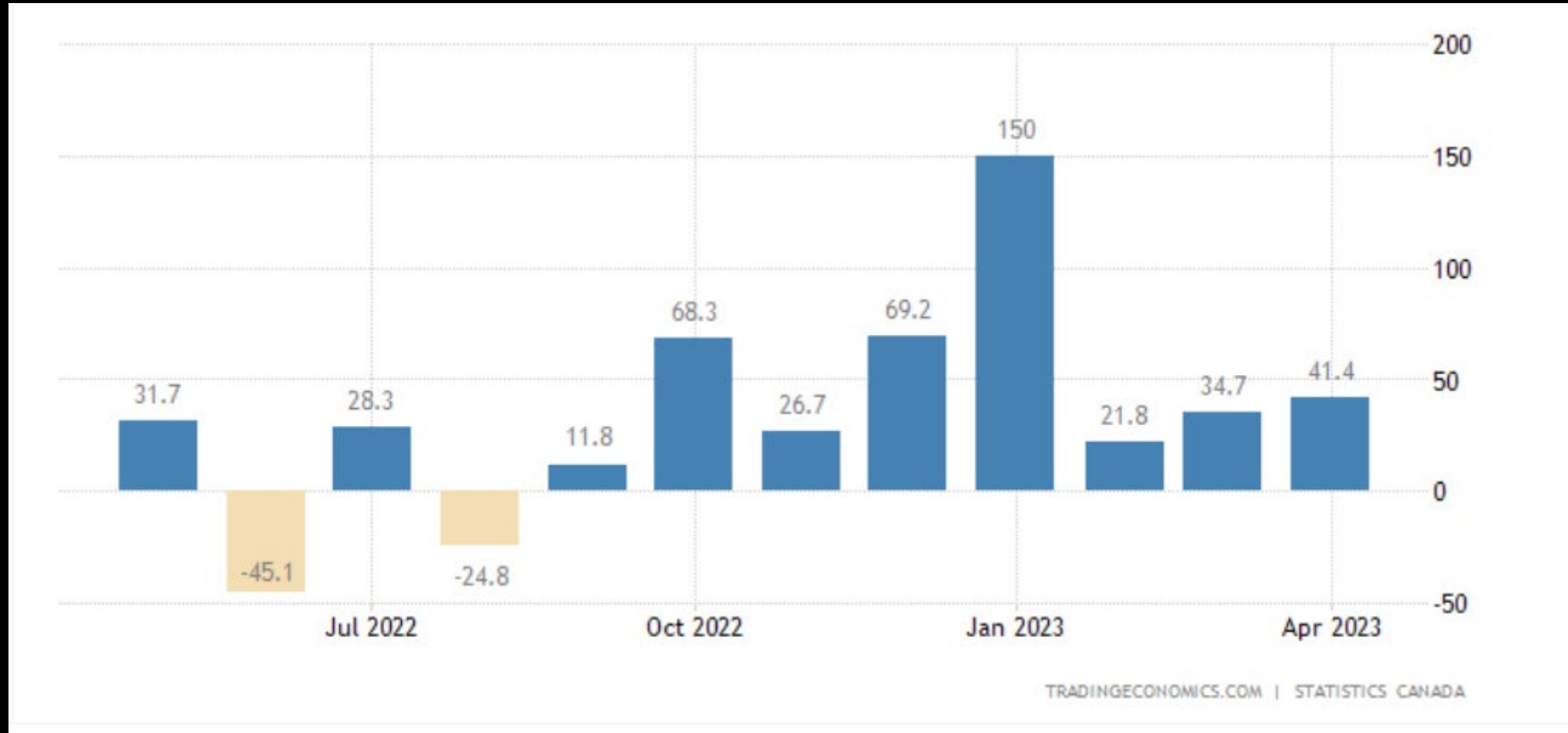


# CANADA'S LABOUR MARKET IS STILL STRONG

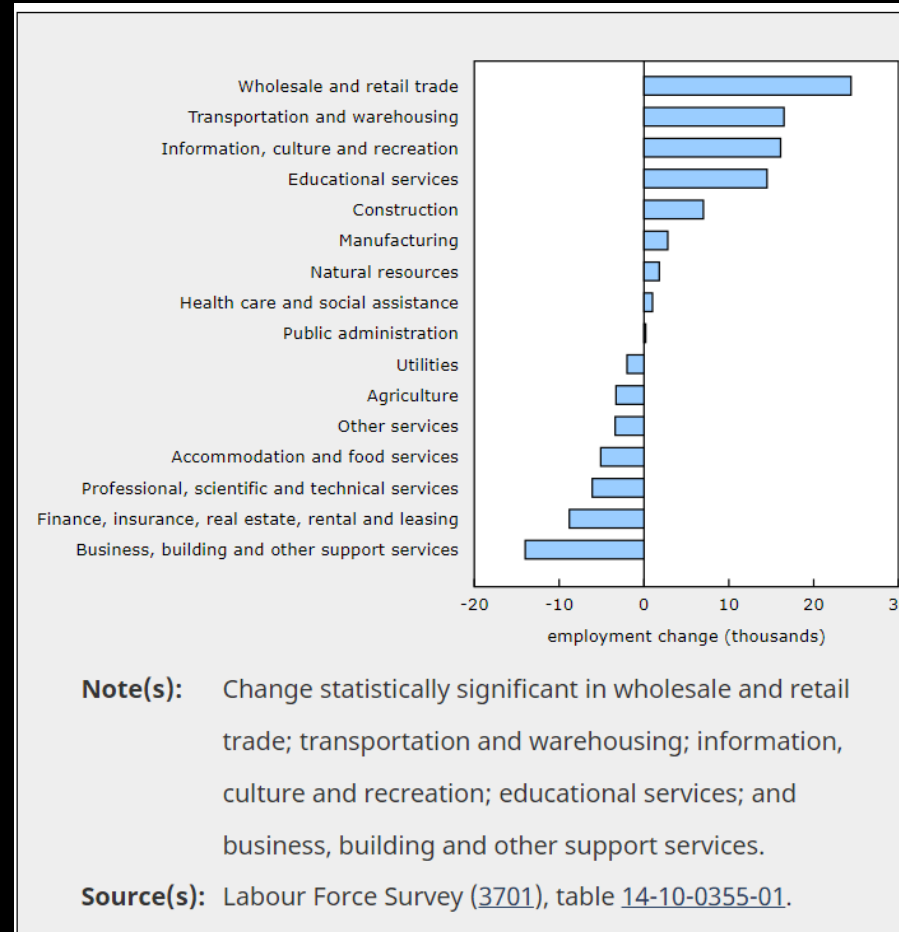




# EMPLOYMENT GROWTH WORRYING TO BOC

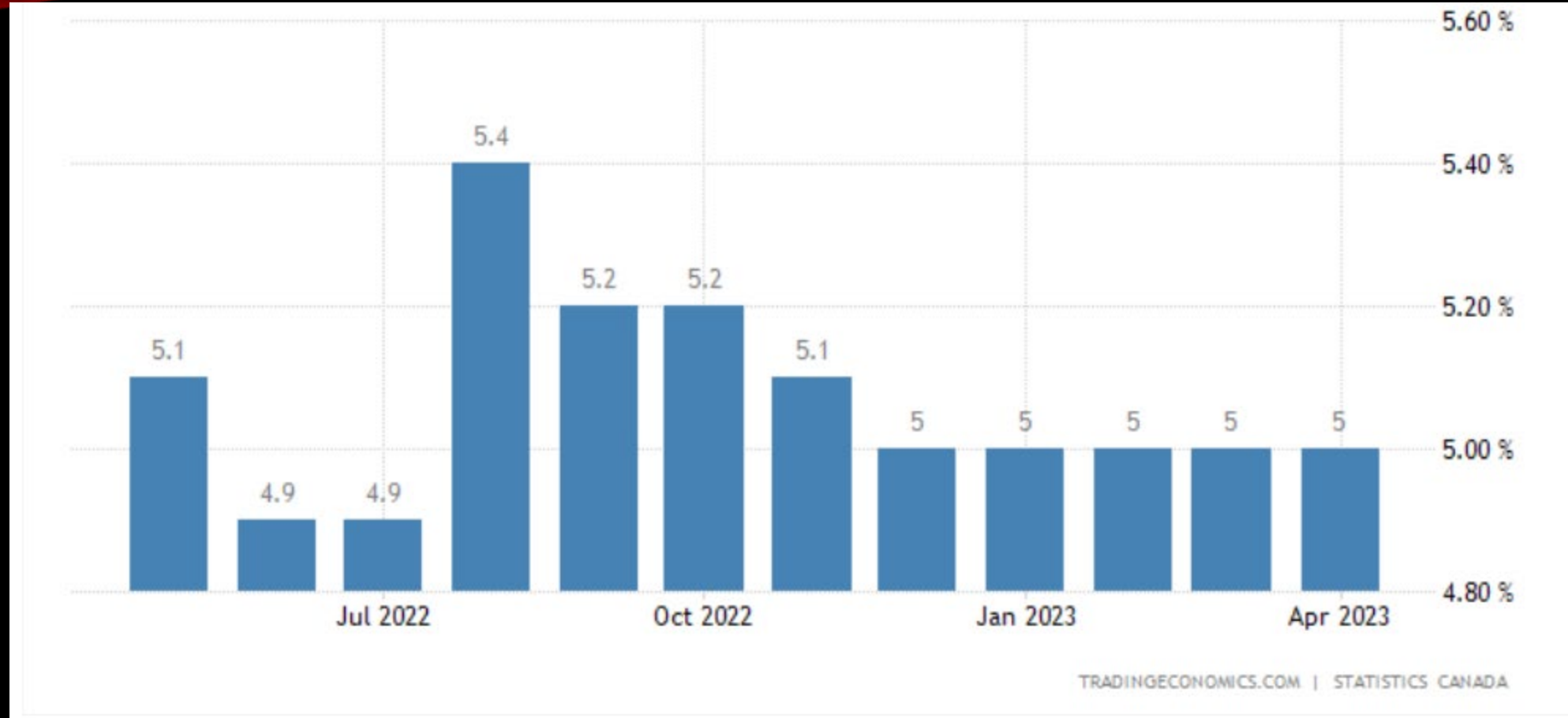


# WHOLESALE AND RETAIL TRADE LED EMPLOYMENT GROWTH IN APRIL



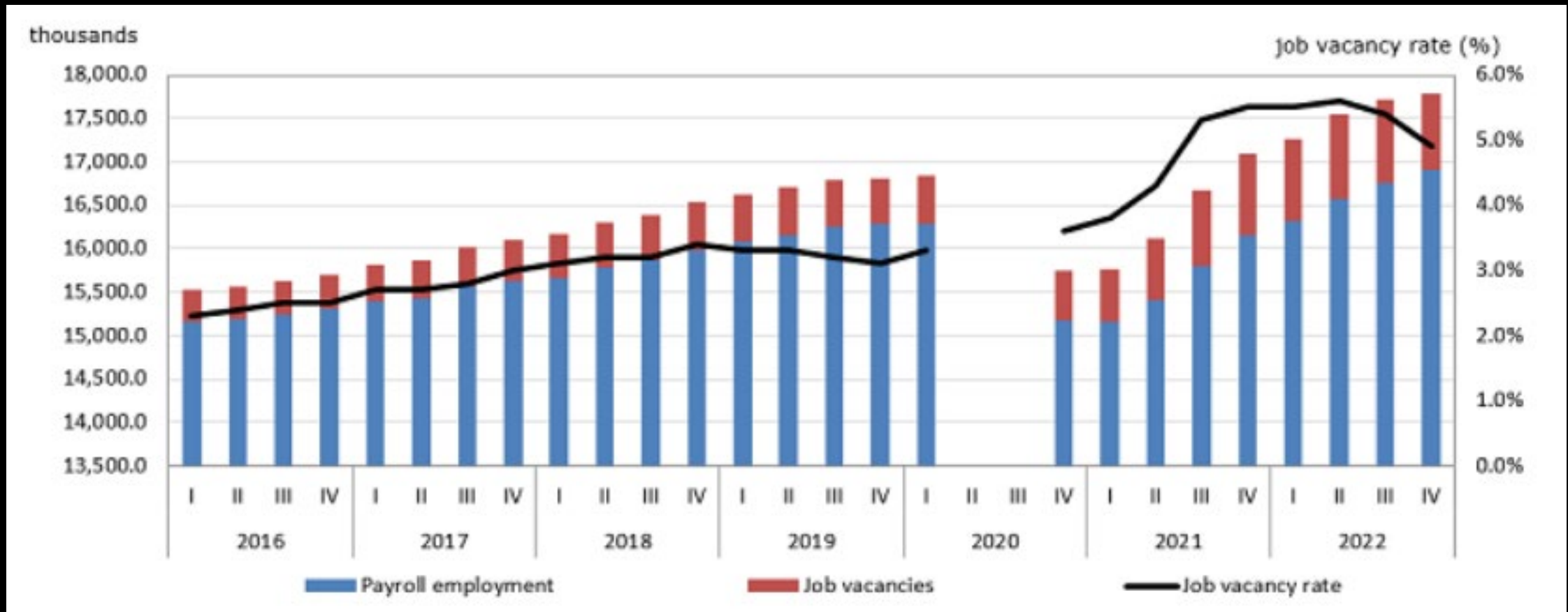


# APRIL JOBLESS RATE REMAINS LOW AT 5.0%



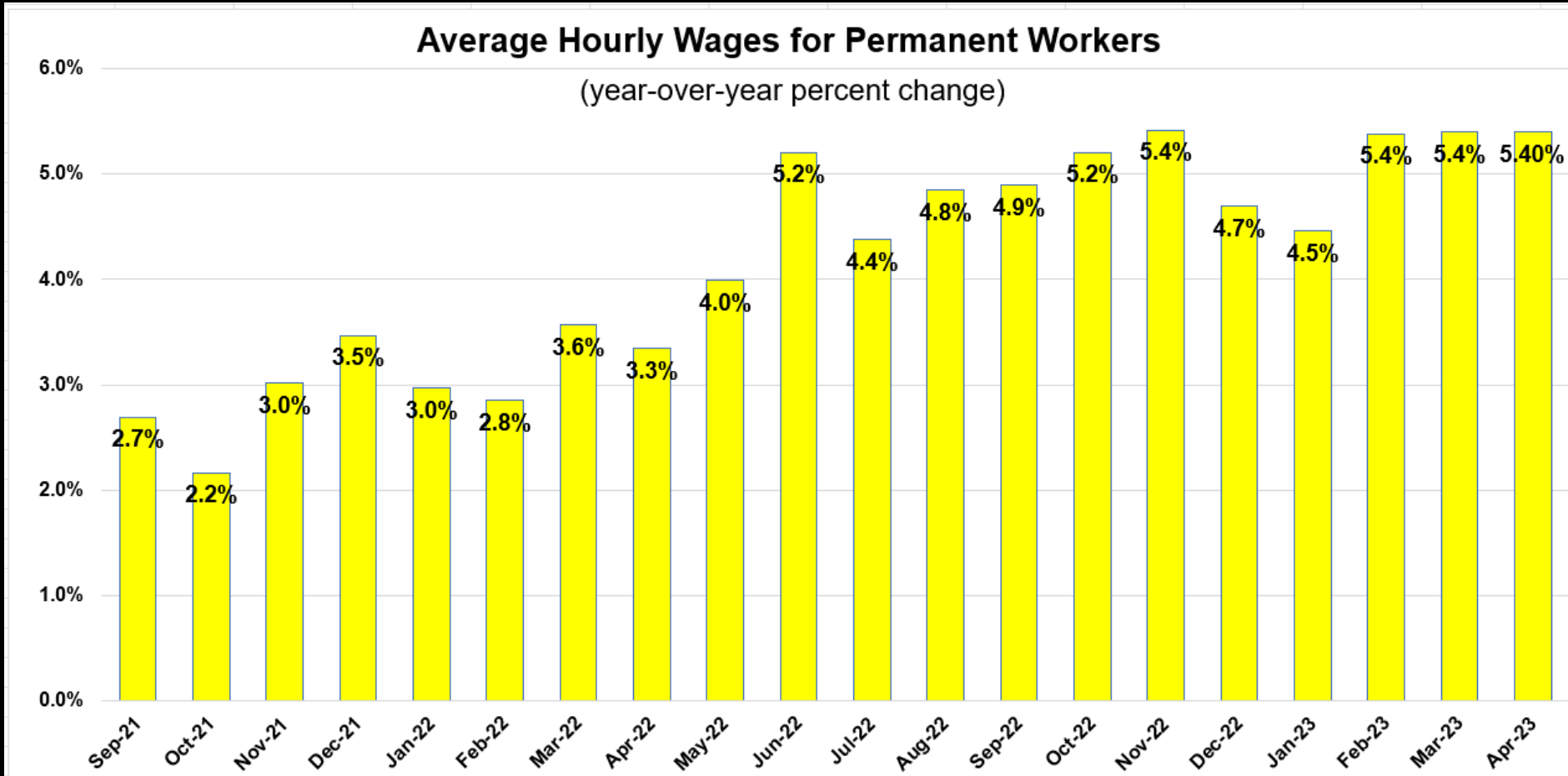
EXPECTED TO END THIS YEAR AT 5.7%

# JOB VACANCIES FALL IN Q4 AS PAYROLL EMPLOYMENT INCREASES





# ANNUAL WAGE INFLATION AT 5.4% AGAIN IN APRIL



# HEADWINDS

- Consumer non-mortgage debt rising
- Credit card delinquencies up sharply
- Wage gains less than price inflation
- Oil prices are rising again
- Monthly payments on VRMs and HELOCs rise

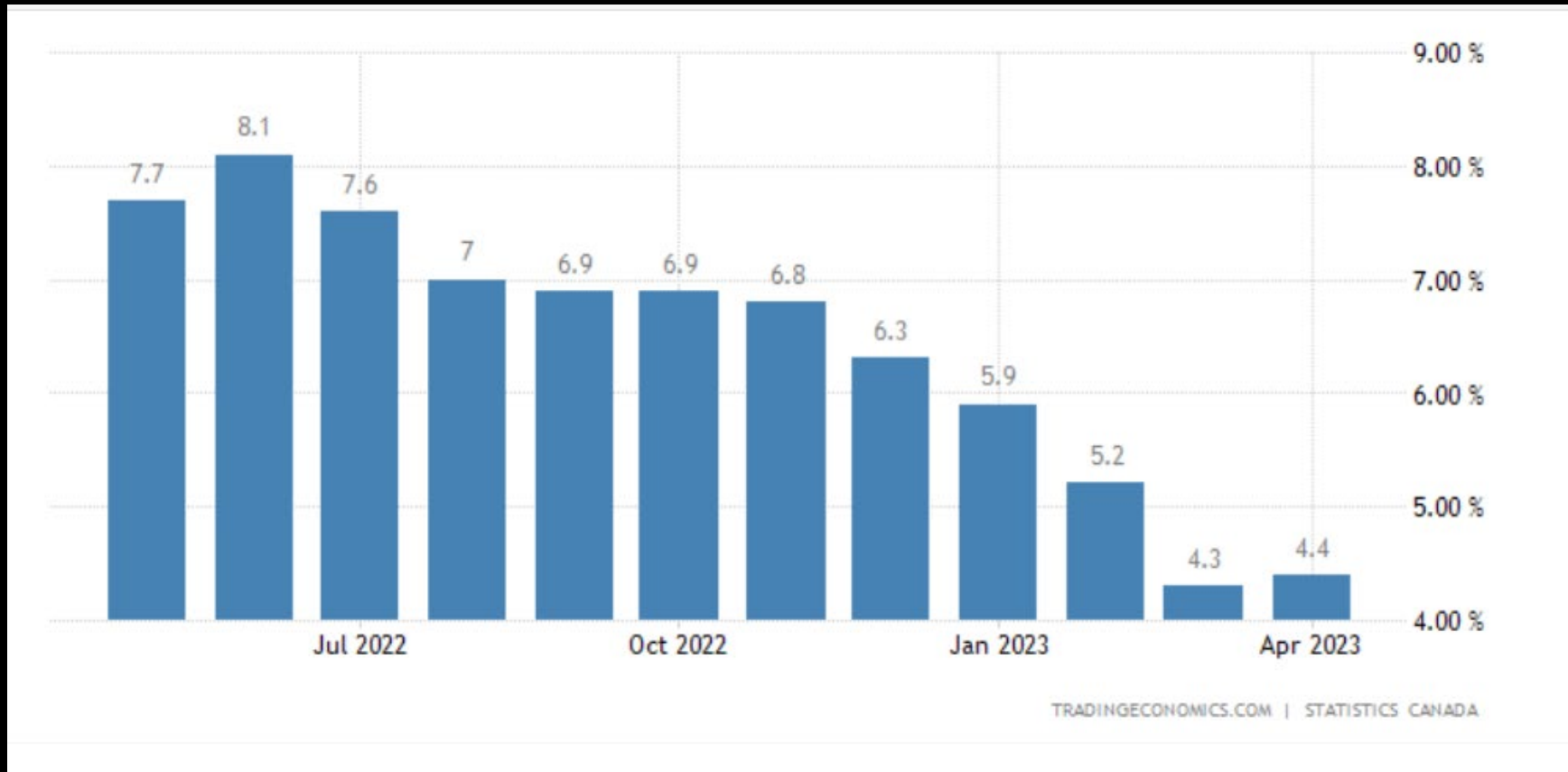




# INFLATION



# CANADIAN CPI INFLATION TICKED UP IN APRIL



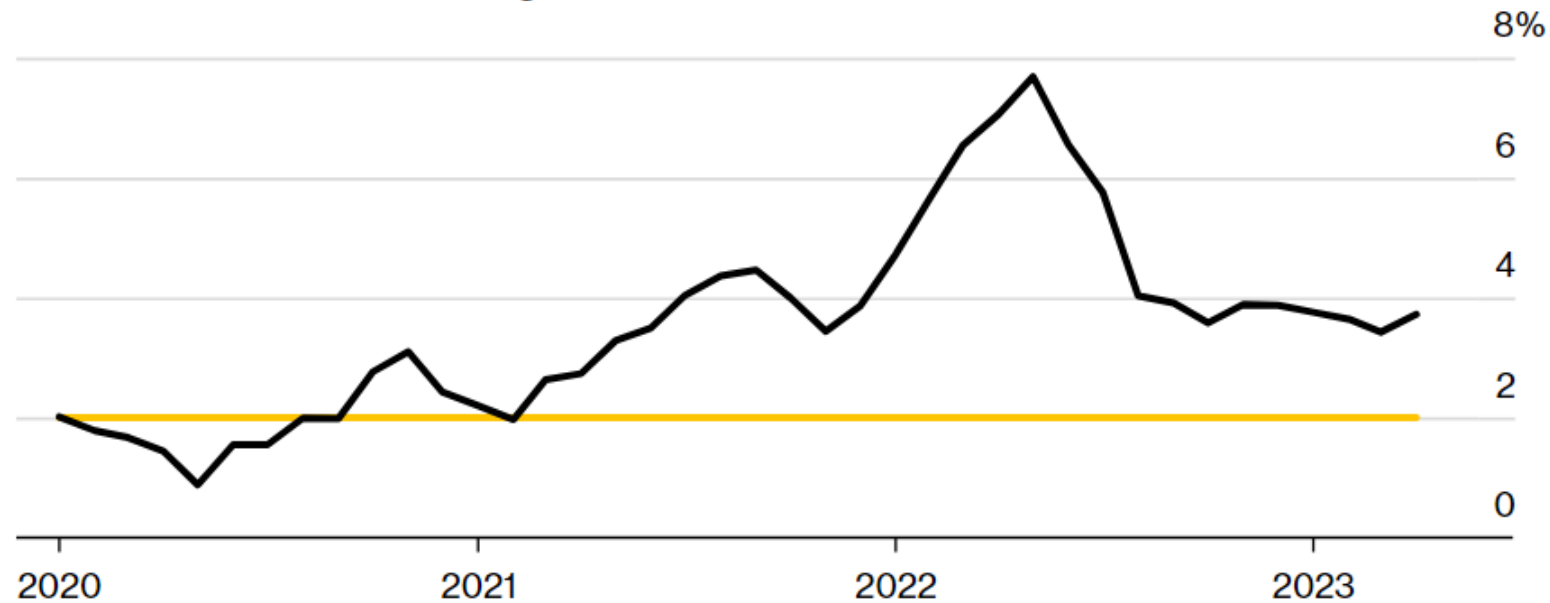


# CORE INFLATION TRENDS DOWNWARD DESPITE THE APRIL UPTICK IN INFLATION

## Disinflation Hits a Snag in Canada

Closely watched measure of underlying pressures reverses in April

- Average of Trim and Median Core Measures, 3-Month Moving Annualized
- Bank of Canada Inflation Target

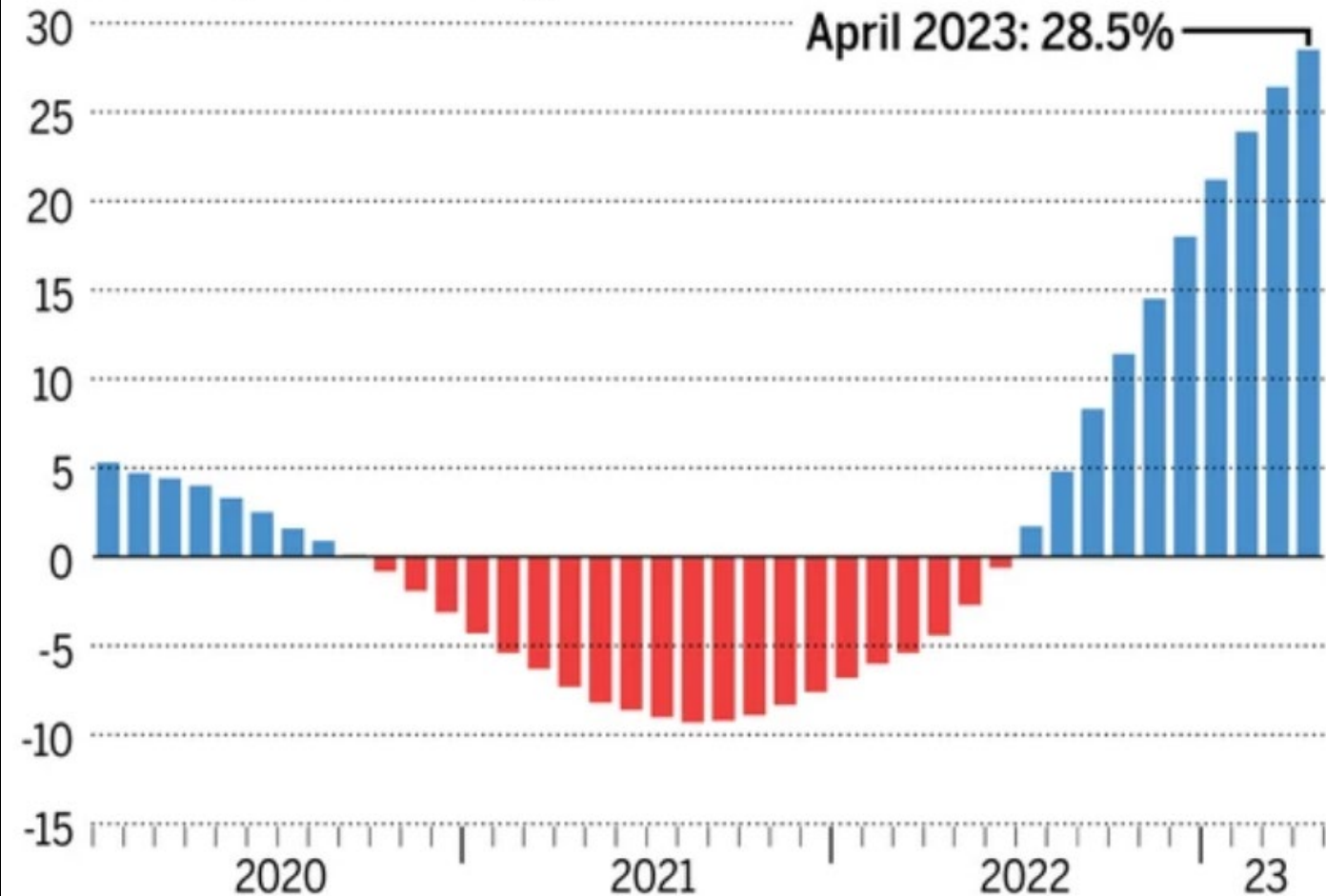


Source: Statistics Canada, Bloomberg calculations

# MORTGAGE INTEREST COSTS ADD TO INFLATION

## MORTGAGE INTEREST COSTS SOAR

12-month per cent change



SOURCE: STATISTICS CANADA

GIGI SUHANIC/FINANCIAL POST

# Rent prices continue to rise in higher interest rate environment

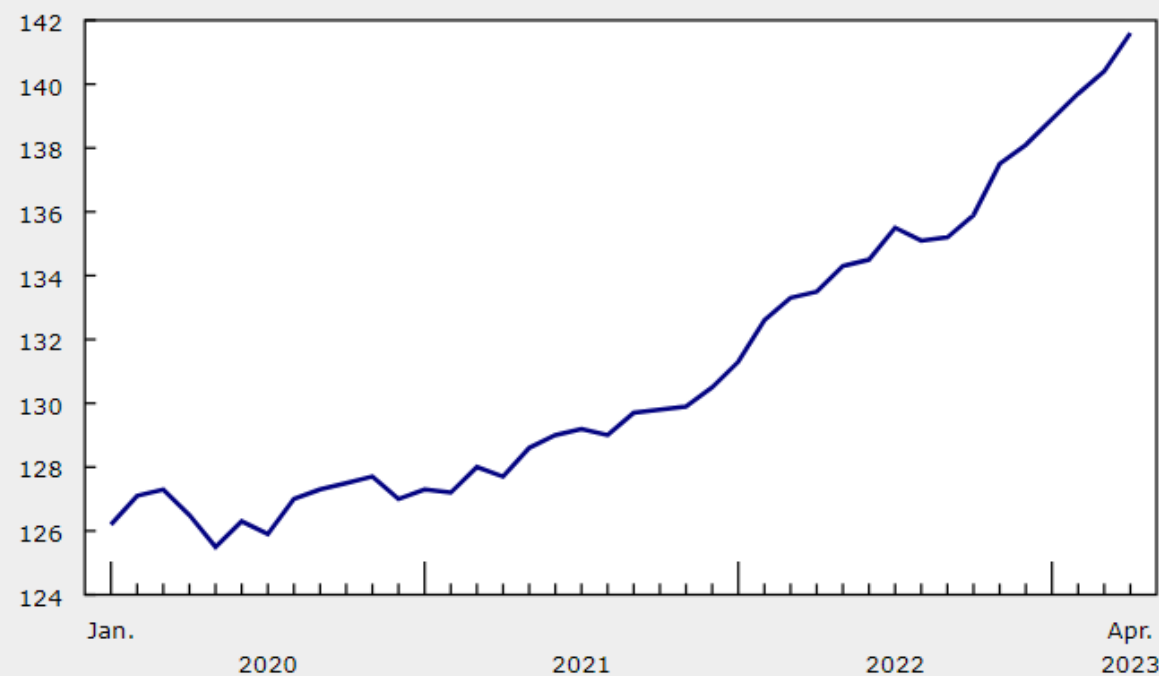
[← Back to main article](#)

**Interactive**

[Image](#)

[CSV \(1 KB\)](#)

index (2002=100)



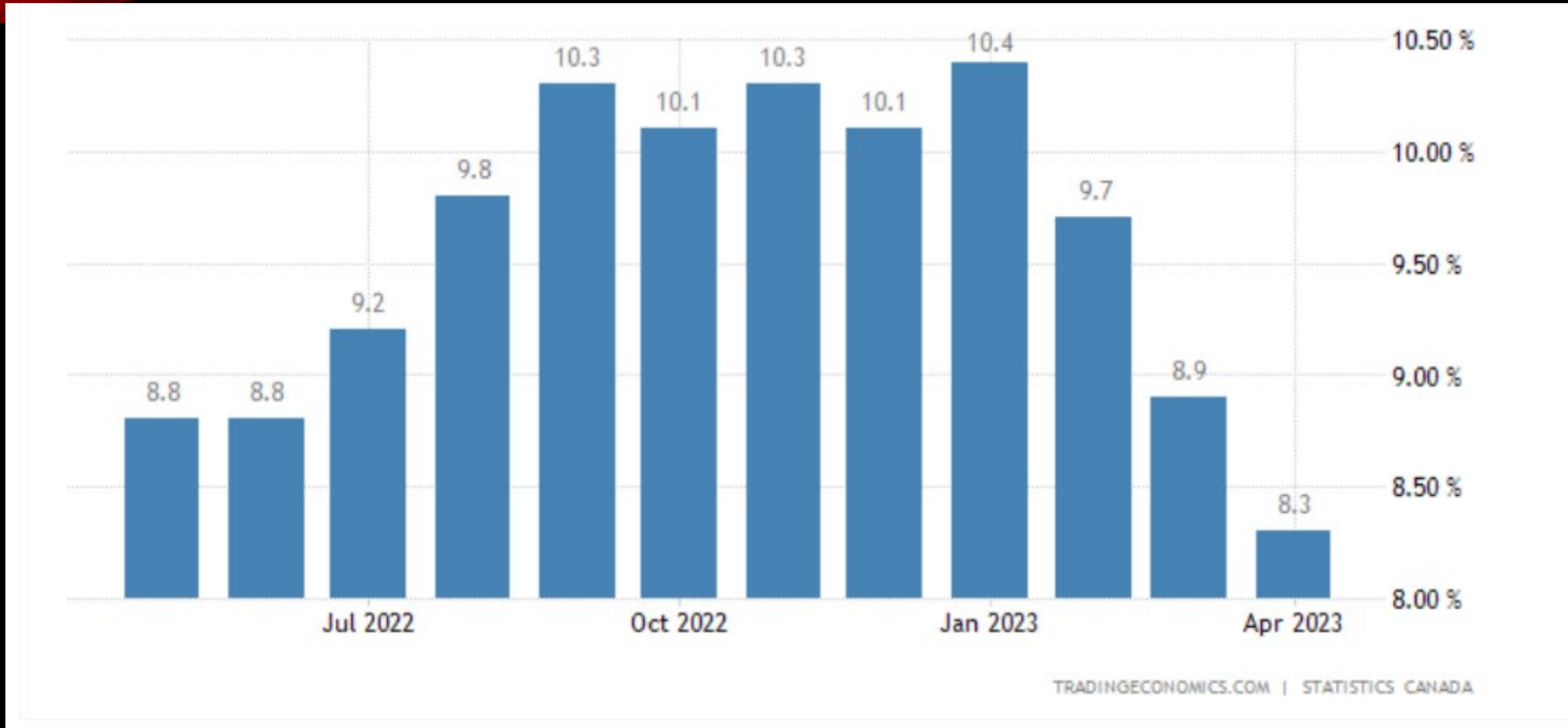
Source(s): Table [18-10-0004-01](#).



**DOMINION LENDING**  
CENTRES



# FOOD INFLATION FINALLY SLOWED IN APRIL



# FROM THE BANK OF CANADA'S MPR

**“Getting inflation the rest of the way back to 2% could prove to be more difficult because inflation expectations are coming down slowly, service price inflation and wage growth remain elevated, and corporate pricing behaviour has yet to normalize.”**



**DOMINION LENDING**  
CENTRES

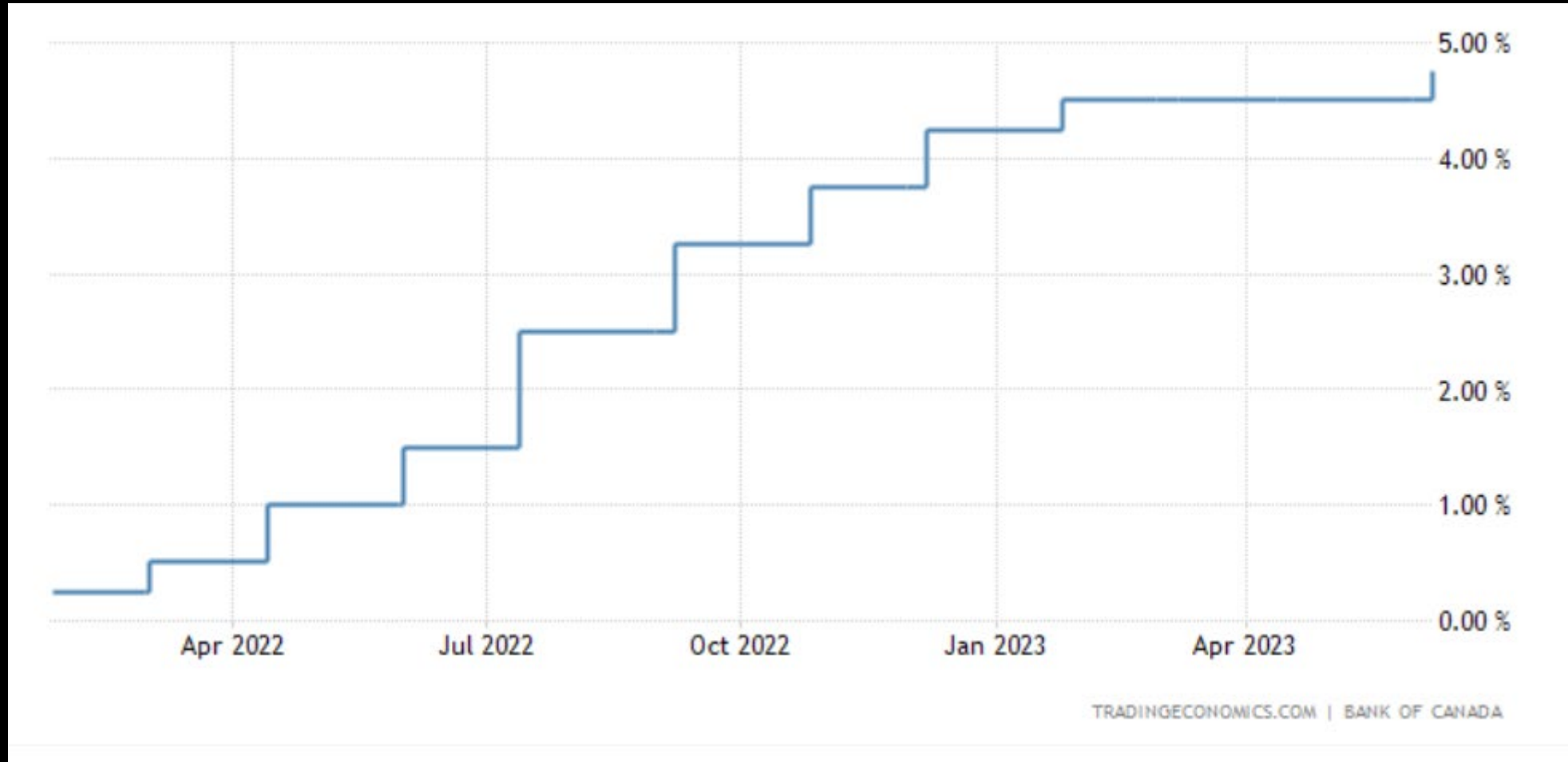


- BoC Hiked Rates by 25 bps to 4.75%
- Prime Rate Rise Will Follow

# BANK OF CANADA

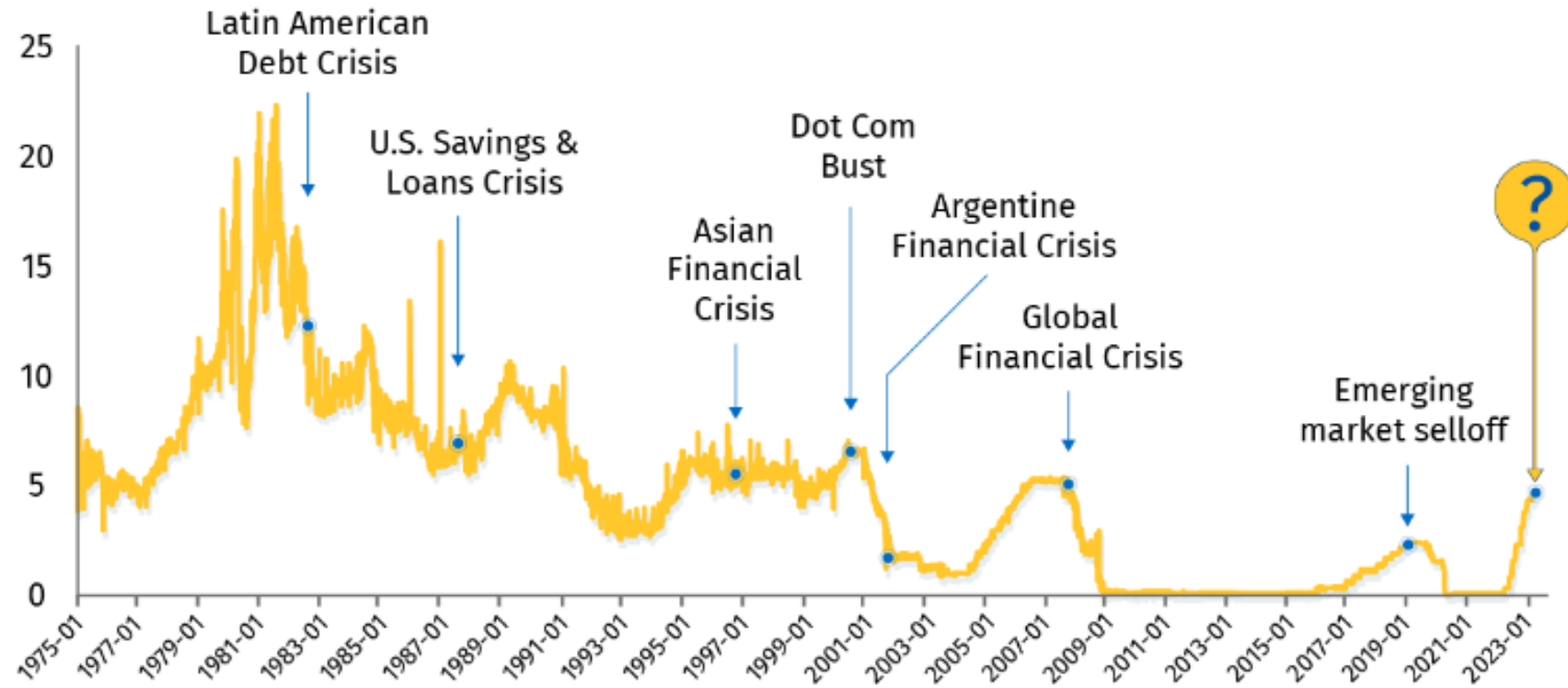


# BOC OVERNIGHT RATE ROSE TO 4.75%



## When the Fed tightens monetary policy, financial instability tends to follow

Effective federal funds rate



Source: Haver, RBC Economics



**BANK**

**US Bank Turmoil Squeezes Borrowers**



# Tightening Credit Conditions



**BANKING  
CRISIS**

Start-Ups

Commercial Real Estate

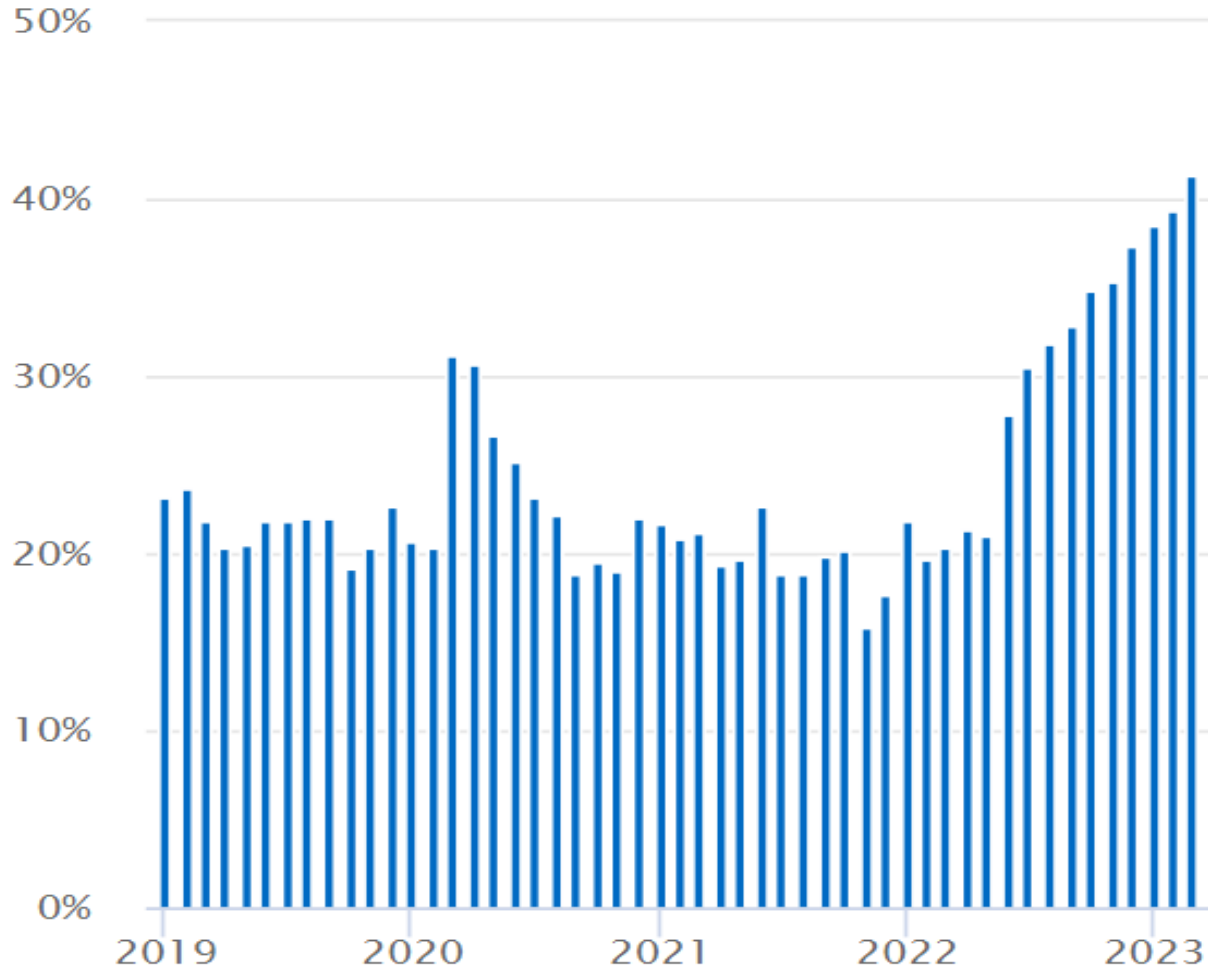
Small Business

Consumer Loans

## More Canadian businesses expect higher borrowing costs to cause difficulties

%, of businesses surveyed, non-seasonally adjusted

● % of businesses surveyed



Source: CIBF, RBC Economics

CREDIT  
AVAILABILITY IS  
TIGHTENING IN  
CANADA AS WELL

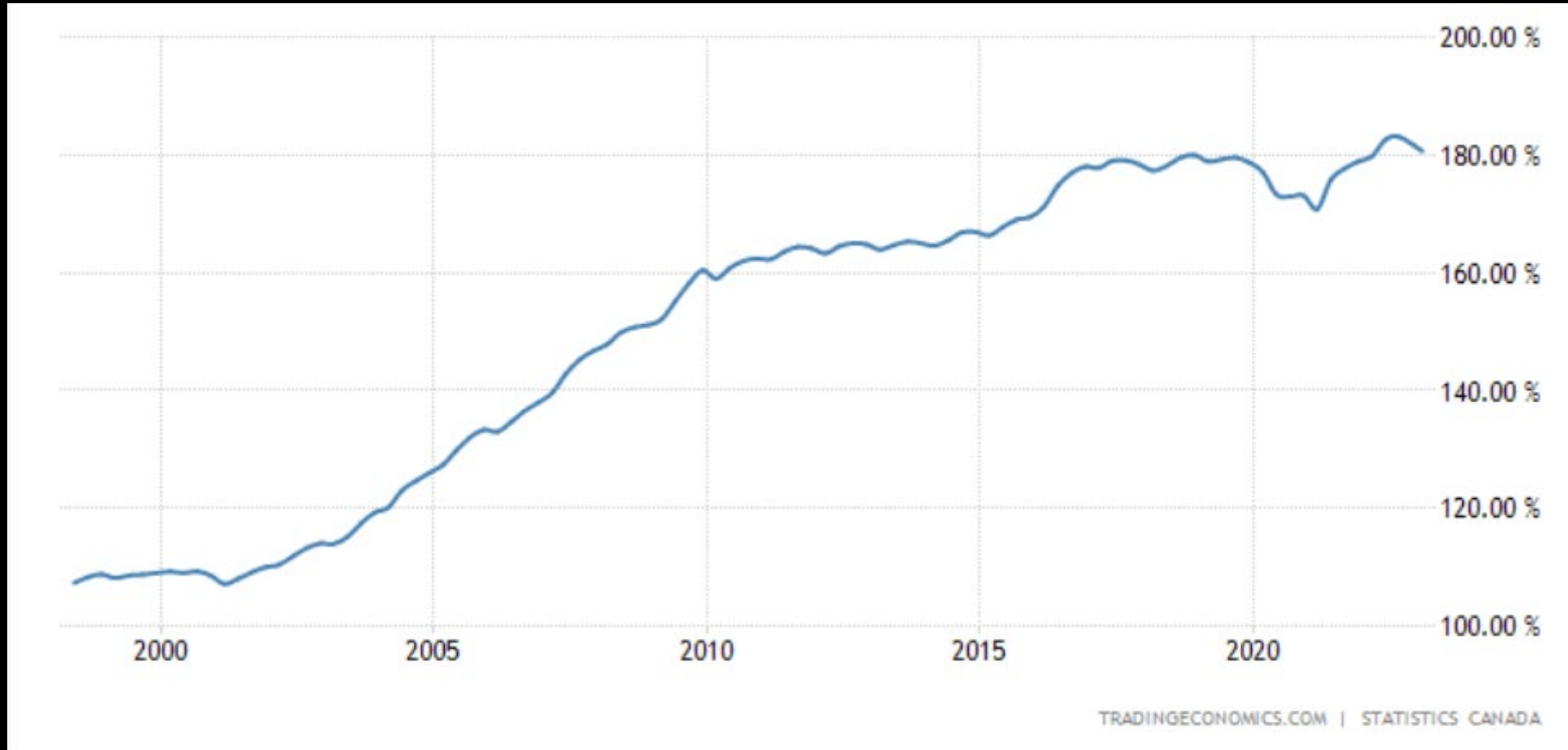


A low-angle, upward-looking photograph of several tall skyscrapers in a city, likely Toronto, given the presence of the CN Tower in the background. The buildings are made of glass and steel, with many windows illuminated from within, suggesting it might be dusk or dawn. A vibrant rainbow is superimposed over the top left corner of the image, adding a colorful, optimistic feel. The text is centered in a white box with a red border.

# Canadian Banks Raise Fixed Mortgage Rates Ahead Of The BoC



# CANADIAN HOUSEHOLD DEBT-TO-INCOME NEAR RECORD HIGH



# HIGHER 5-YEAR YIELD IMPACTS FIXED MORTGAGE RATES

## Canada 5 Year Government Bond

[ADD TO WATCHLIST](#)

**3.751%**

▲ 0.205

Last Updated: Jun 7, 2023 1:27 p.m. EDT

PREVIOUS CLOSE

3.546%

3.531

DAY RANGE

3.764

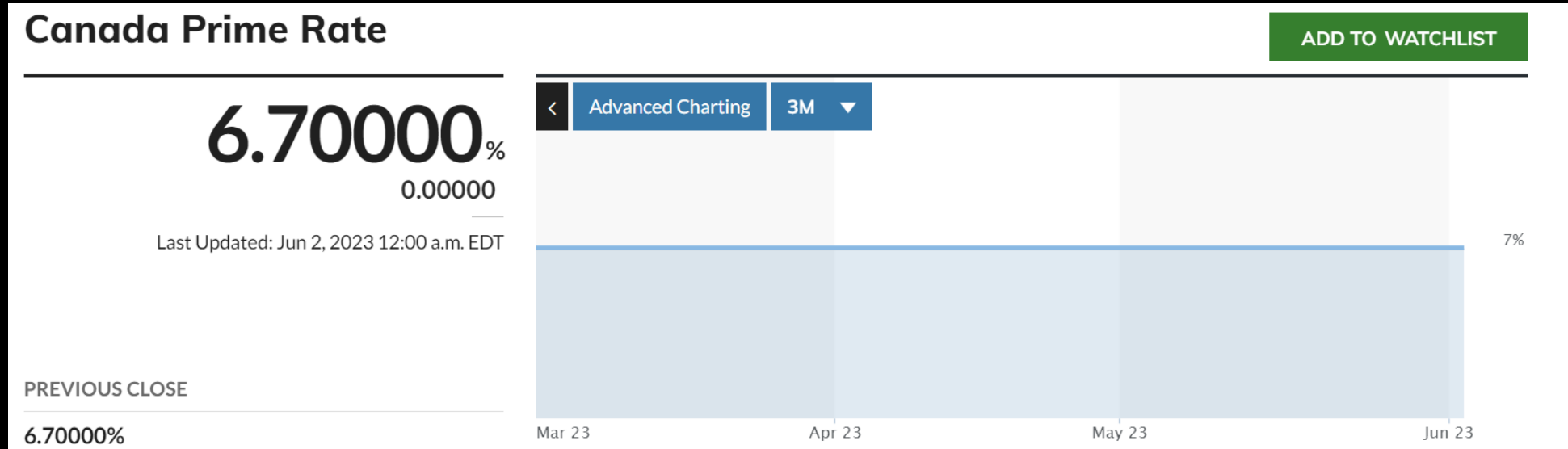
2.513

52 WEEK RANGE

3.898



# CANADIAN PRIME RATE NOW WILL RISE TO 6.95%



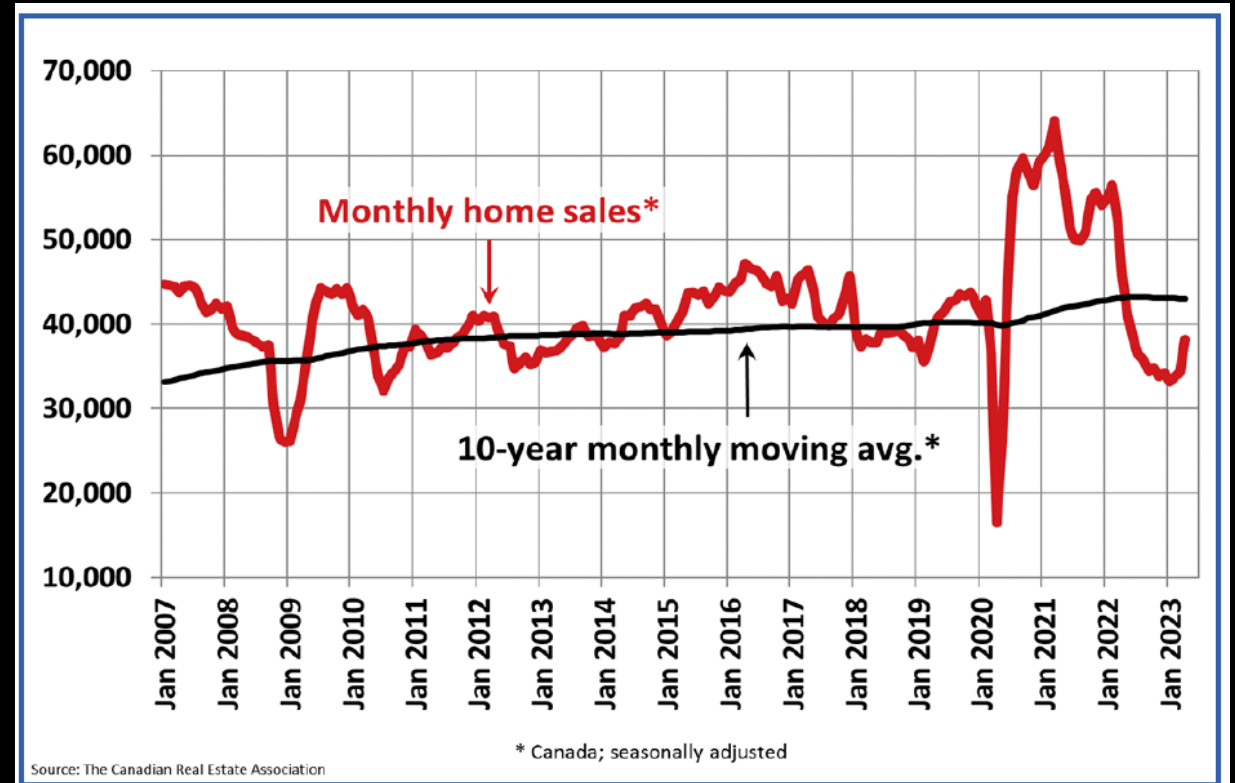
## Variable Rates Remain Higher Than Fixed Rates



# HOUSING MARKETS BOUNCE BACK



# SPRING HOUSING MARKET SALES PICK

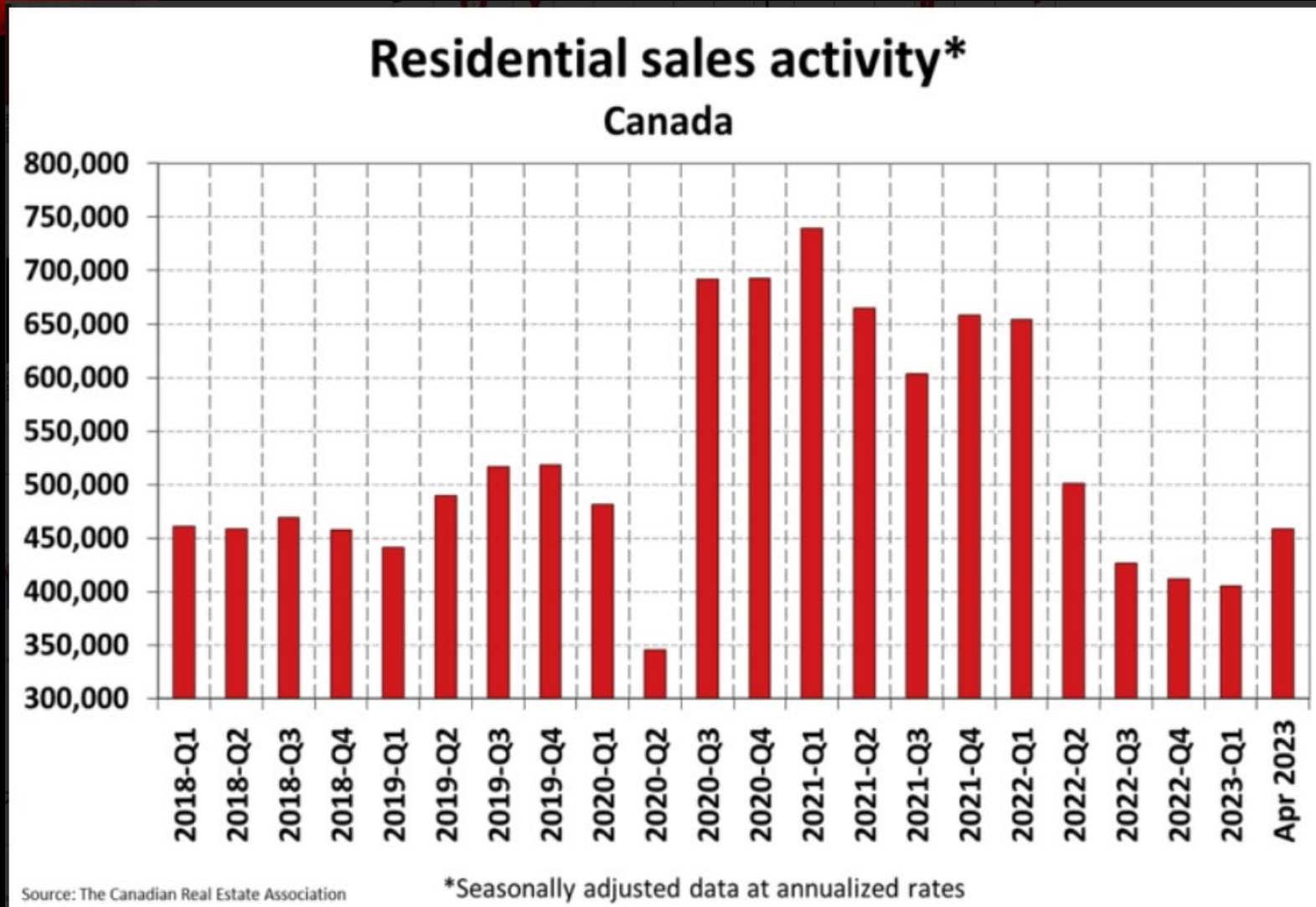


## May Markets Even Stronger

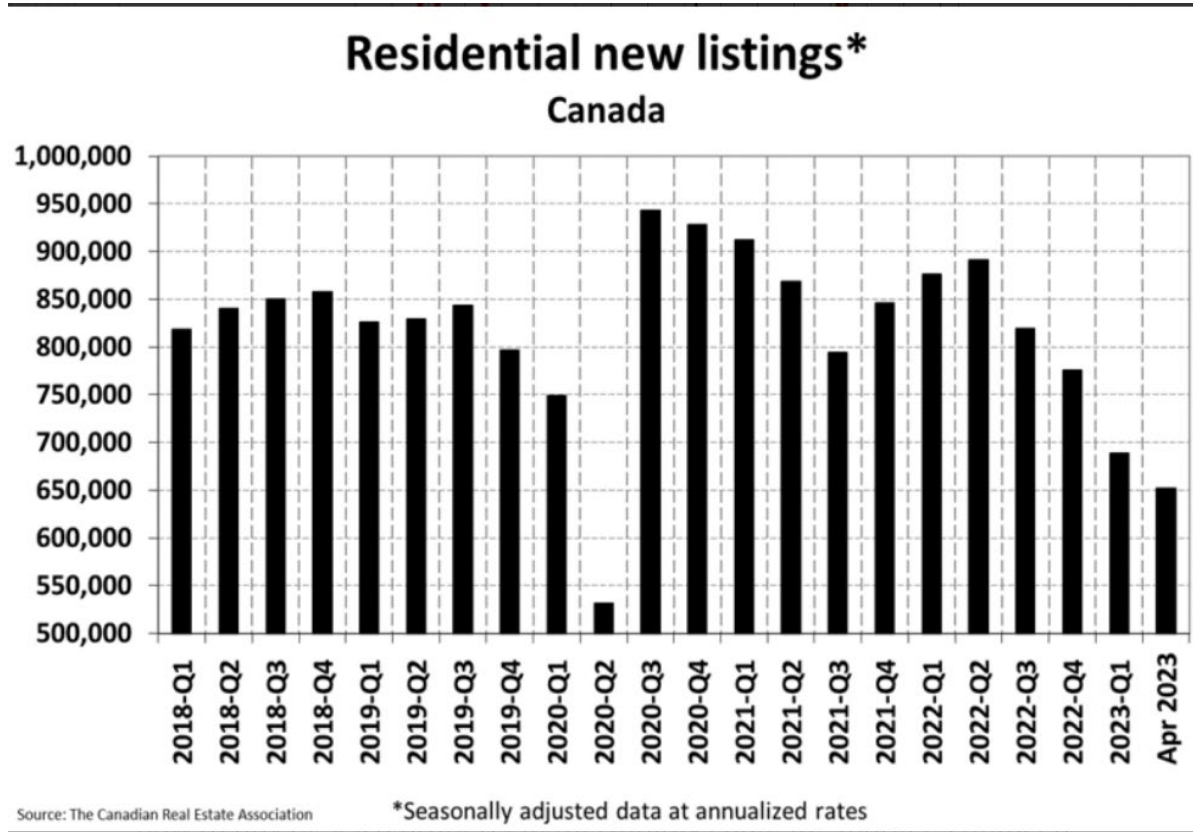


**DOMINION LENDING**  
CENTRES

# APRIL HOME SALES RISE BY DOUBLE-DIGITS







Number of properties for sale fell  
in April—well below long-term  
average.  
“Nothing Much to Buy”

**Economy-wide Strains in Consumer Balance Sheets Remain Low**

# NEW LISTINGS REVIVE IN MAY



# HOME PRICES RISE IN MAY





**MANY VRM BORROWERS HAVE  
HIT THEIR TRIGGER POINT**

# SOME BIG BANKS HAVE ALLOWED NEGATIVE AMORTIZATIONS

**Banks Could Revert To The  
Original Amortization Schedule  
At Renewal Squeezing Recent Buyers**

**OSFI ACTION COMING**







**HOUSING SHORTAGE WILL WORSEN**



# OTTAWA BOOSTS IMMIGRATION TARGETS AGAIN

YEAR	NEW IMMIGRANTS
2021	401,000
2022	431,645
2023	465,000*
2024	485,000*
2025	500,000*

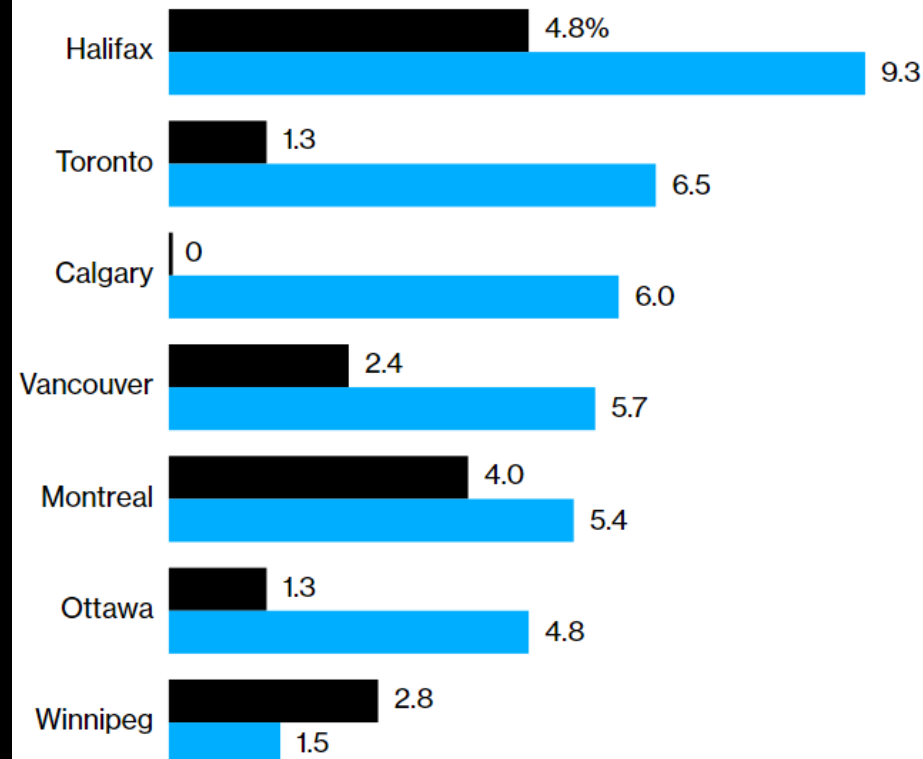
\* Overall Planned Permanent Resident Admissions

# INVESTORS HAVE NEGATIVE CARRY

## Apartment Rents Are Soaring in Canada's Cities

Rent increases for two-bedroom apartments, year-over-year

■ Oct. 2021 ■ Oct. 2022



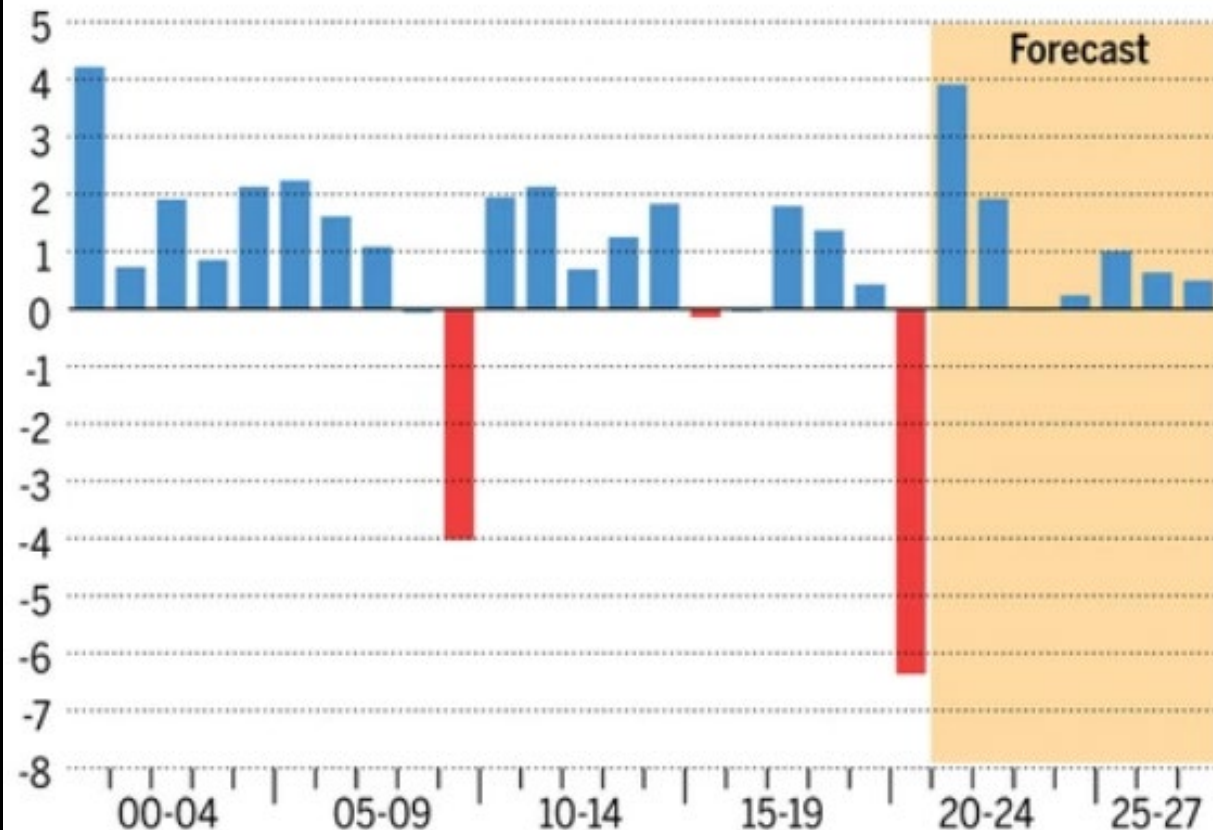
Source: Canada Mortgage & Housing Corp., Bloomberg

Note: For apartments in purpose-built rental buildings.

# IMMIGRATION HAS DIMINISHING RETURNS TO GDP PER CAPITA

## DIMINISHING RETURNS

GDP per capita, constant dollars, national currency



SOURCE: INTERNATIONAL MONETARY FUND,  
CALCULATIONS FINANCIAL POST

GIGI SUHANIC / FINANCIAL POST

Our economy will grow faster,  
but our average living  
standards will stagnate.

Productivity growth is falling.

Income inequality is rising.



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