



1000 x 193

DOMINION LENDING  
CENTRES

CANADA'S  
SOFT LANDING

BOC EASING  
TRAJECTORY

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

JOIN US  LIVE

Wednesday, June 5<sup>th</sup>


06.05.24

11:30AM PT / 2:30PM ET



Dr. Sherry Cooper  
June 5, 2024





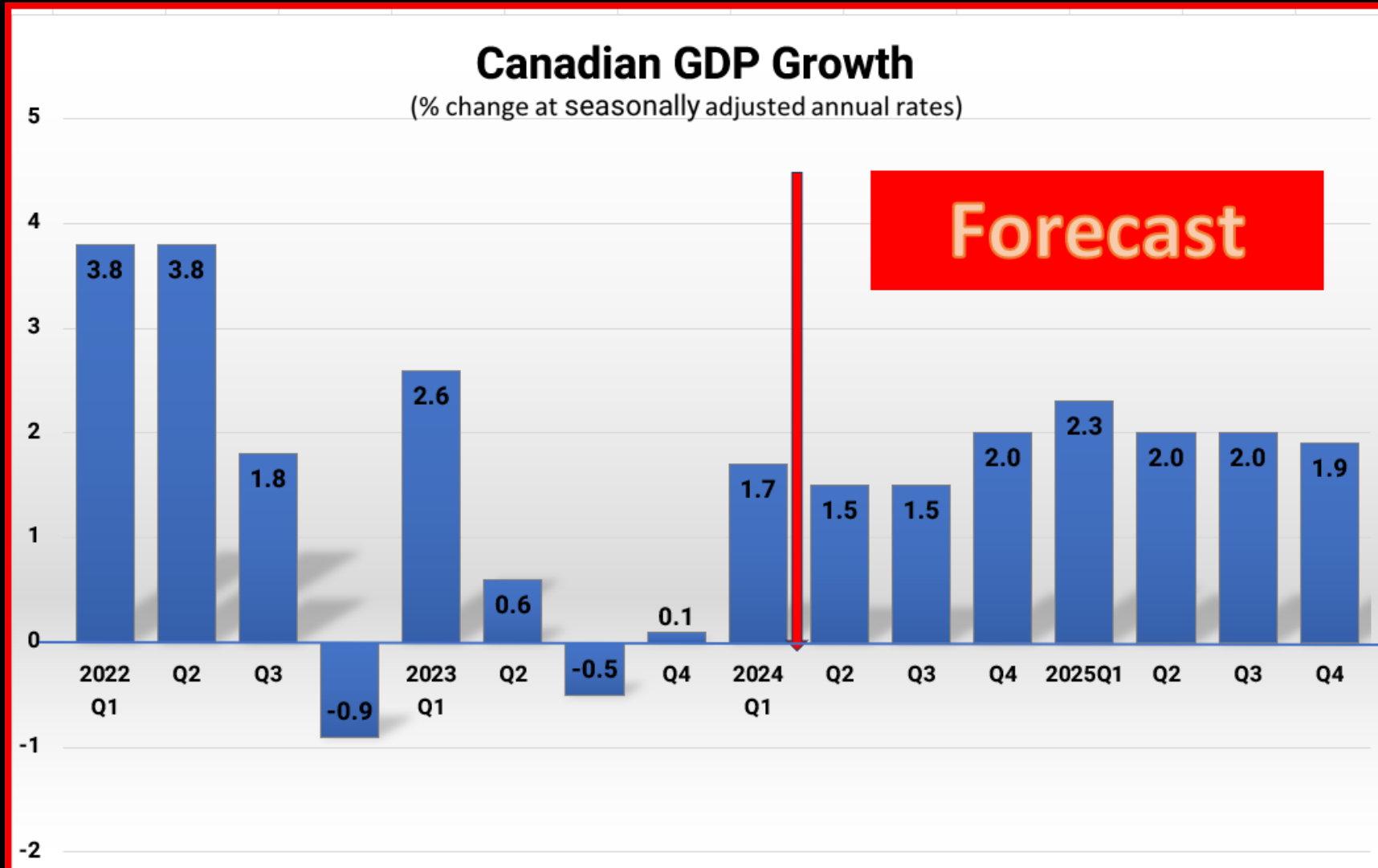
Year	GDP Growth (%)
2022	3.8
2023	1.2
2024	1.0 (1.5)*
2025	2.0 (2.0)*

# SOFT LANDING

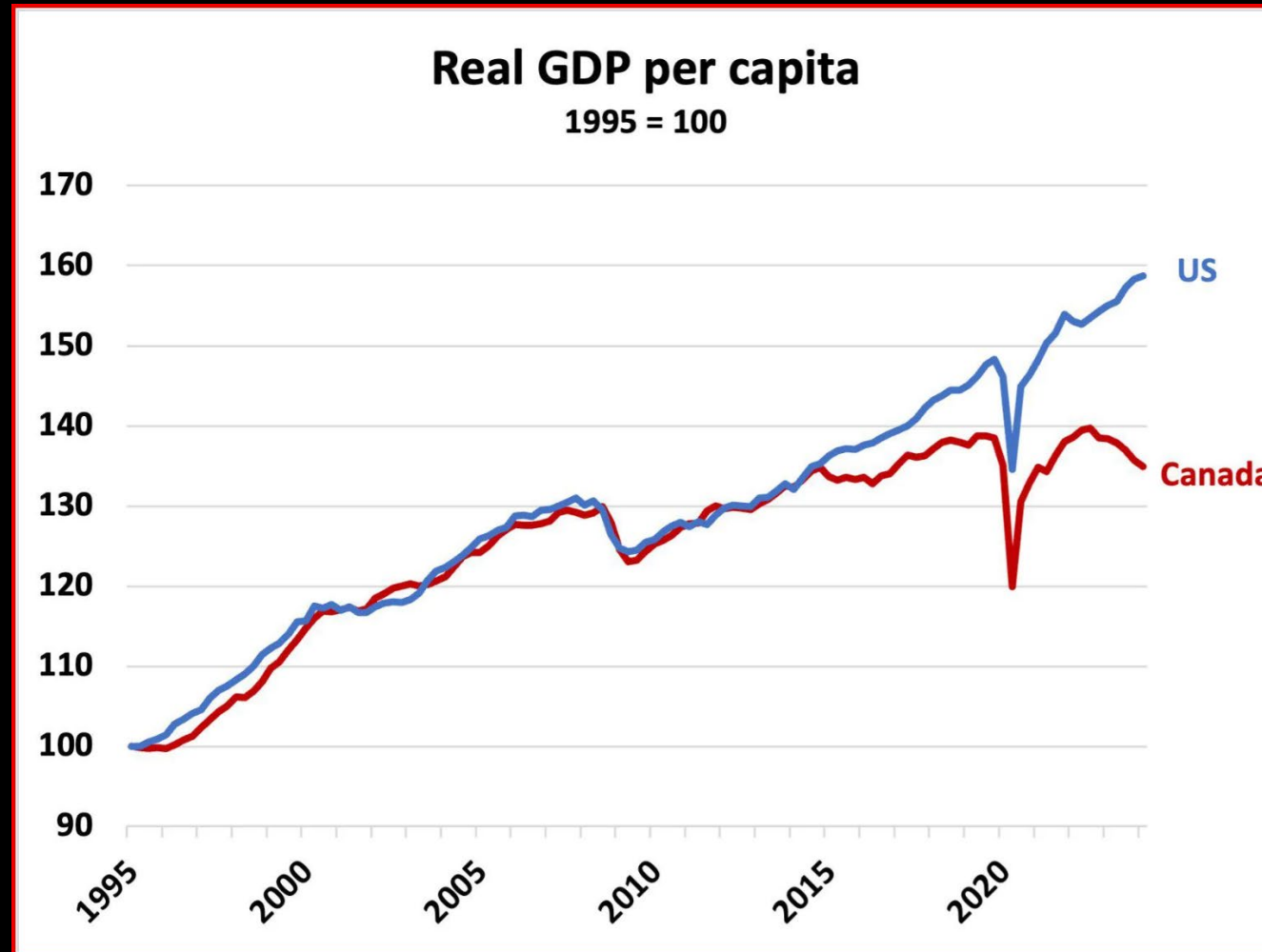
\*Bank of Canada Forecast



# CANADIAN GDP GROWTH WEAKER-THAN-EXPECTED IN Q1



# GDP PER CAPITA GROWTH IS STILL FALLING





## Canadian per-capita GDP little-changed from a decade ago

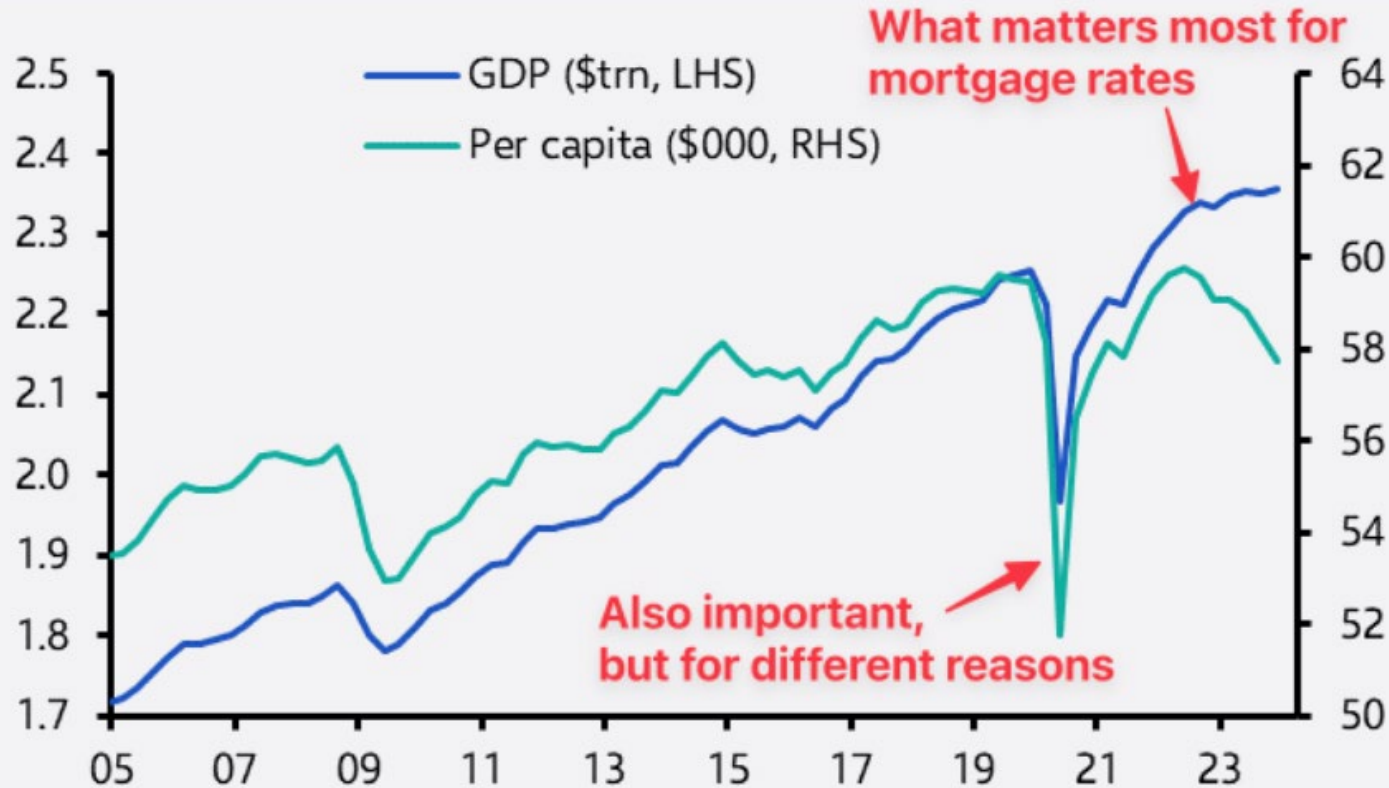
Per-capita real GDP, index = 100 in Q2 2022



Source: Statistics Canada, RBC Economics Research



Chart 1: GDP & GDP Per Capita



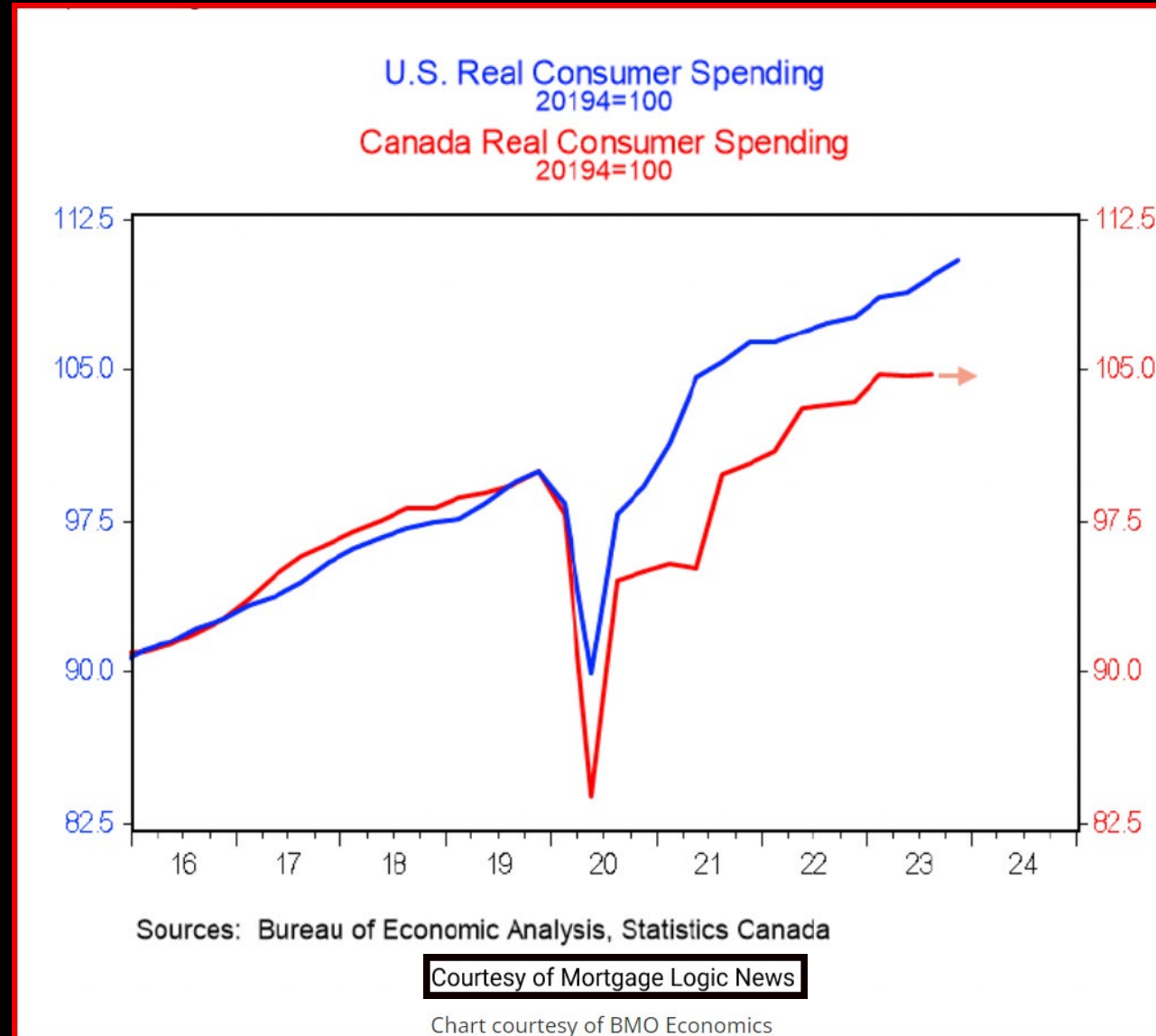
Sources: Refinitiv, Capital Economics

Courtesy of Mortgage Logic News

Population surge inflates economic growth. Per-capita measures show -2.3% y/y in Q4.

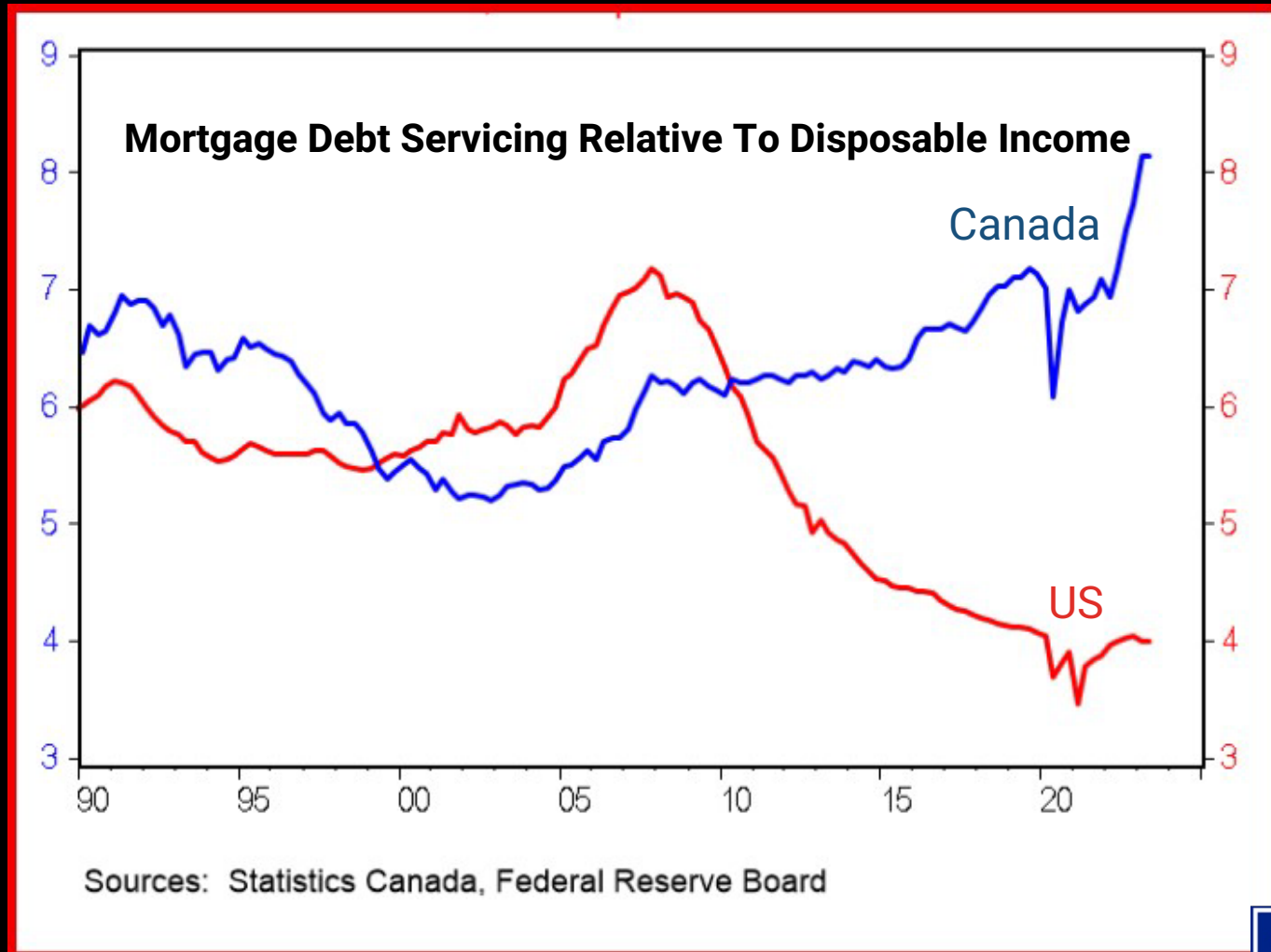


# CANADIAN CONSUMER MORE INTEREST-SENSITIVE






# MORTGAGE PAYMENTS RELATIVE TO AFTER-TAX INCOME







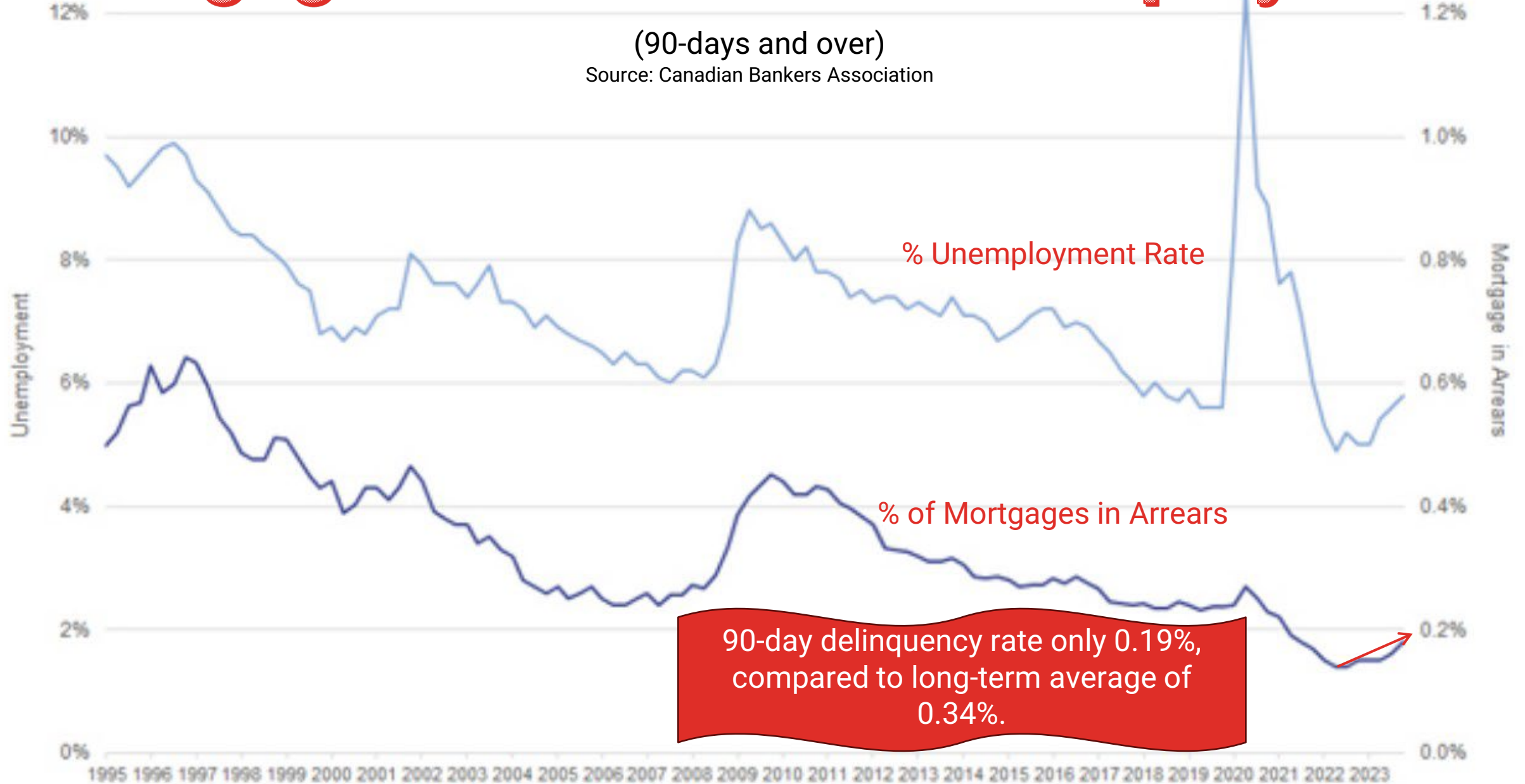
The illustration depicts a row of five houses with glowing windows and doors, set against a dark blue night sky. Behind the houses, a series of vertical bars and a jagged line graph in shades of orange and red suggest economic data. A large, white speech bubble with a black outline is centered in the upper half of the image, containing the text 'RISING MORTGAGE ARREARS'. The background is filled with various financial icons, including pie charts, line graphs, and arrows, all in a warm, glowing color palette of orange, red, and yellow. The overall style is a mix of modern digital art and traditional illustration.

# RISING MORTGAGE ARREARS



# Mortgages in Arrears vs Unemployment

(90-days and over)  
Source: Canadian Bankers Association





# CREDIT CARD DELINQUENCIES RISING



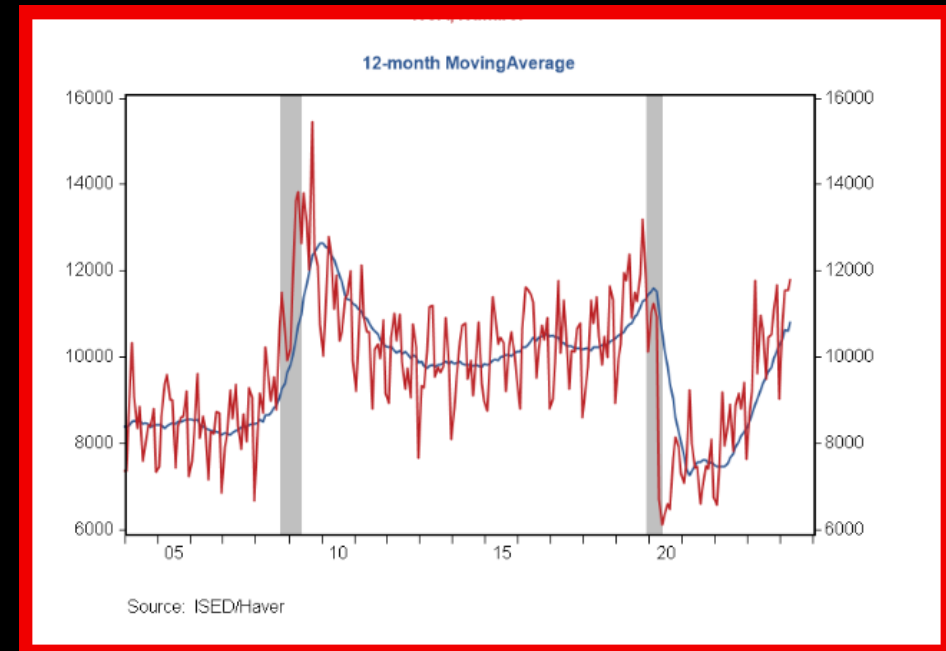


# UPWARD TREND IN INSOLVENCIES

## Insolvencies Filed By Businesses



## Insolvencies Filed By Consumers

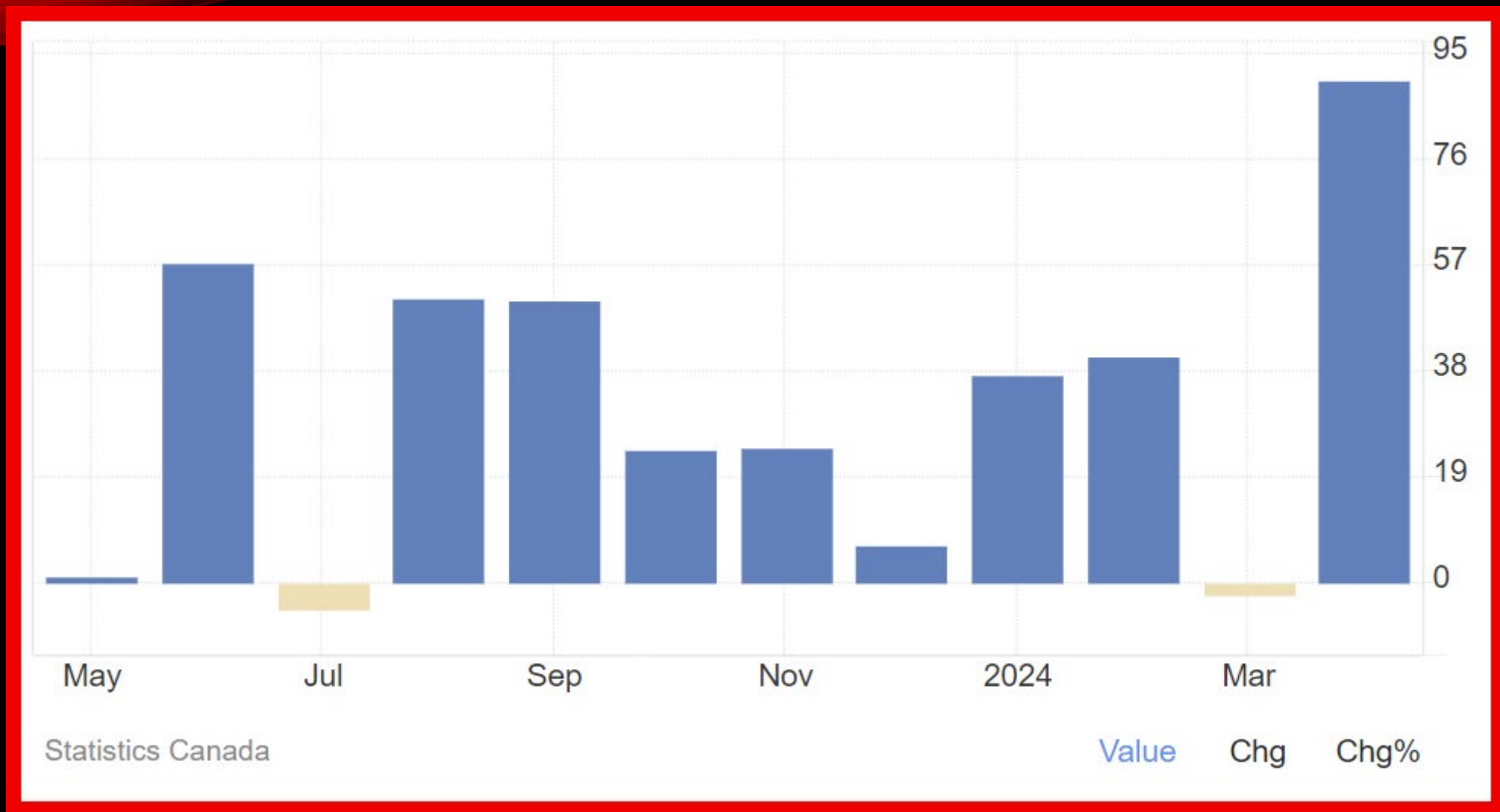


# CANADA'S LABOUR MARKET MIXED



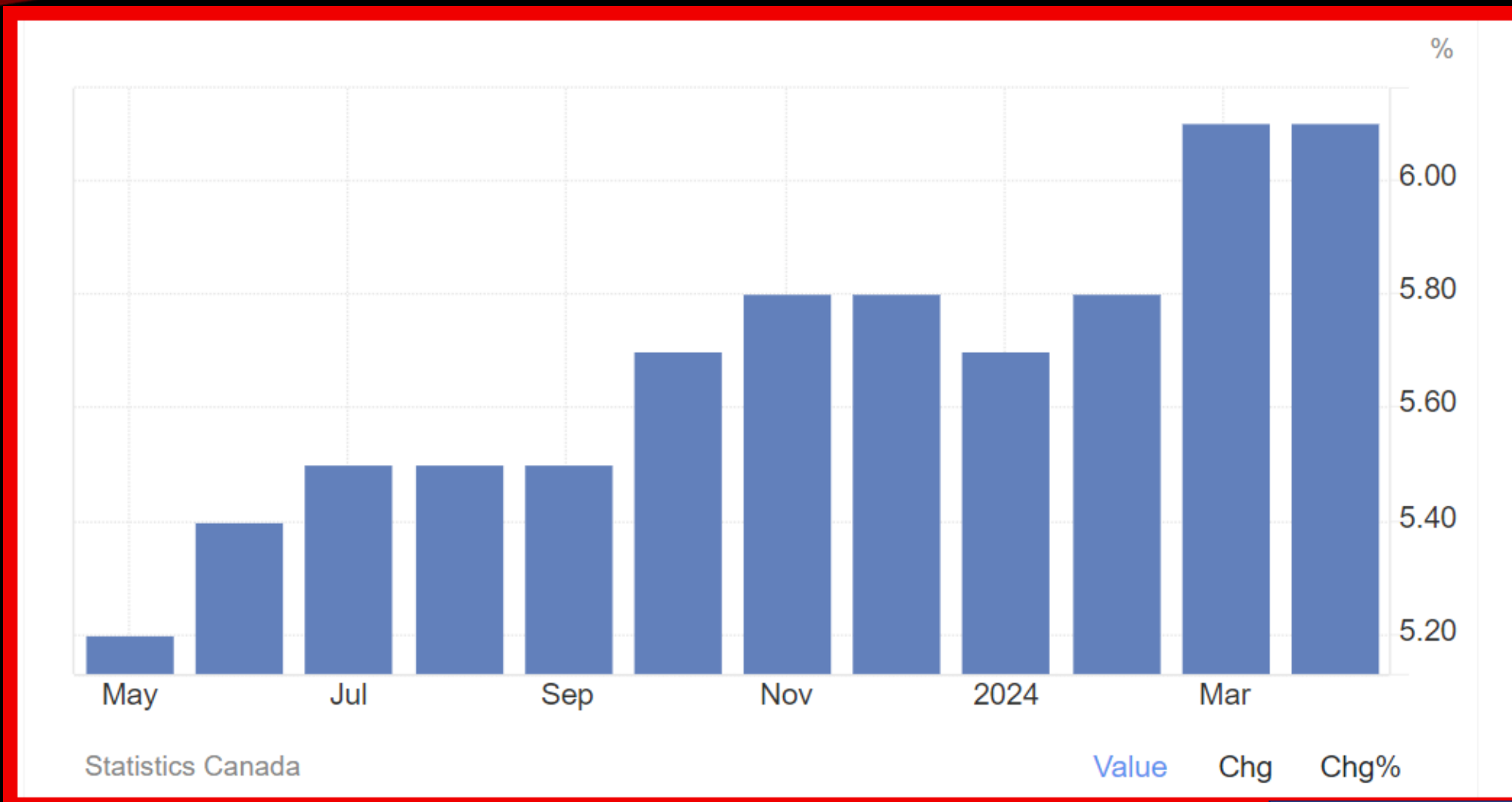


# APRIL JOB GAINS STRONGEST IN 15 MONTHS



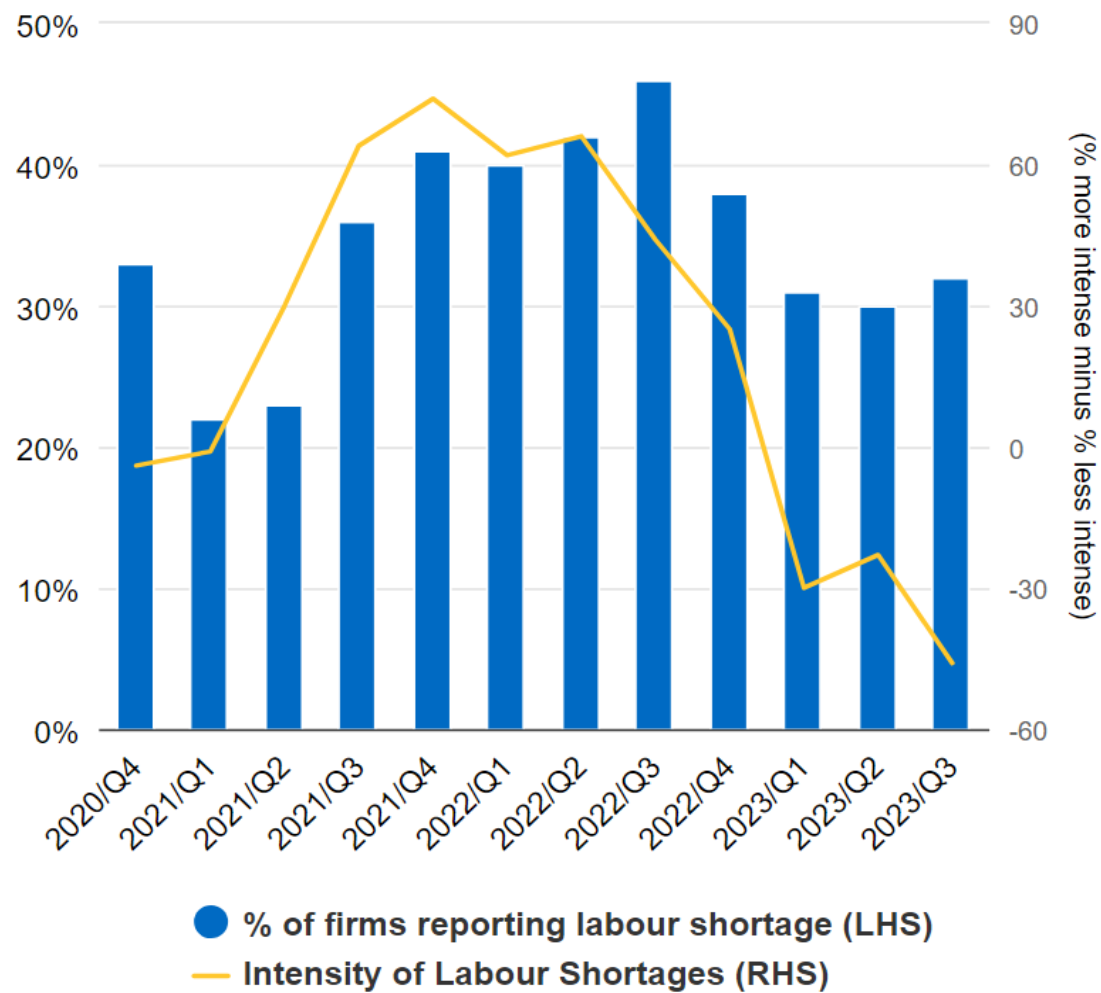


# APRIL UNEMPLOYMENT RATE UNCHANGED AT 6.1%





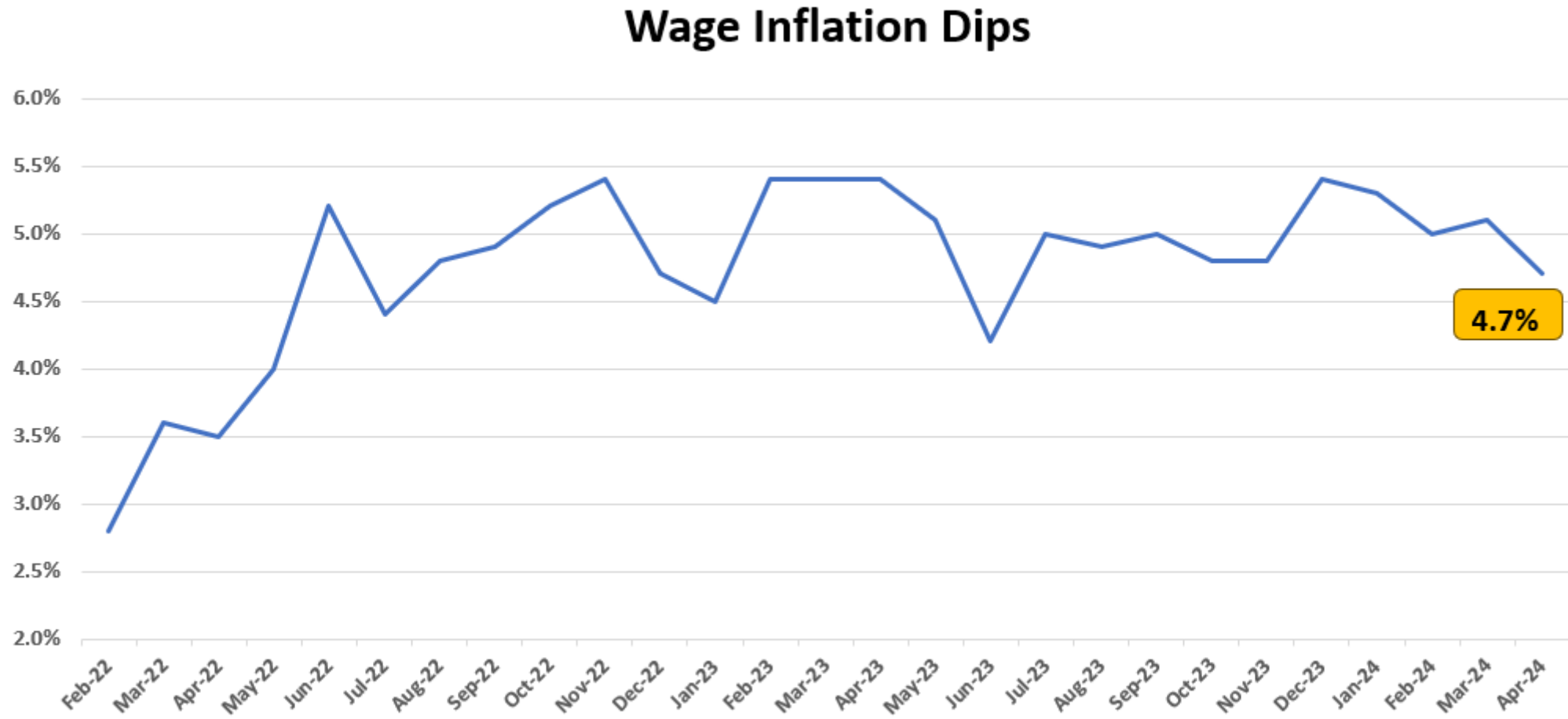
## Canadian labour shortages have eased



Source: Bank of Canada, RBC Economics



# WAGE INFLATION DIPS TO 4.7%



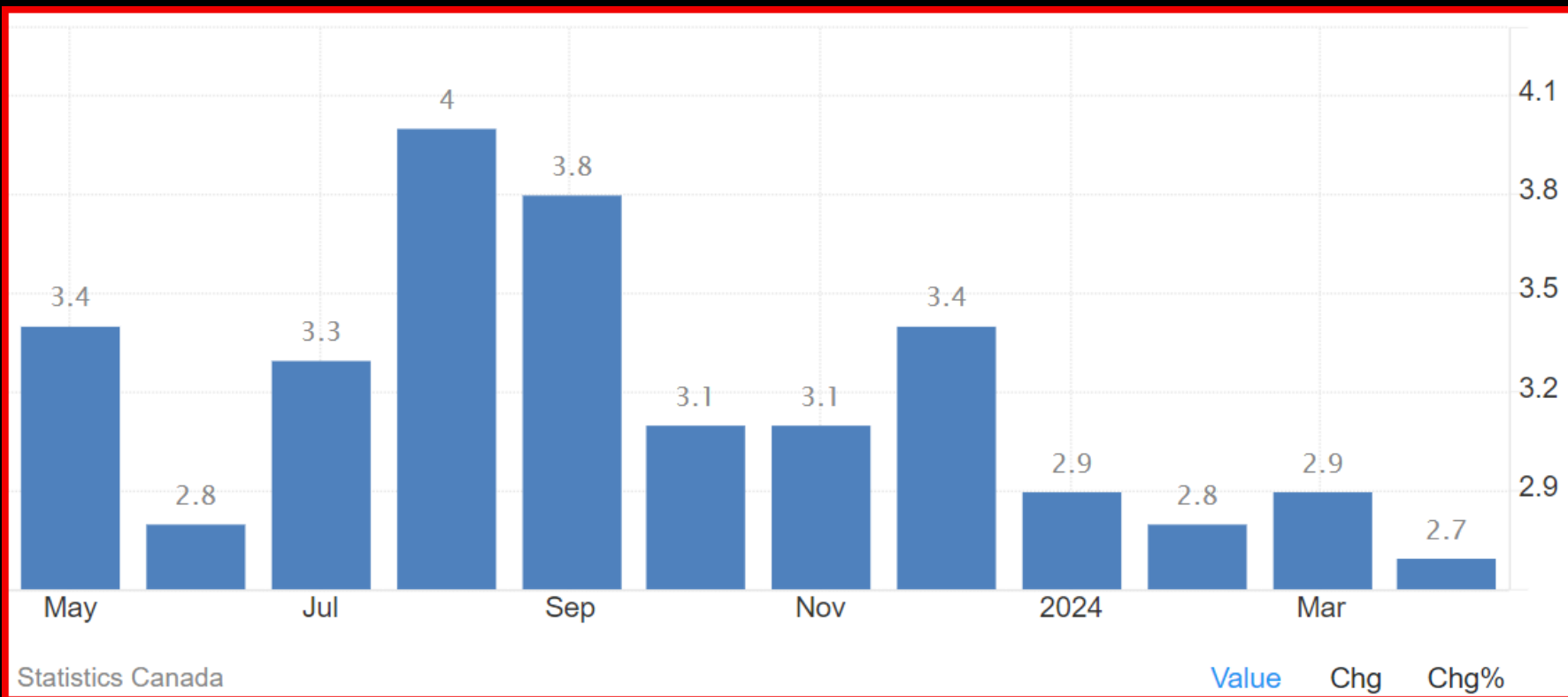


# INFLATION FALLS TO 2.7% IN APRIL



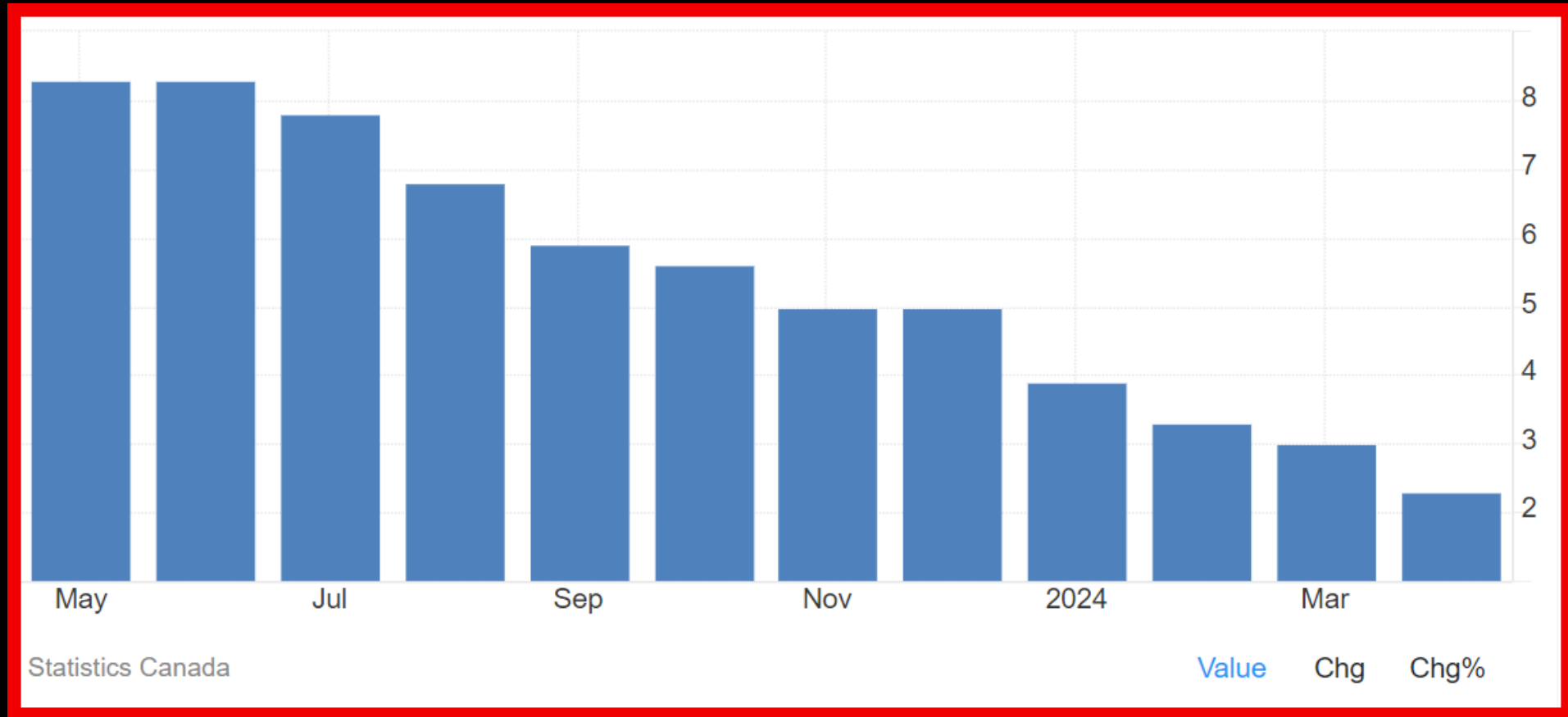


# CANADIAN INFLATION AT 2.7% Y/Y IN APRIL



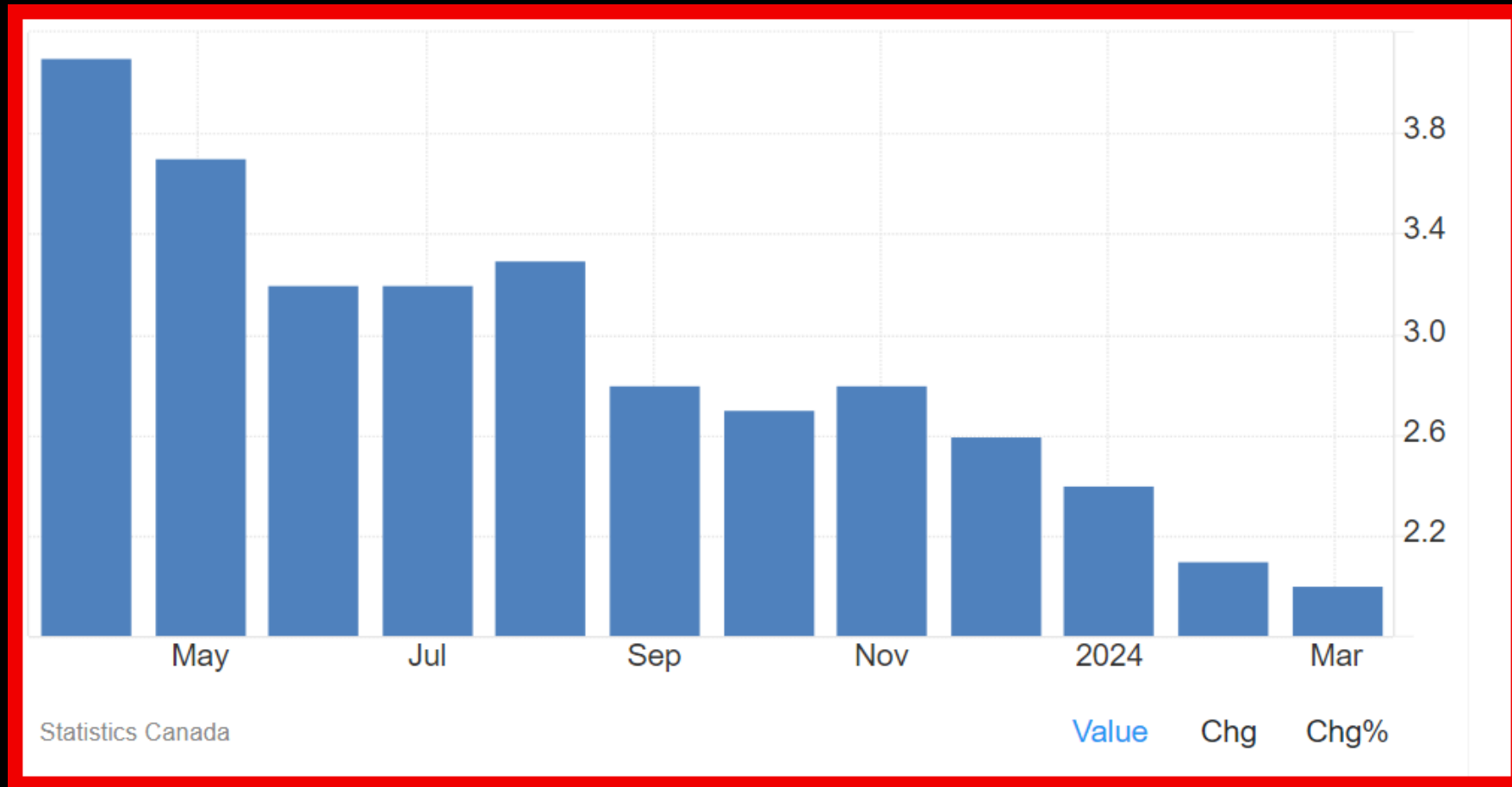
Monthly Uptick  
Owing to Rise in  
Gasoline Prices,  
Which Fell in May

# FOOD INFLATION DECELERATED TO 2.3% Y/Y IN APRIL



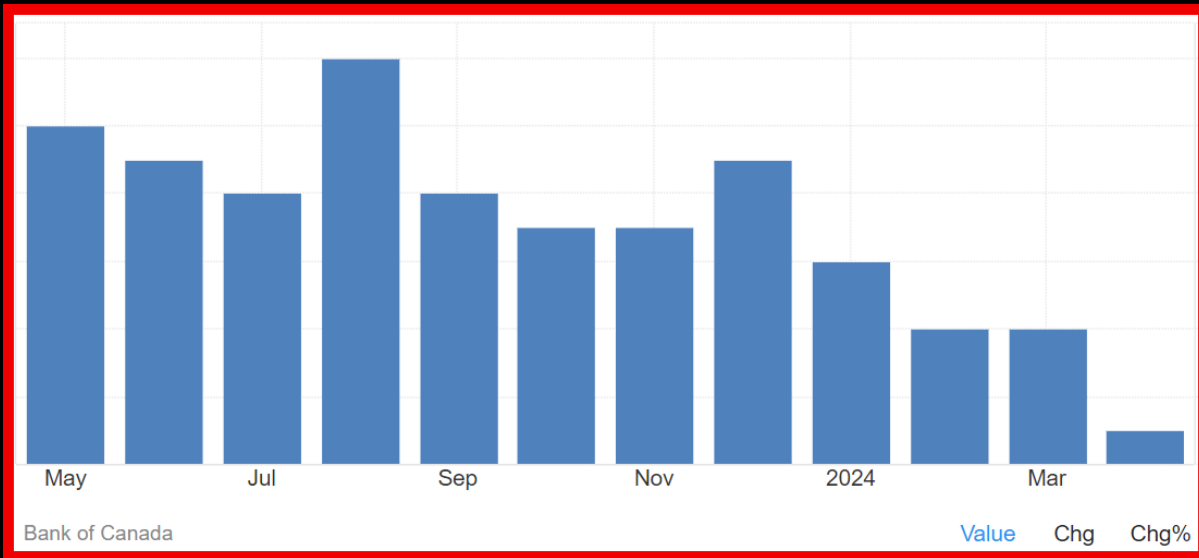


# CPI EXCLUDING FOOD AND ENERGY FELL TO 1.6% Y/Y IN APRIL

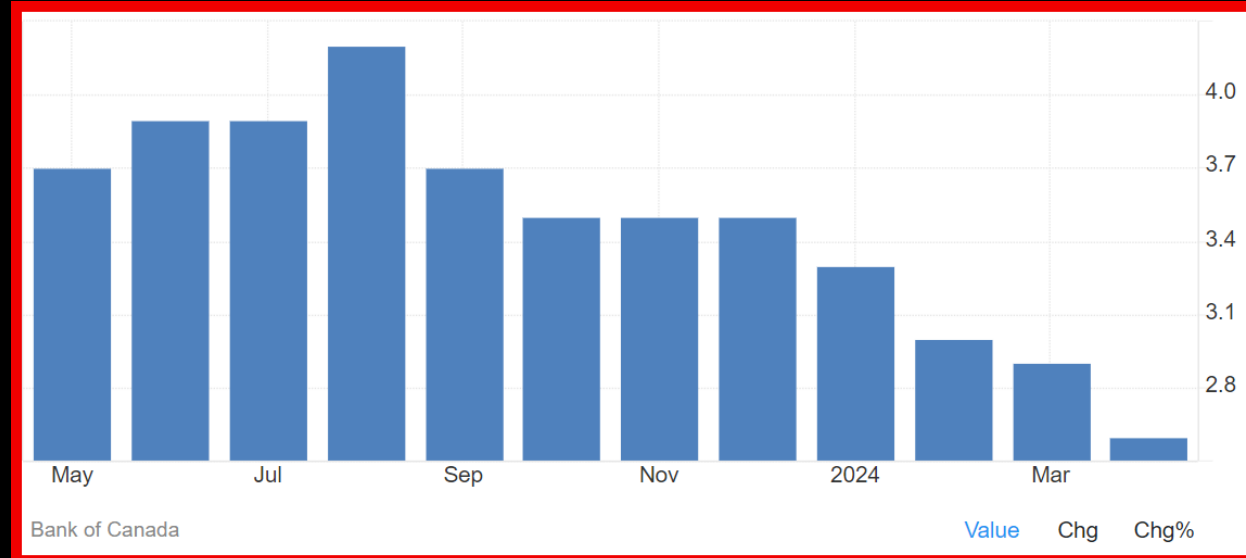


# BOC CORE INFLATION MEASURES FALL IN APRIL

CPI Trimmed-Mean Y/Y Fell to 2.9%



CPI Median Y/Y Fell to 2.6%

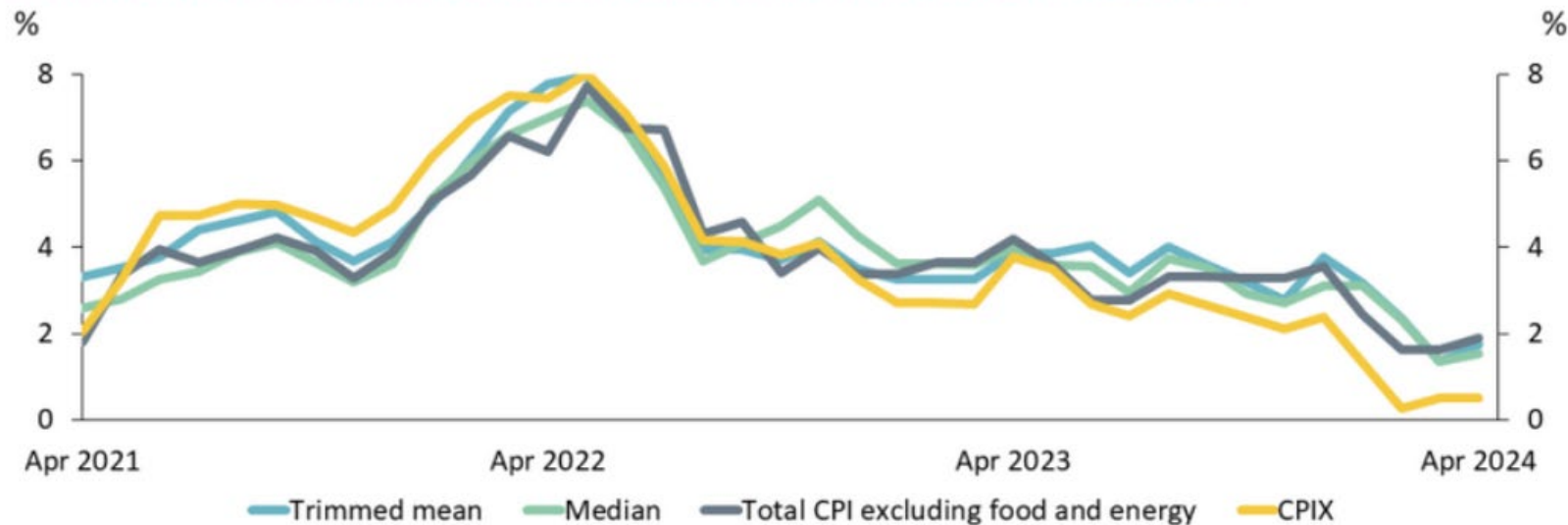




# 3-MONTH INFLATION EDGED UP SLIGHTLY IN APRIL

## Core Measures of Inflation Stalled but Remained Low in April

3-month annualized change in Bank of Canada core inflation measures



CPIX: CPI excluding 8 most volatile components & indirect taxes

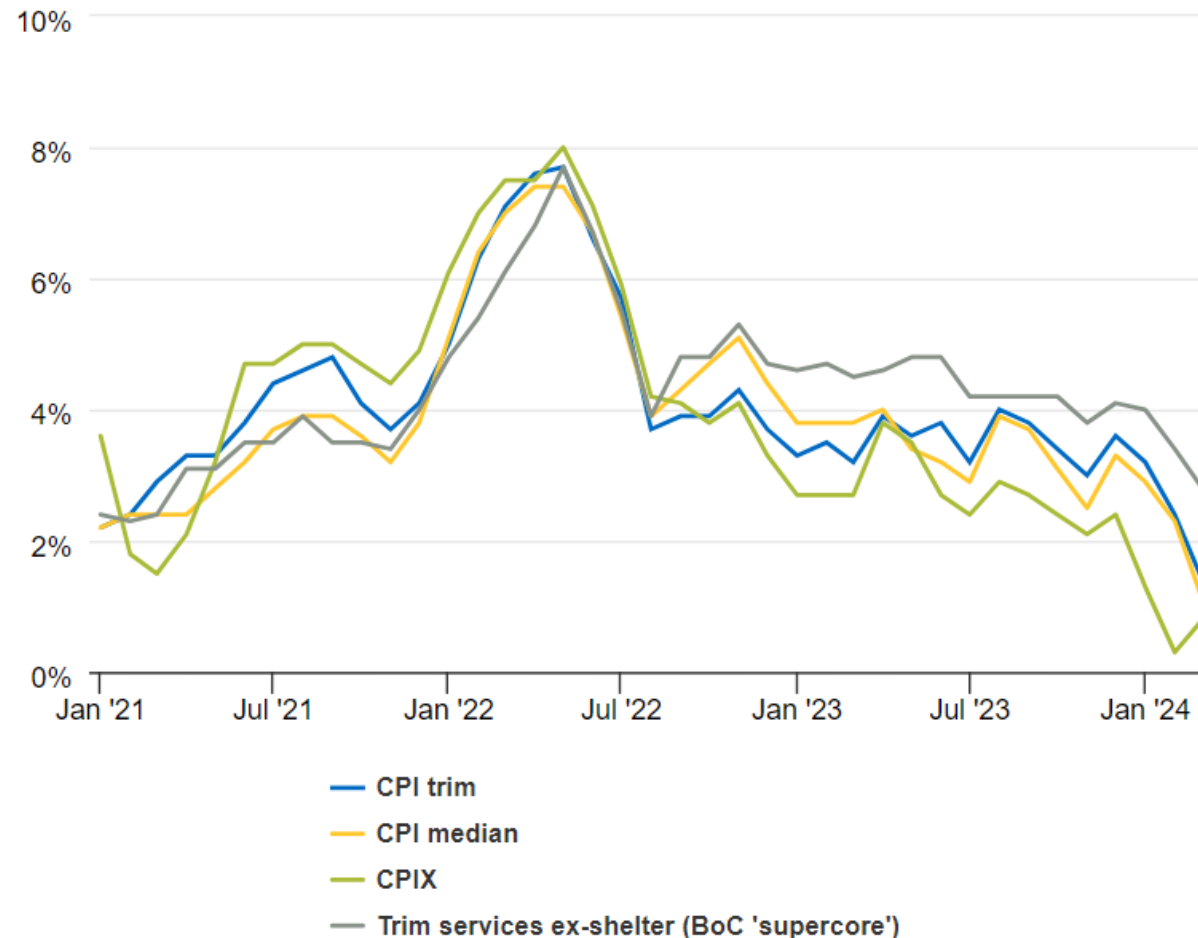
Statistics Canada and Desjardins Economic Studies

CPIX at only  
1.6% y/y in  
the past 3  
months.

# EXCLUDING SHELTER, INFLATION IS JUST 1.2%

## BoC's preferred inflation gauges continue to look better

%, annualized three-month growth, seasonally adjusted



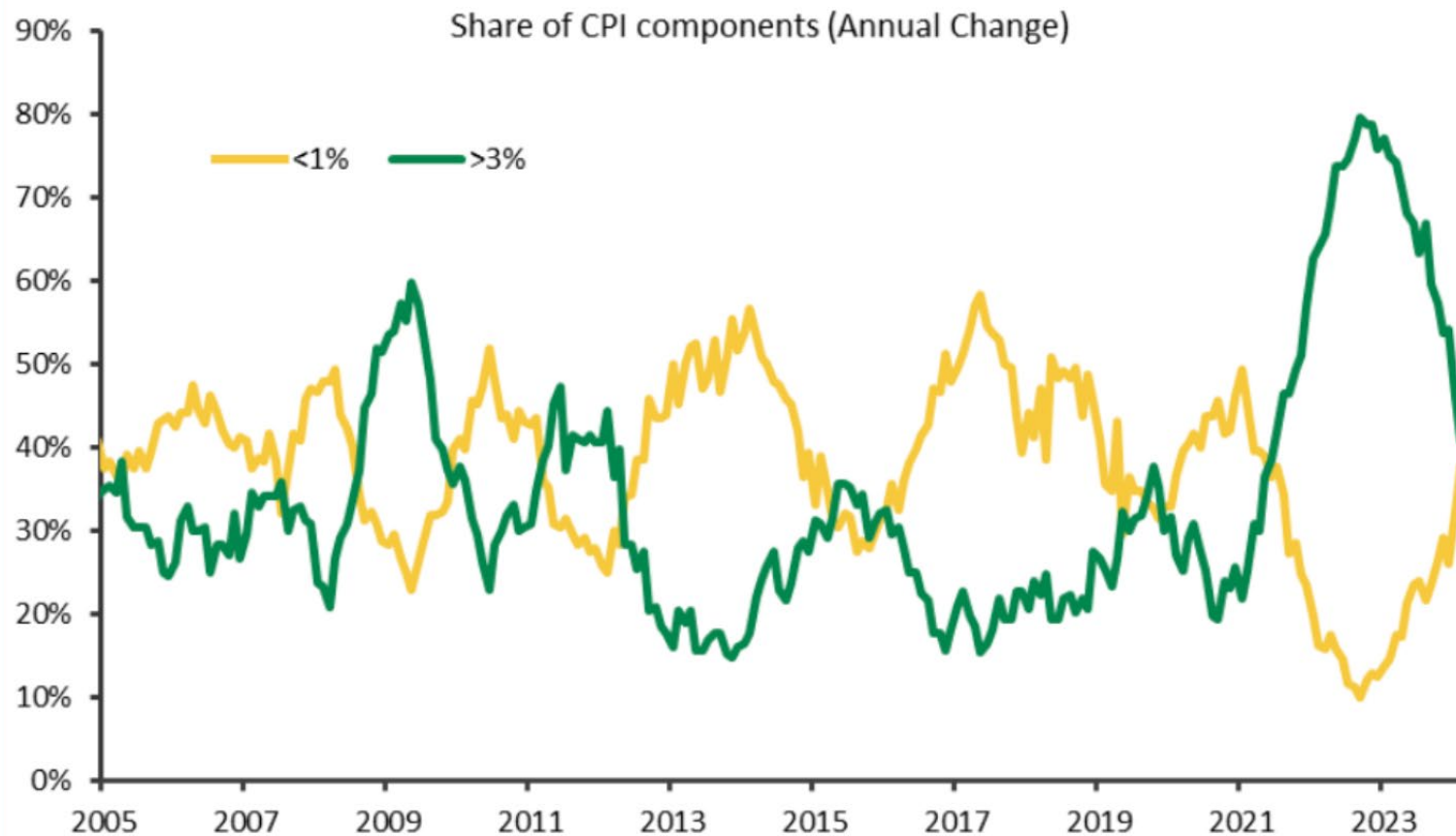
Source: Statistics Canada, RBC Economics



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### Share of CPI components with inflation rates above 3% continued to move lower in February



Sources: Statistics Canada & Desjardins Capital Markets

Courtesy of Mortgage Logic News



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- BoC Cuts Overnight Rate By 25 bps to 4.75%
- Monetary Policy is Still Restrictive
- Further Declines Coming, But Cuts Will Be Gradual

A wide-angle photograph of the Bank of Canada building, a large neoclassical structure with a prominent portico supported by columns. The building is surrounded by trees with vibrant autumn foliage in shades of orange, red, and yellow. The scene is captured in a painterly style.

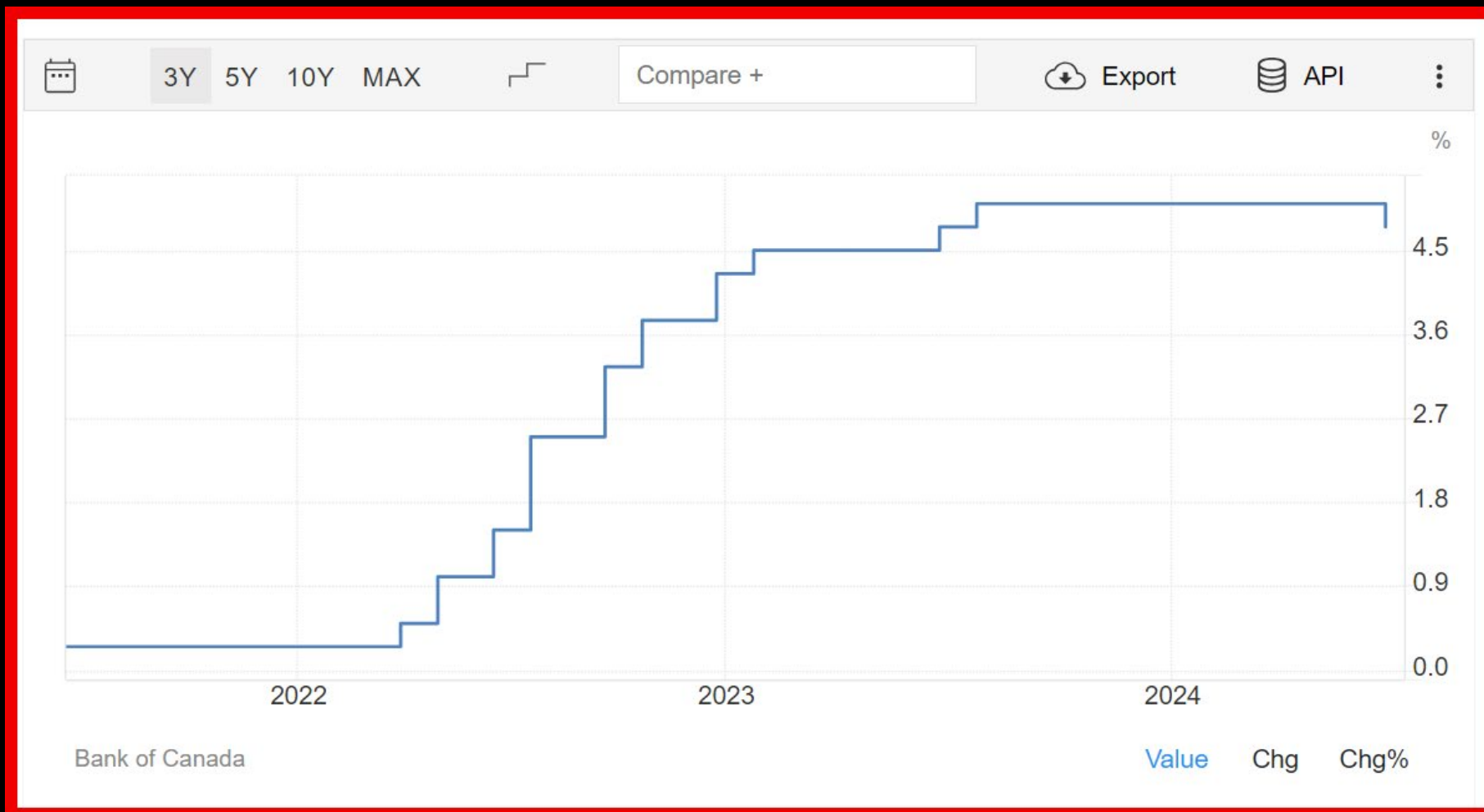
**BANK OF CANADA**



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# BOC FINALLY CUTS RATES BY 25 BPS TO 4.75%



# FIVE-YEAR YIELD FALLS SHARPLY

## Canada 5 Year Government Bond

[ADD TO WATCHLIST](#)

**3.420%**

▼ -0.09

Last Updated: Jun 5, 2024 1:48 p.m. EDT

PREVIOUS CLOSE

3.509%

3.406

DAY RANGE

3.515

3.134

52 WEEK RANGE

4.458





# FOUR MORE BOC DECISION DATES THIS YEAR

- July 24
- September 4
- October 23
- December 11

Overnight Rate Headed for 2.5% by the end of 2025  
Above Pre-Covid Rate of 1.75%

# PRIME RATE WILL FALL 25 BPS REDUCING VRM RATES

## Canada Prime Rate

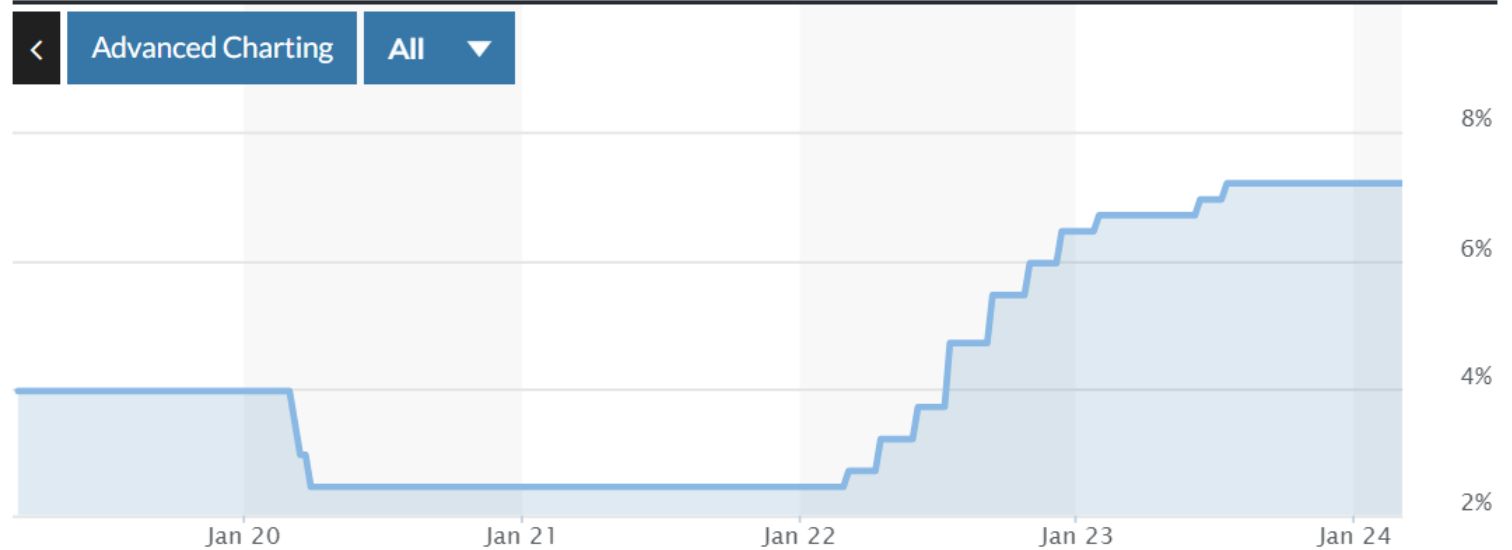
[ADD TO WATCHLIST](#)

**7.20000%**  
0.00000

Last Updated: Mar 6, 2024 12:00 a.m. EST

PREVIOUS CLOSE

7.20000%





# Budget Goodies From Ottawa



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# 30-YEAR INSURED MORTGAGES MAKE A COMEBACK AFTER TWELVE YEARS



Effective August 1



Only for first-time homebuyers



Only for new construction



Since 2012, 30-year amortizations only available for uninsured loans



Only about 15% of mortgage originations are insured



Will presale builders take less than a 20% deposit?



# RRSP HOME BUYERS' PLAN

- Increase maximum RRSP withdrawal for a first-time buyer from \$35,000 to \$60,000
- Only a tiny fraction of buyers even push the old limit
- Buyers who withdraw funds between January 1, 2022, and December 31, 2025, will have 5 years rather than 2 years before they must start making repayments.

# HELP FOR AT-RISK BORROWERS





# Allows Permanent Amortization Relief

The policy will lower their payments "to a number they can afford, for as long as they need to"



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# MORE BUDGET GOODIES FOR HOUSING

Digital Income Verification

Increased Housing Supply

Secondary Suite Loan Program



# FIRST INCREASE IN THE CAPITAL GAINS TAX IN 23 YEARS TO PAY FOR LATEST GOVERNMENT SPENDING SPLURGE





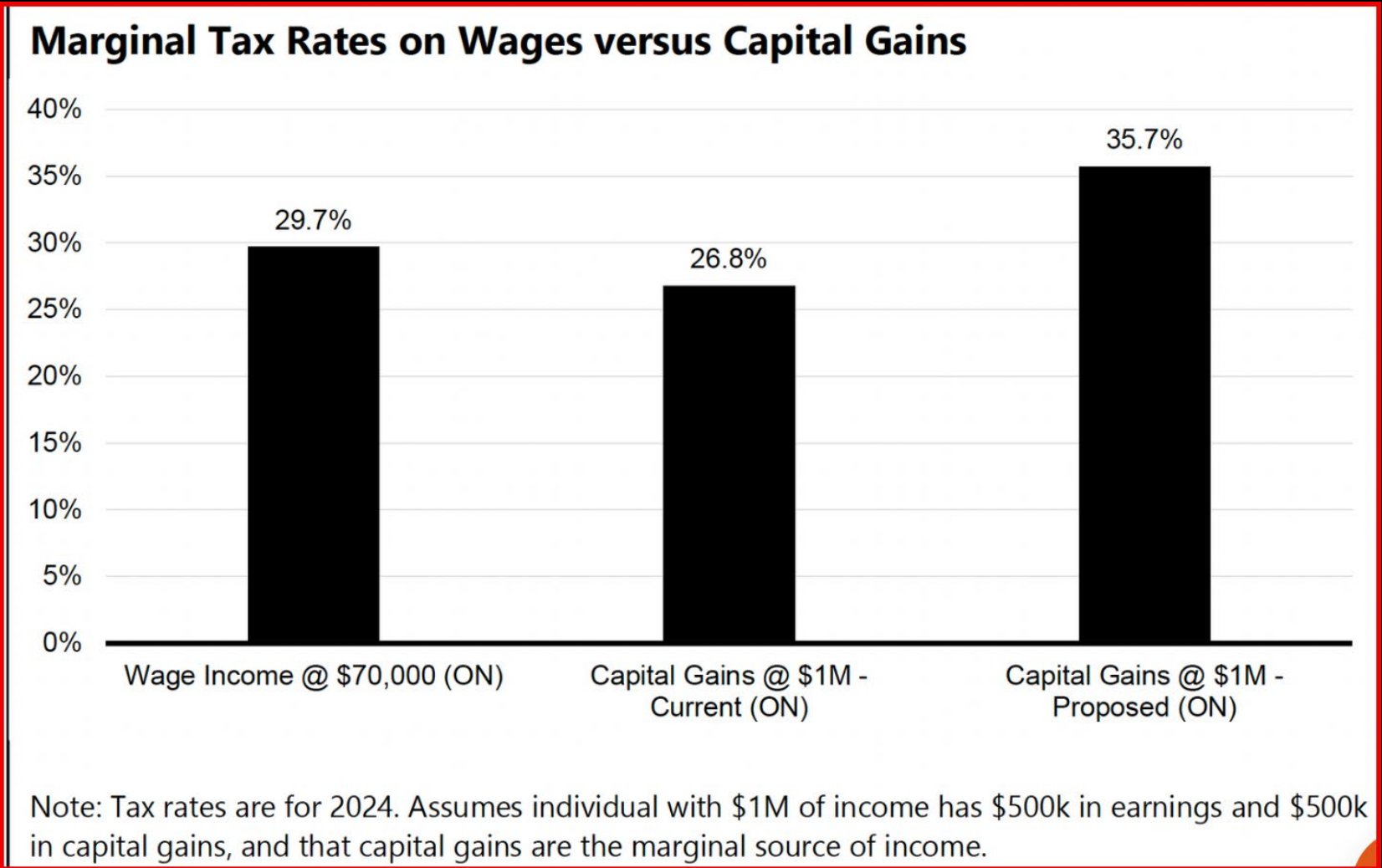
# SECOND-HOME OWNERS AND PROPERTY INVESTORS GET HOSED



Reduces Business Investment In Technology, Increases The Cost Of Capital, And Exacerbates The Productivity Crisis



# CORPORATIONS PAY HIGHER CAPITAL GAINS RATE FROM FIRST DOLLAR



Effective June 25

# UNINTENDED CONSEQUENCES

- lower tax-adjusted returns
- raise the effective cost of capital
- slow foreign investment
- hurt productivity
- kill jobs (those not sheltered by the exemptions)
- reduce asset turnover
- weaken liquidity for real estate, start-ups and other assets
- discourage investment in rental buildings
- encourage more high-income earners to flee Canada
- promote tax avoidance
- lower retirement savings for better-off seniors.



# INVESTORS AND MULTI-PROPERTY OWNERS BEWARE

Top Marginal Tax Rates in Canada - Effective June 25, 2024			
Province	Regular Income	Capital Gains	
		First \$250,000	Over \$250,000
AB	48.00%	24.00%	32.00%
BC	53.50%	26.75%	35.67%
SK	47.50%	23.75%	31.67%
MB	50.40%	25.20%	33.60%
ON	53.53%	26.77%	35.69%
QU	53.30%	26.65%	35.53%
NB	52.50%	26.25%	35.00%
NS	54.00%	27.00%	36.00%
PE	51.75%	25.88%	34.50%
NL	54.80%	27.40%	36.53%
NT	47.05%	23.53%	31.37%
NU	44.50%	22.25%	29.67%
YU	48.00%	24.00%	32.00%

Source: @AaronHectorCFP

Courtesy of Mortgage Logic News



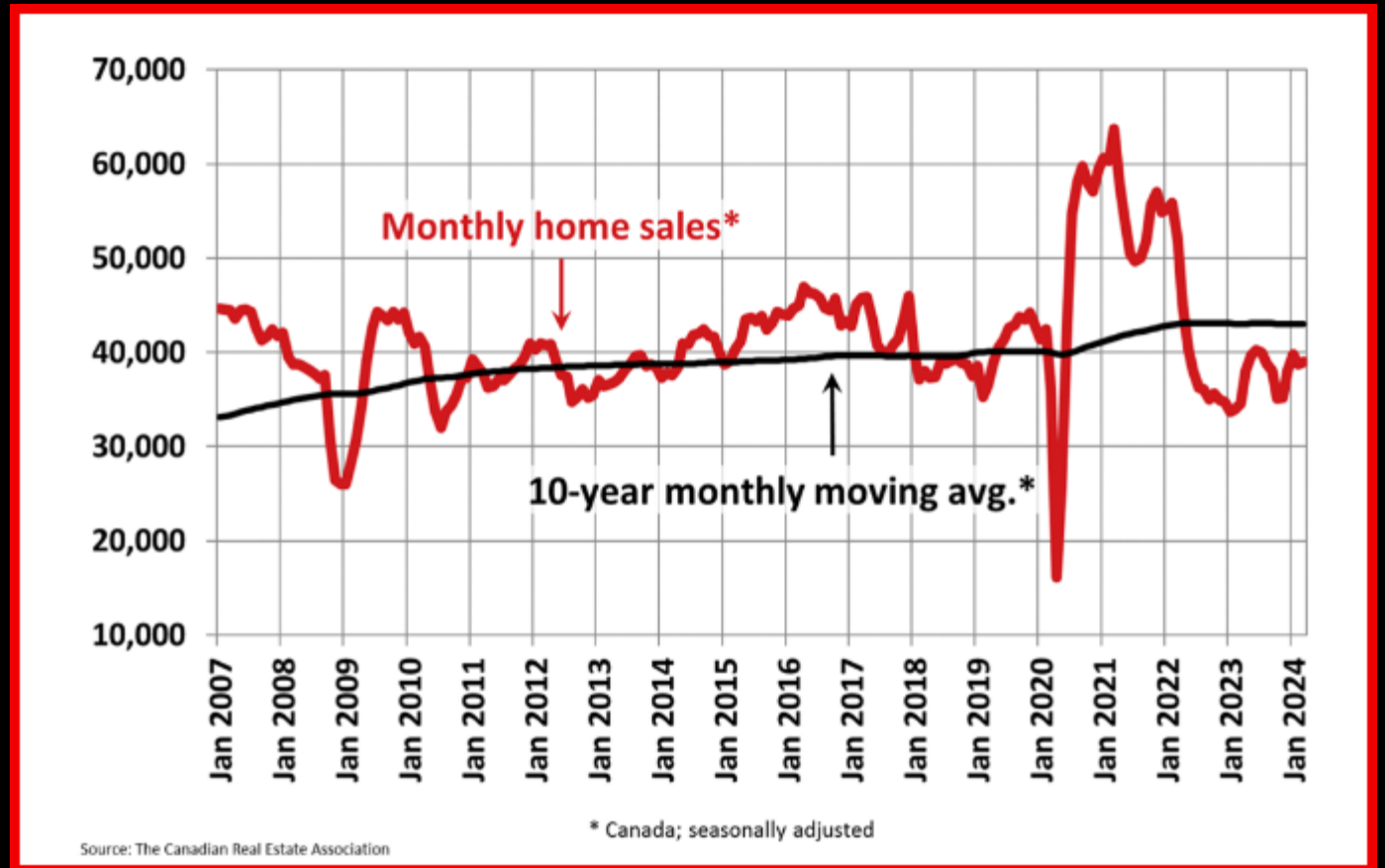
# HOUSING MARKETS



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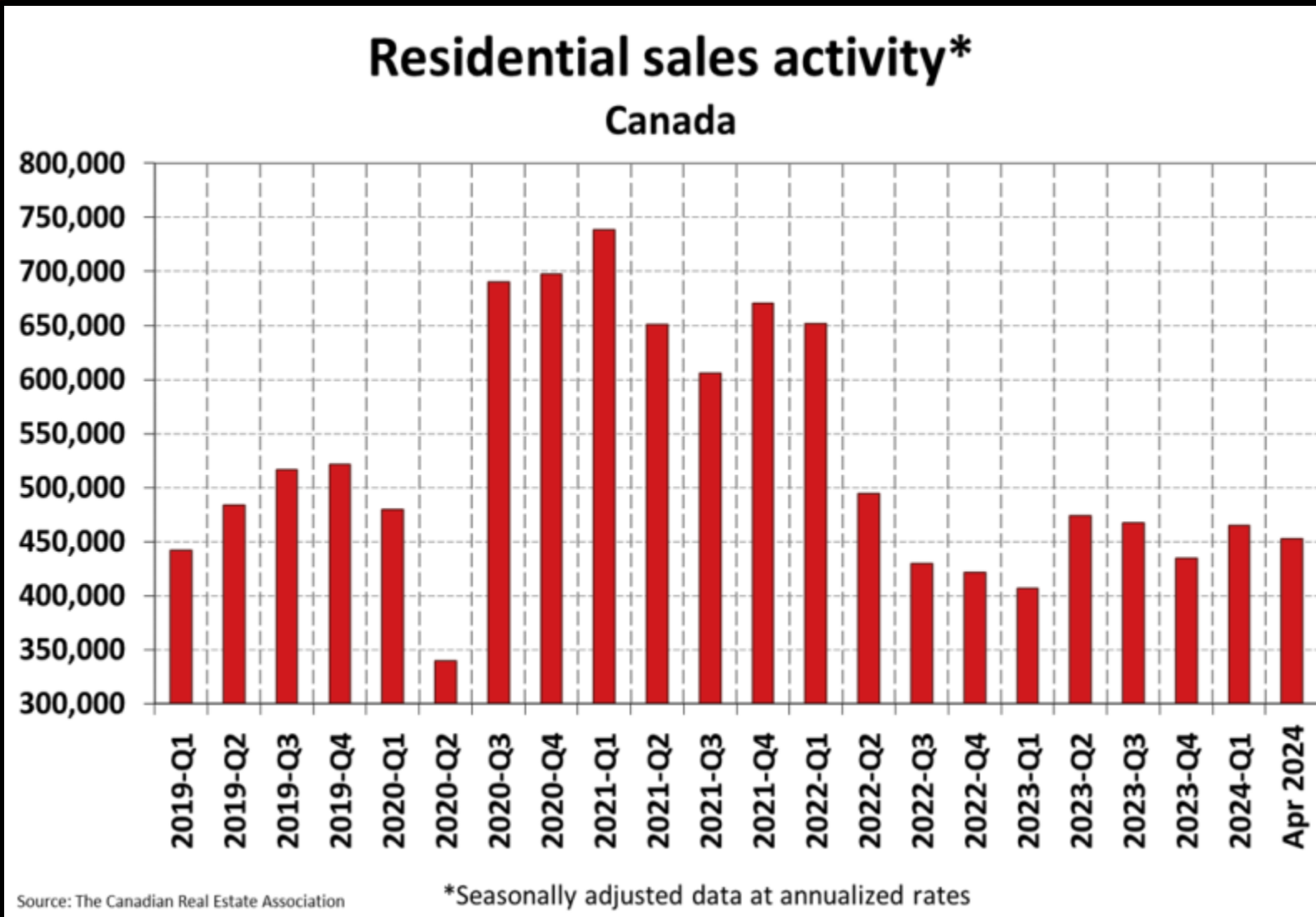


# HOME SALES REMAIN BELOW THE 10-YEAR MONTHLY AVERAGE IN APRIL



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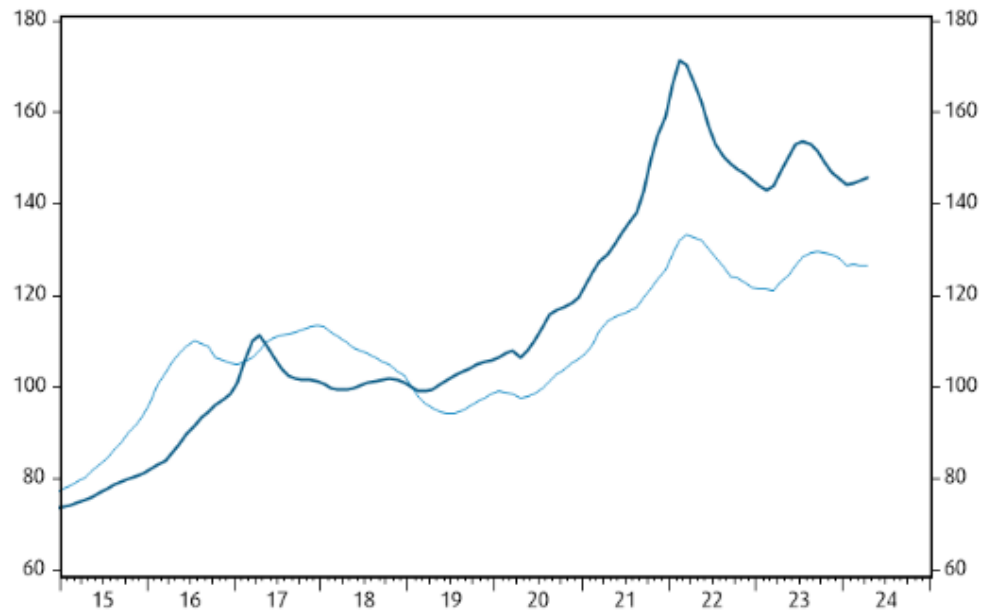
# HOME SALES FLAT-LINE





# DUD OF A SPRING SELLING SEASON

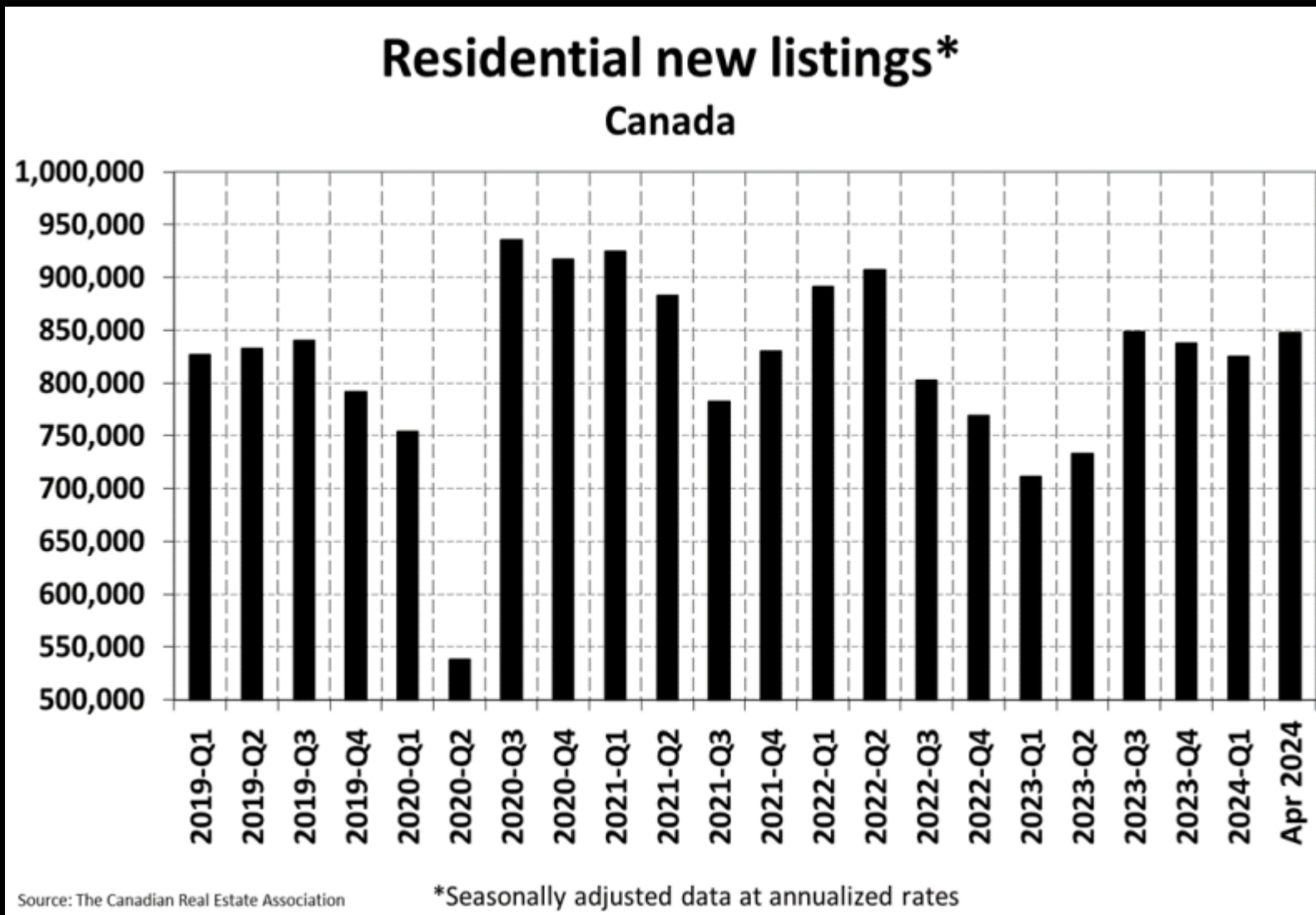
MLS Home Price Index: Composite: Greater Toronto  
SA, 2019Q1=100  
MLS Home Price Index: Composite: Greater Vancouver  
SA, 2019Q1=100



Source: The Canadian Real Estate Association/Haver Analytics

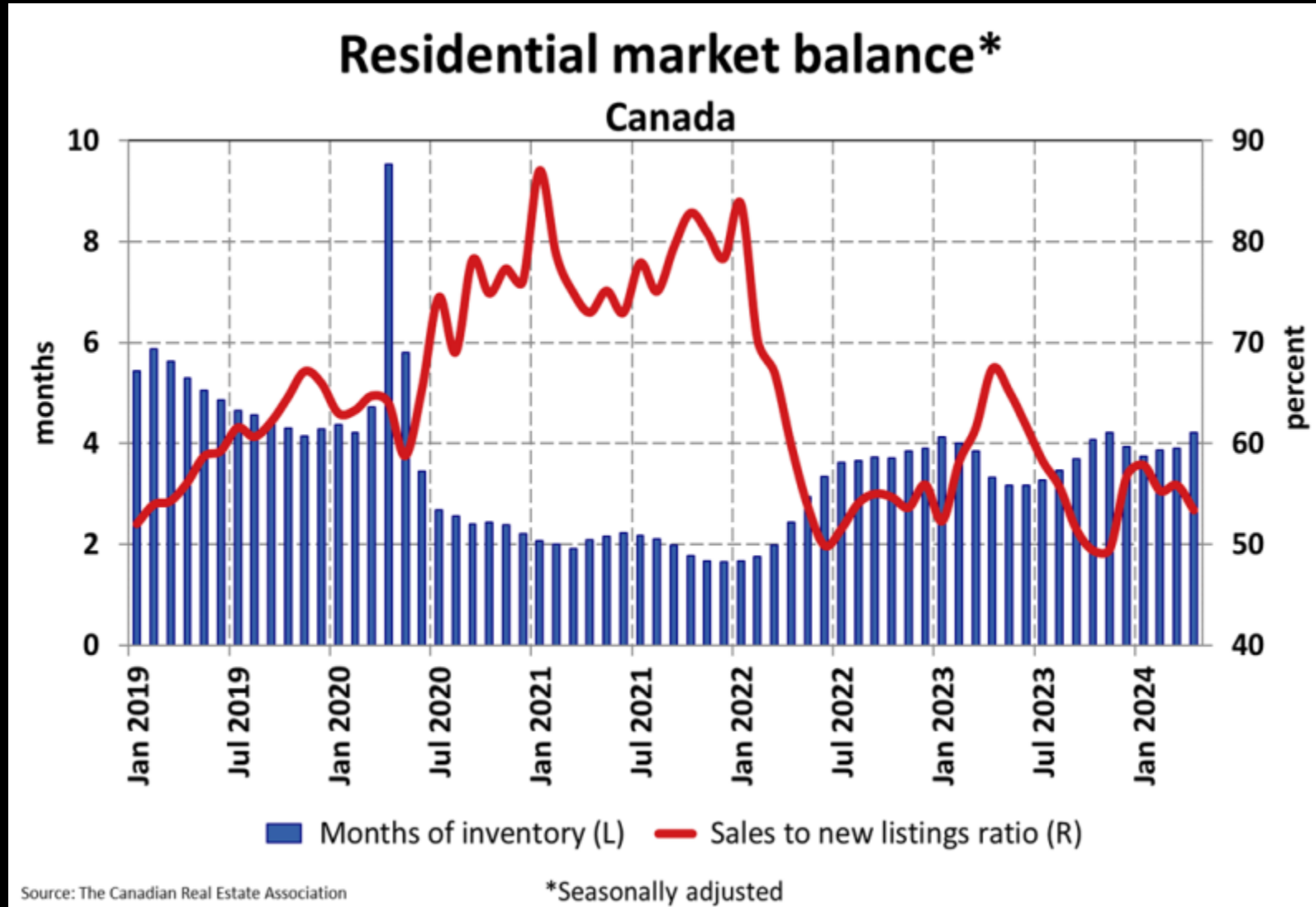
- Vancouver home sales were down 20% y/y in May
- Toronto is similarly quiet
- Prices are plodding sideways
- Long path back to early 2022 highs
- Big news is supply continues to build
- Active listings up 46% y/y in Vancouver
- Toronto will post record-high resale condo inventory (boosted by June 25 capital gains tax increase)
- Toronto single-family inventory also swells

# NEW LISTINGS PERK-UP IN APRIL

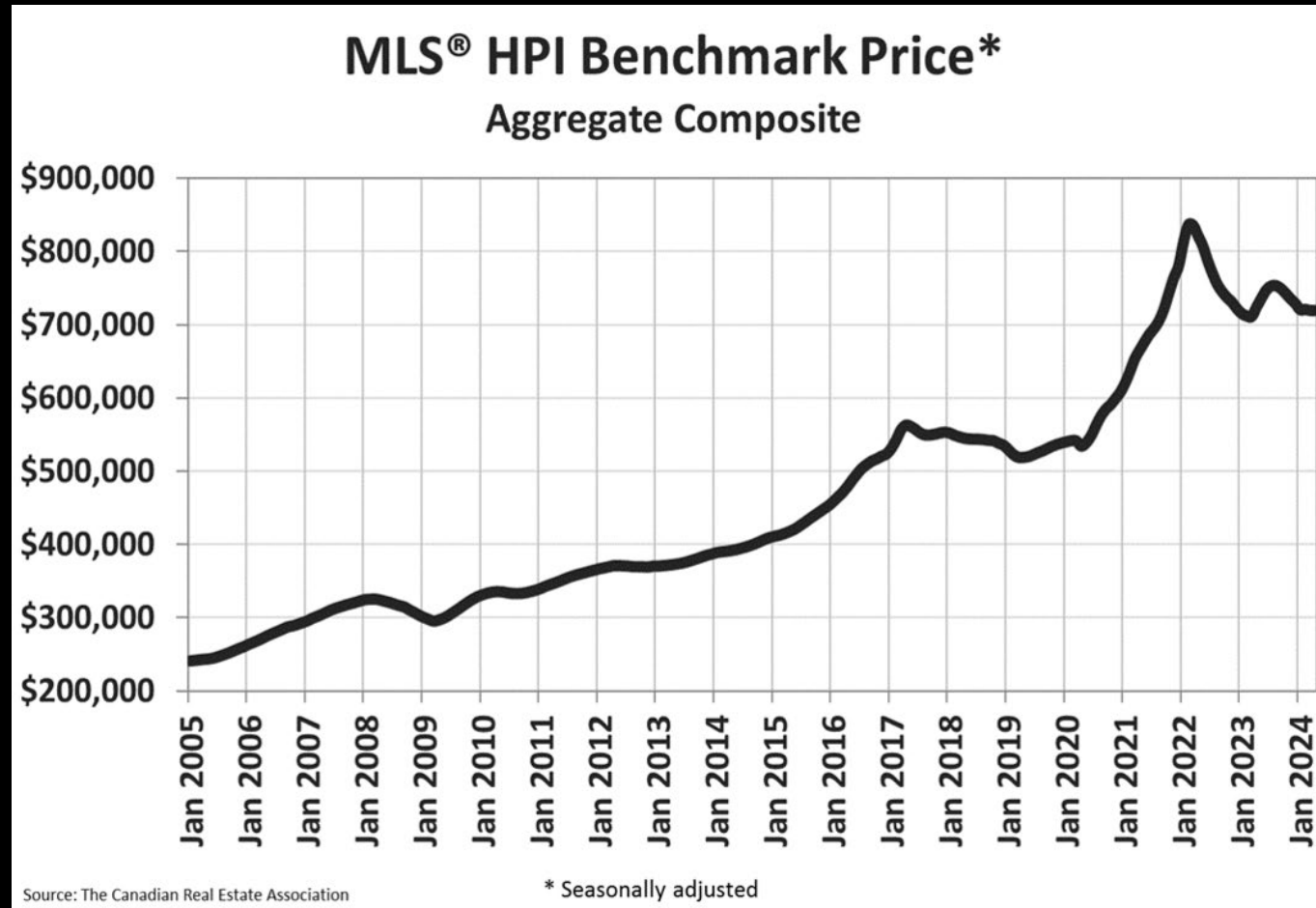




# MONTHS OF INVENTORY ROSE IN APRIL



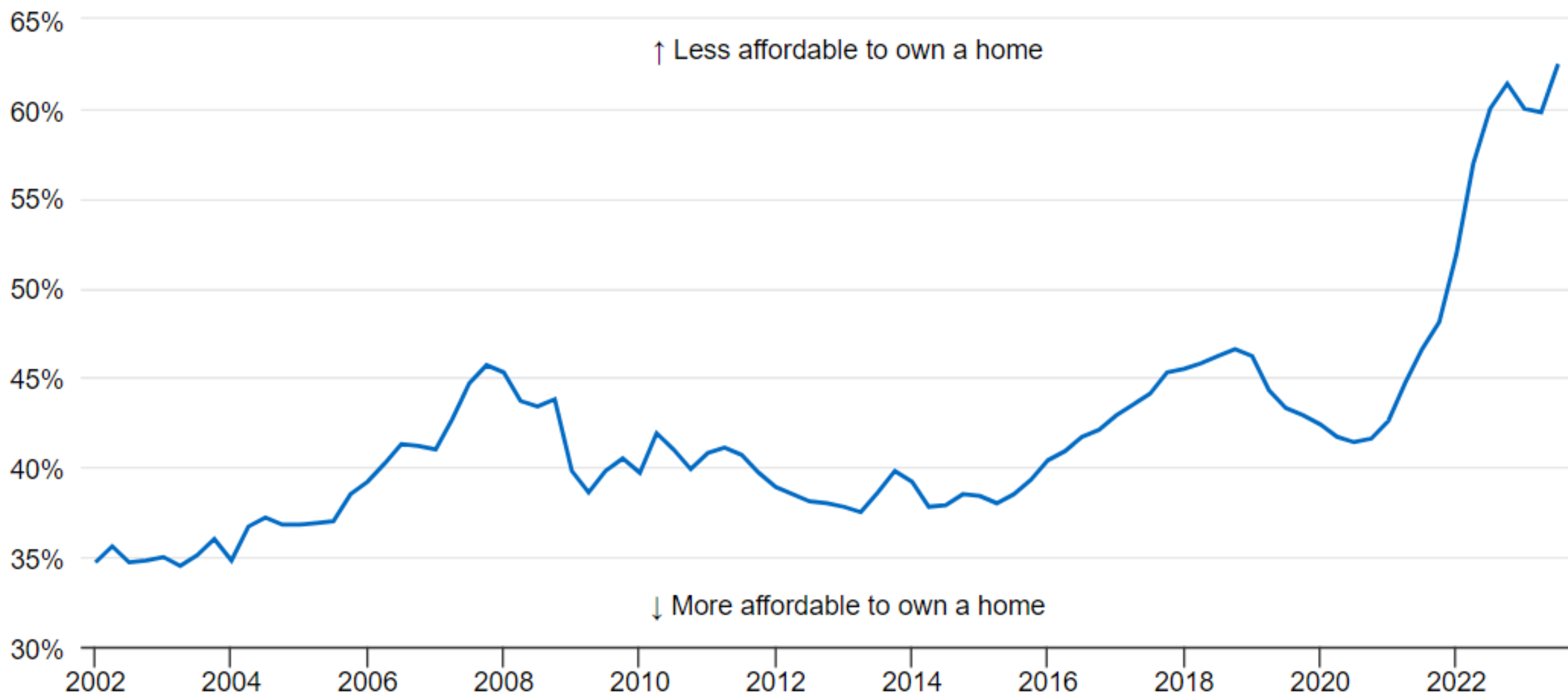
# HOME PRICES FLAT AGAIN IN APRIL





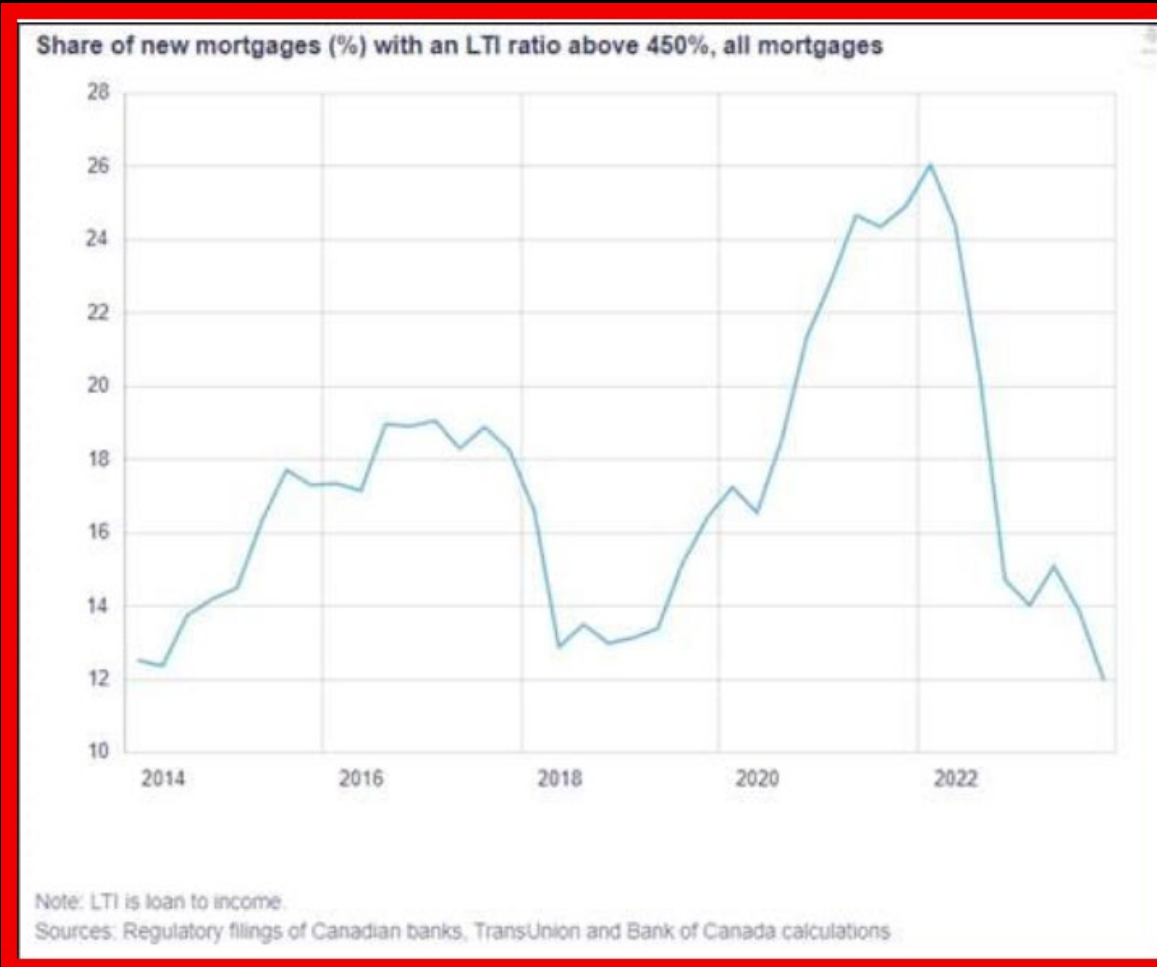
# Owning a home has never been so unaffordable in Canada

Ownership costs of an average home as % of median household income



Source: RPS, Statistics Canada, Bank of Canada, RBC Economics

# SHARE OF ALL NEW MORTGAGES WITH A LOAN-TO-INCOME RATIO ABOVE 450% AT RECORD LOWS

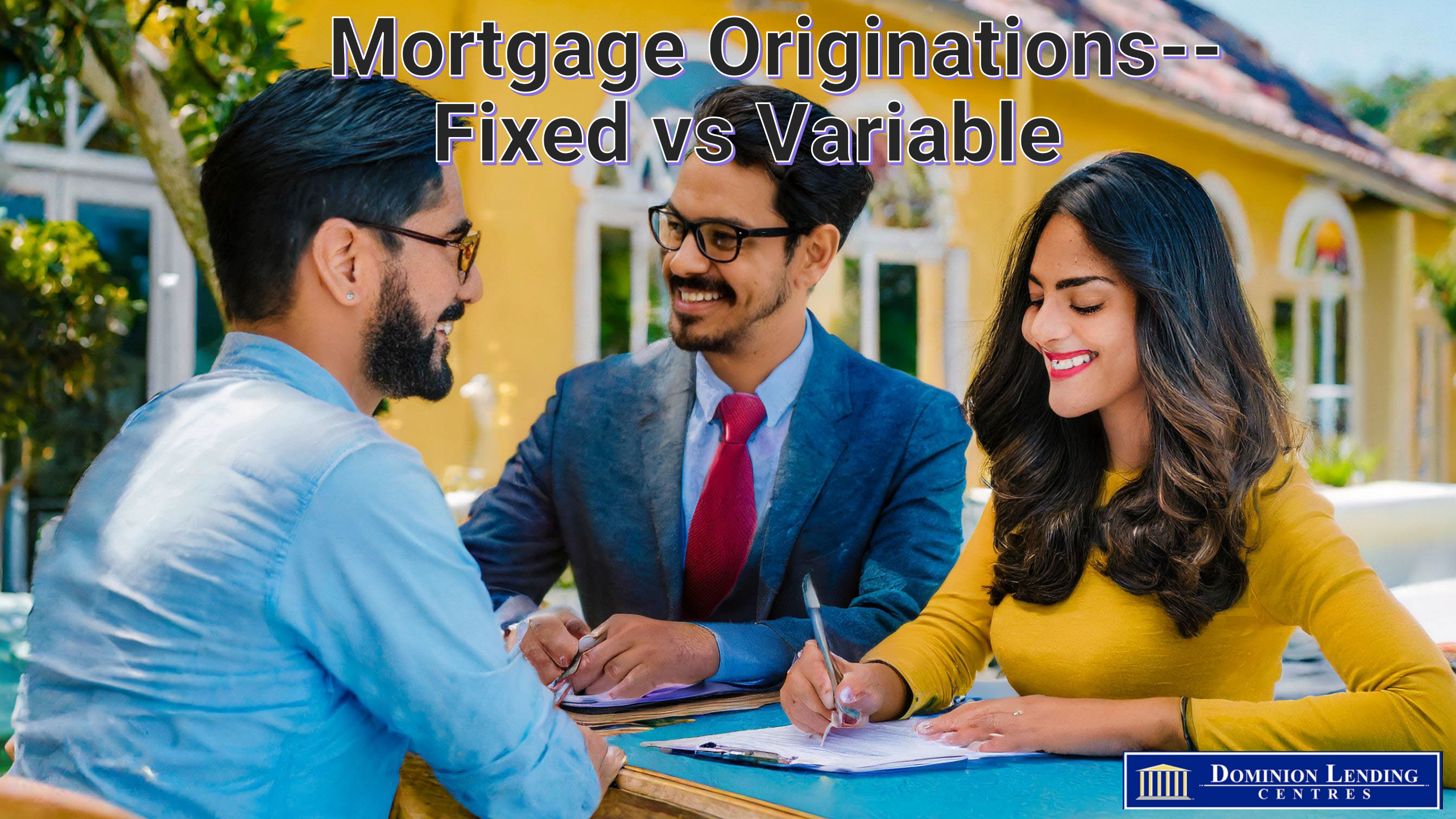


- Yet OSFI is imposing LTI limits

Courtesy of Mortgage Logic News



# Mortgage Originations-- Fixed vs Variable

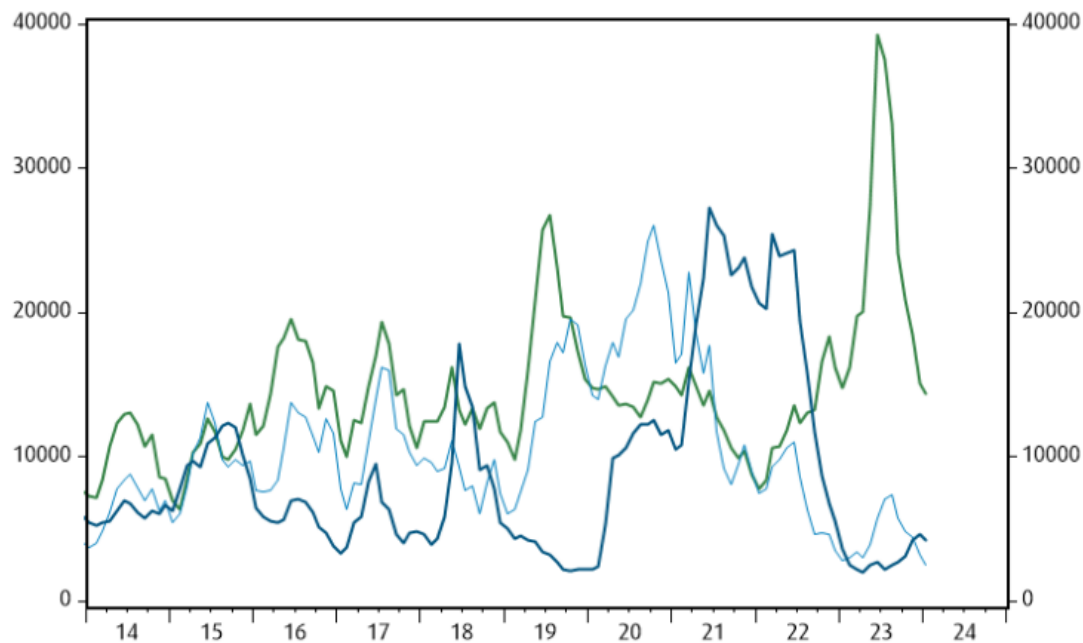


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# Mortgage Originations-- Fixed vs Variable

Canada new mortgage lending: Variable (\$mlns)  
Canada new mortgage lending: 5-yr+ fixed (\$mlns)  
Canada new mortgage lending: Short-term fixed (\$mlns)



70% of new mortgage borrowing is in shorter-term (1-4 years) fixed rate space.





# PAYMENT SHOCK

More than 70% of  
Canadian mortgages  
come up for renewal in the  
next 3 years.



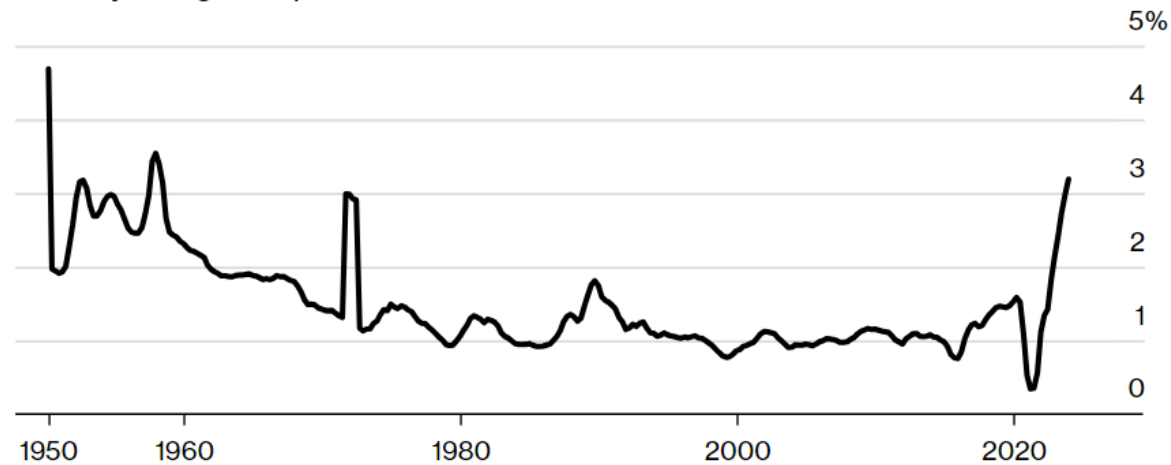




# CANADA ADDS A RECORD 1.3 MILLION PEOPLE IN 2023

## Canada's Population Growing at Fastest Pace Since 1950s

✓ Yearly Change in Population



Source: Statistics Canada

**The fastest pace among advanced economies and rivalling least developed nations.**



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# PLANNED PERMANENT IMMIGRATION RISING



Year	Planned Permanent Immigration
2023	465,000
2024	485,000
2025	500,000
2026	500,000

These numbers are dwarfed by the influx of foreign students and temporary workers hoping to get permanent residency.



## Canada: Components of Population Growth, Permanent and Non-Permanent Residency

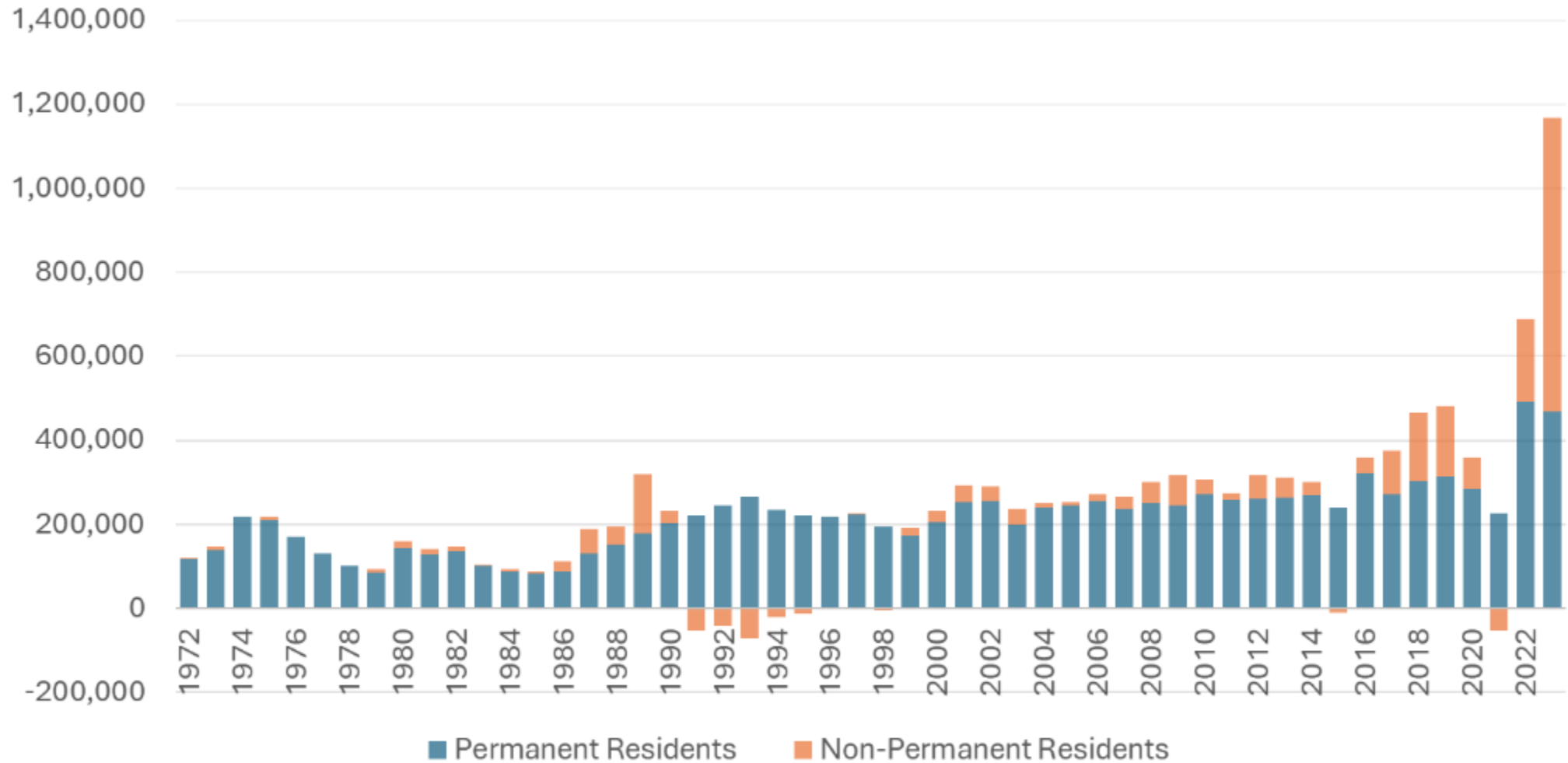
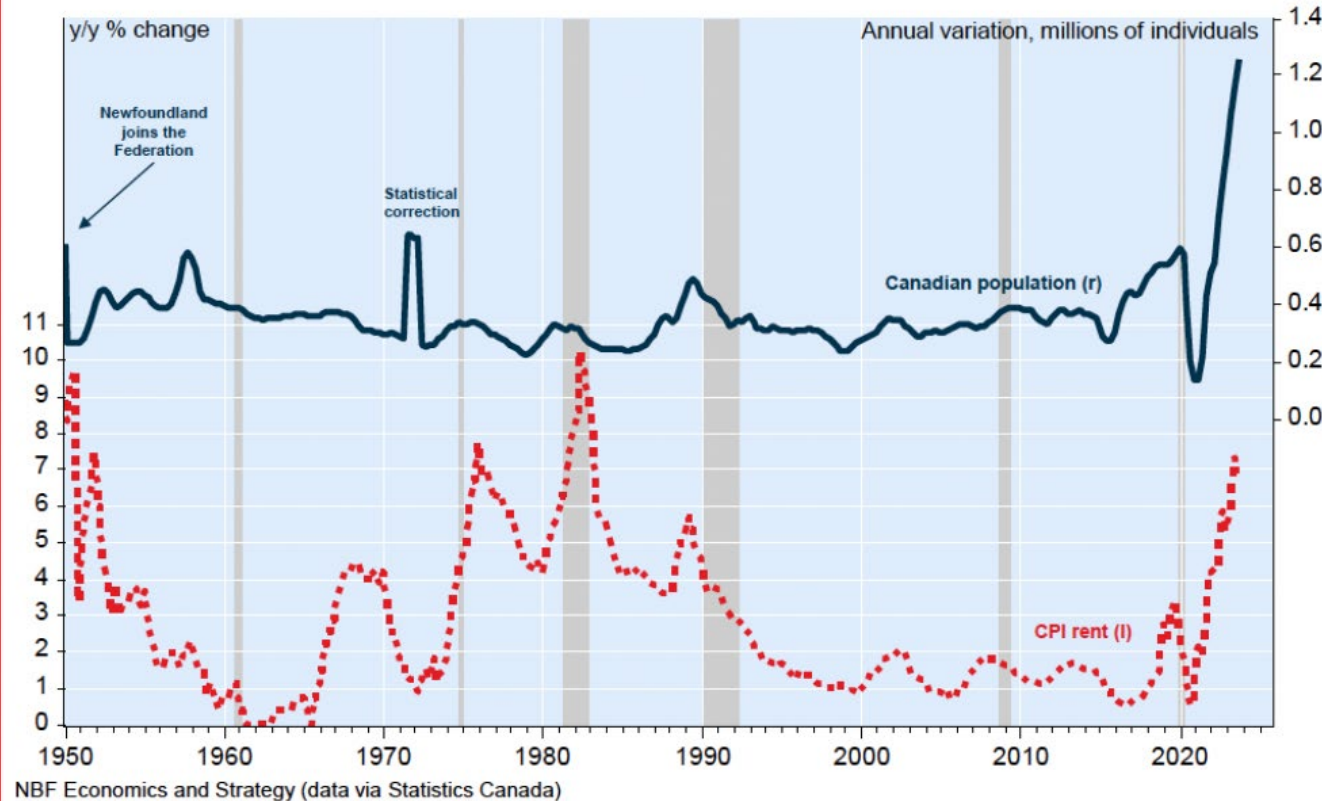


Chart courtesy of Dr. Mike Moffatt (Source: X)

# IMMIGRATION ACCELERATES RENT INFLATION

## Canada: Population boom keeps inflation resilient

Annual growth in total population and rent component in CPI



Source: National Bank Financial

Courtesy of Mortgage Logic News



# Government Cap On Temporary Residents





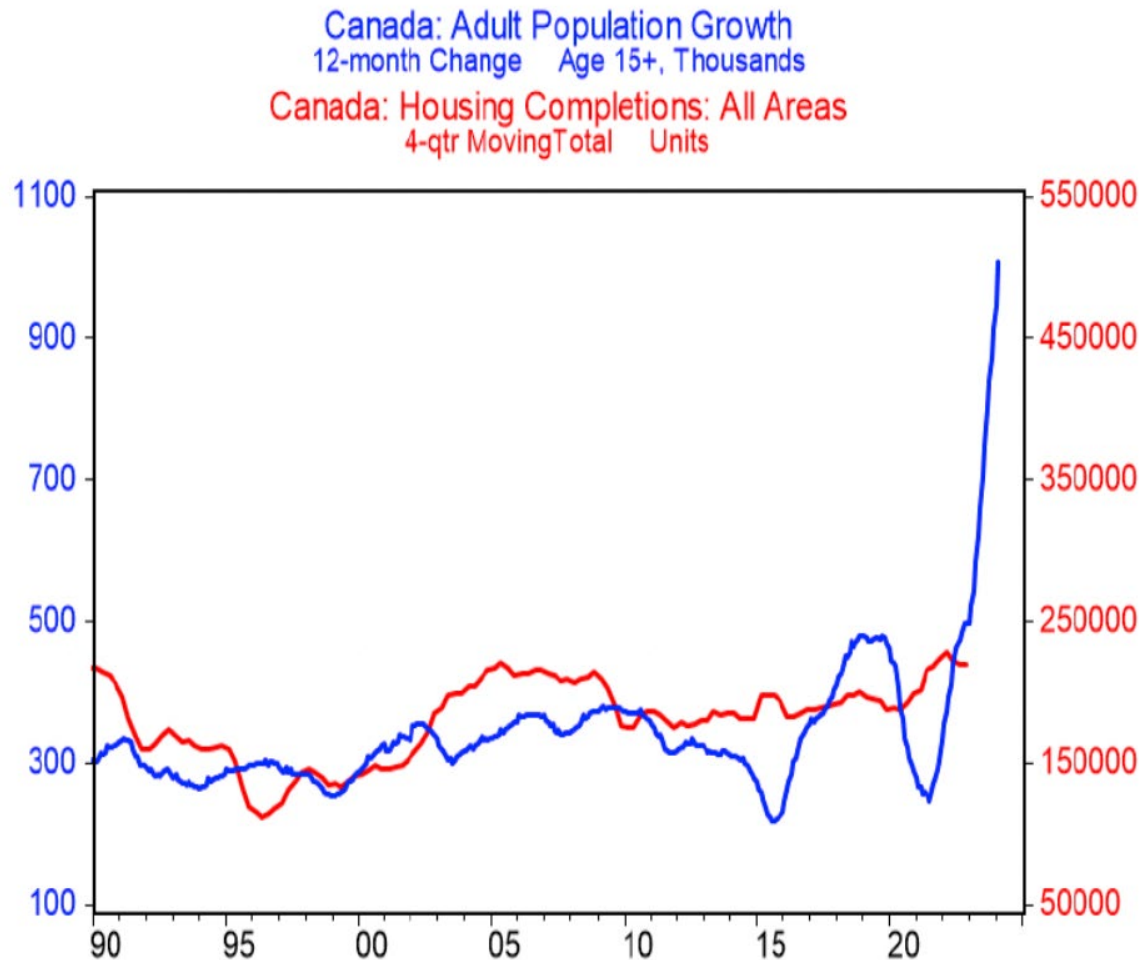
# TEMPORARY RESIDENT INFLOWS CUT

- Reduces Housing Demand
- Slows The Economy
- Tempers Interest Rates

But Population Growth Will Remain Well Above  
Home Completions



# NO WAY TO MEET HOUSING DEMAND



Sources: Statistics Canada, Canada Mortgage and Housing Corporation

**It would take 500K housing completions per year to meet the surge in housing demand. We have never seen even half that amount in a single year.**

Courtesy of Mortgage Logic News And BMO



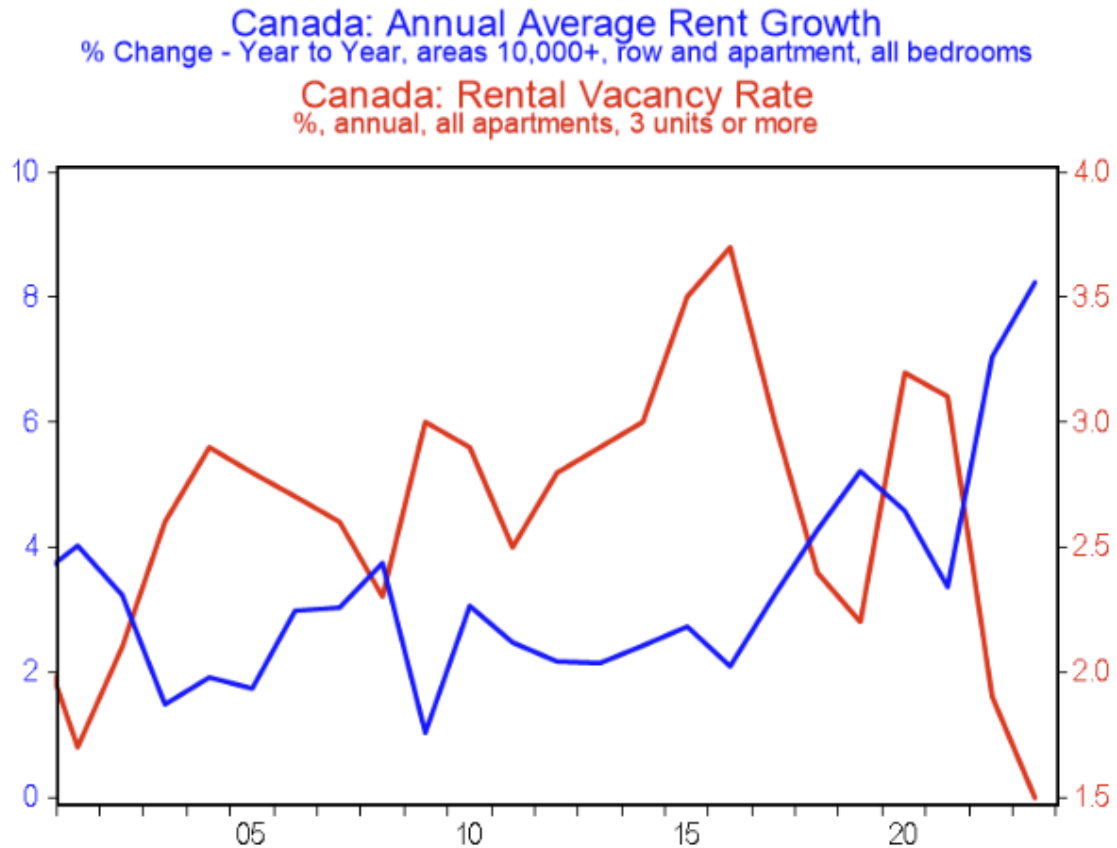
# HOUSING SHORTAGE REMAINS



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# RENT INFLATION IS PEAKING



Source: Canada Mortgage and Housing Corporation

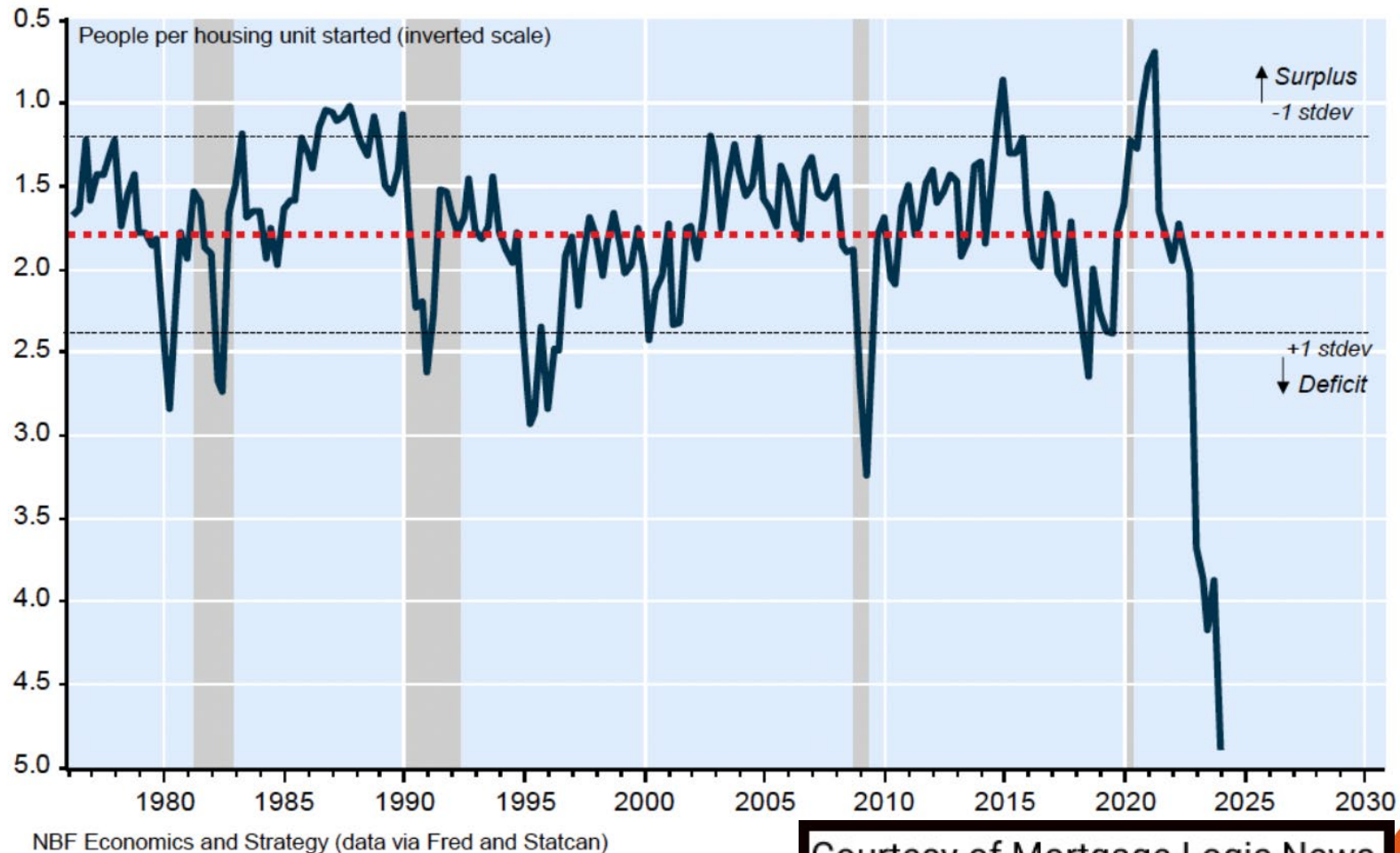
- Population Growth Will Slow From 3% to 1% 2025
- Construction of Rental Units Is At Record Highs

Source: BMO Economics

# ONLY ONE HOUSING START PER 4.9 PEOPLE IN WORKING-AGE POPULATION

## Canada: Housing supply deficit hit new record in 2024Q1

Ratio of growth in working-age population to housing starts (quarterly data)

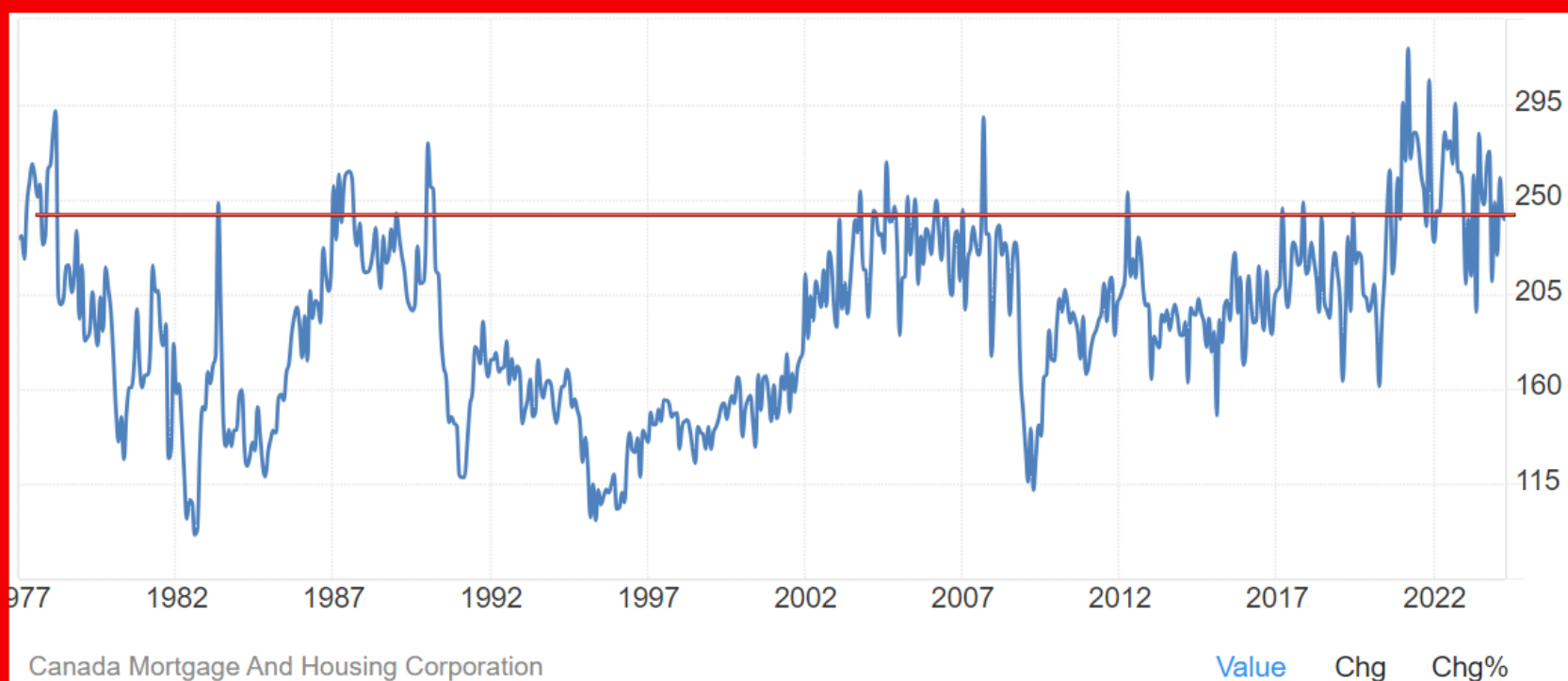


Courtesy of Mortgage Logic News

The historical norm is one start per 1.8 working-age people



# HOUSING STARTS ARE WOEFULLY INADEQUATE



The same level of starts as in the 1970s, with nearly double the population



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# NEED 100,000 NEW CONSTRUCTION WORKERS



**Most will be temporary foreign  
workers hoping to become  
citizens.**



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