

# Economic and Housing Outlook

Mortgage Investment Association of British Columbia

December 8, 2020

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Central 1 Credit Union

# Modern health crises: Recession and Recovery

Six post-war disease crises: the 1968 Flu (aka Hong Kong Flu), SARS (2003), H1N1 (2009), MERS (2012), Ebola (2014), and Zika (2016).

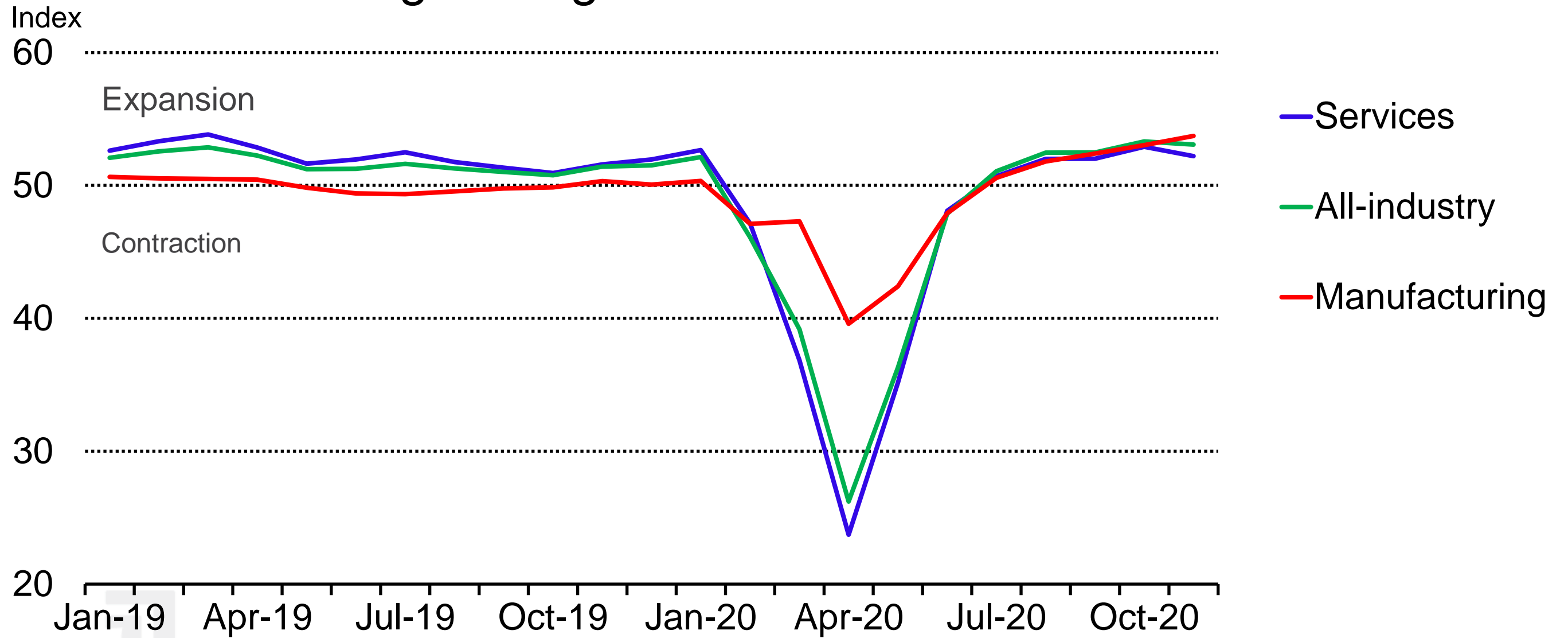
GDP growth contractions are immediate and sizeable, with some affected countries experiencing larger drops than others. Bounce-back in GDP growth is immediate, but GDP is still below pre-shock levels five years later.

The negative effect on GDP is felt less in countries with larger first-year responses in government spending, especially on health care, and the indirect effects on GDP growth from affected trading partners are also important.

Source: Modern health crises: Recession and recovery Chang Ma, John Rogers, Sili Zhou. 13 May 2020  
<https://voxeu.org/article/modern-health-crises-recession-and-recovery>

# Recovery losing momentum

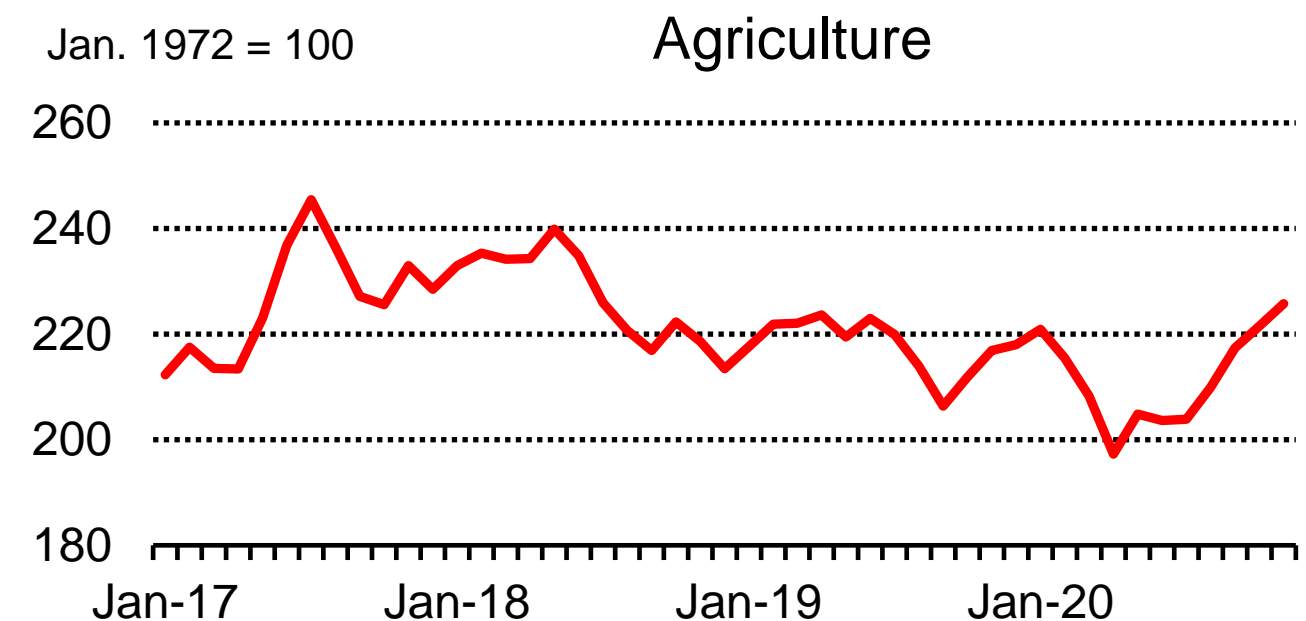
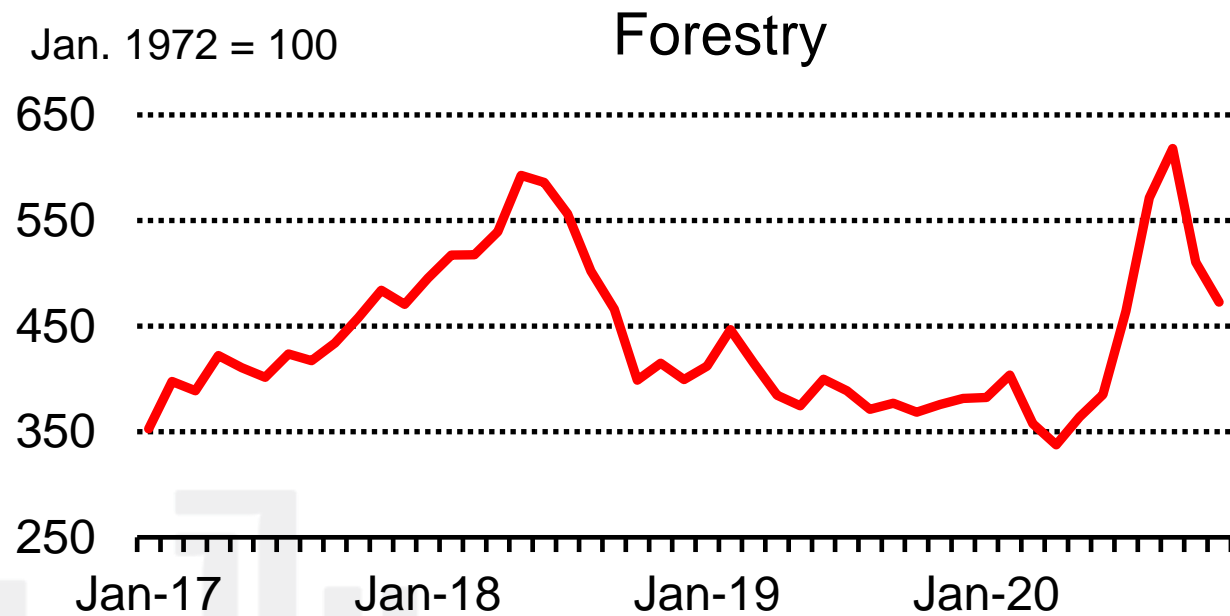
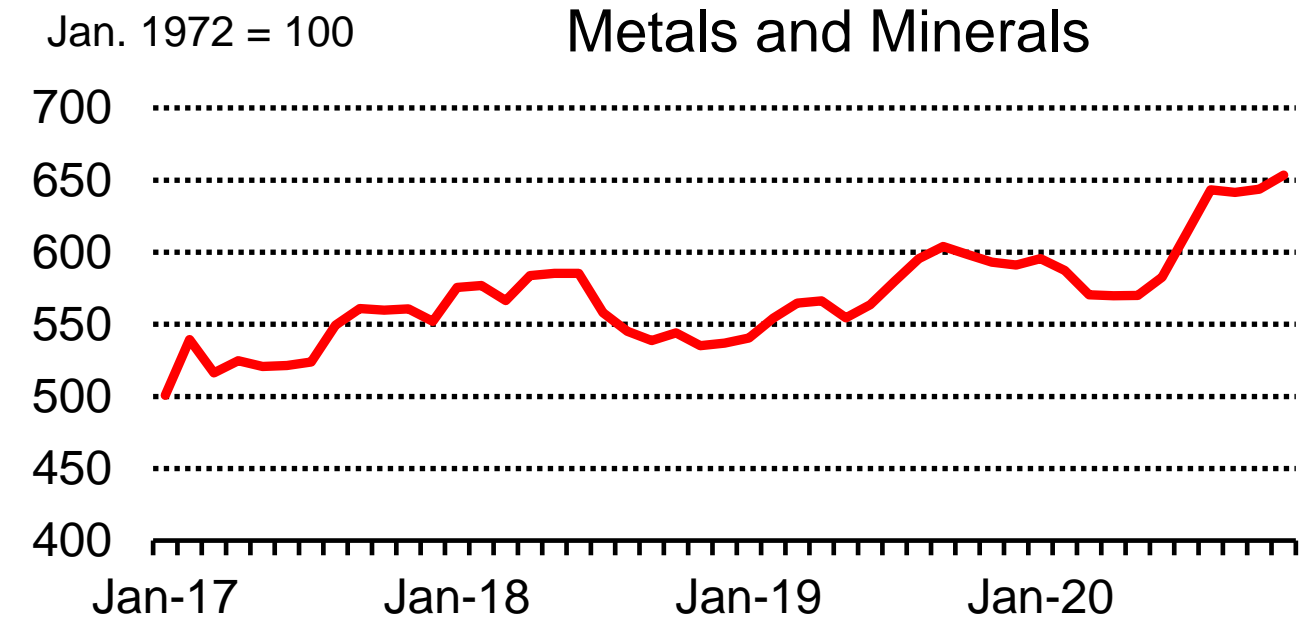
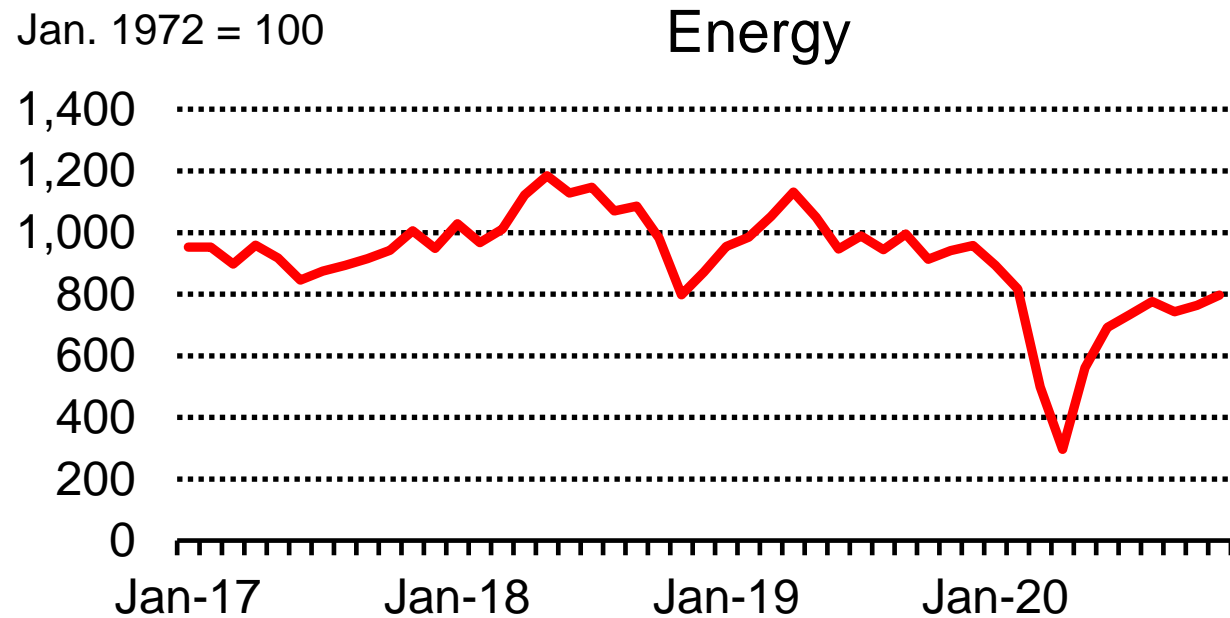
## Global Purchasing Managers' Indexes



Source: JP Morgan IHS Markit. Note: Seasonally adjusted.

Latest: Nov-20

# Commodity price trends

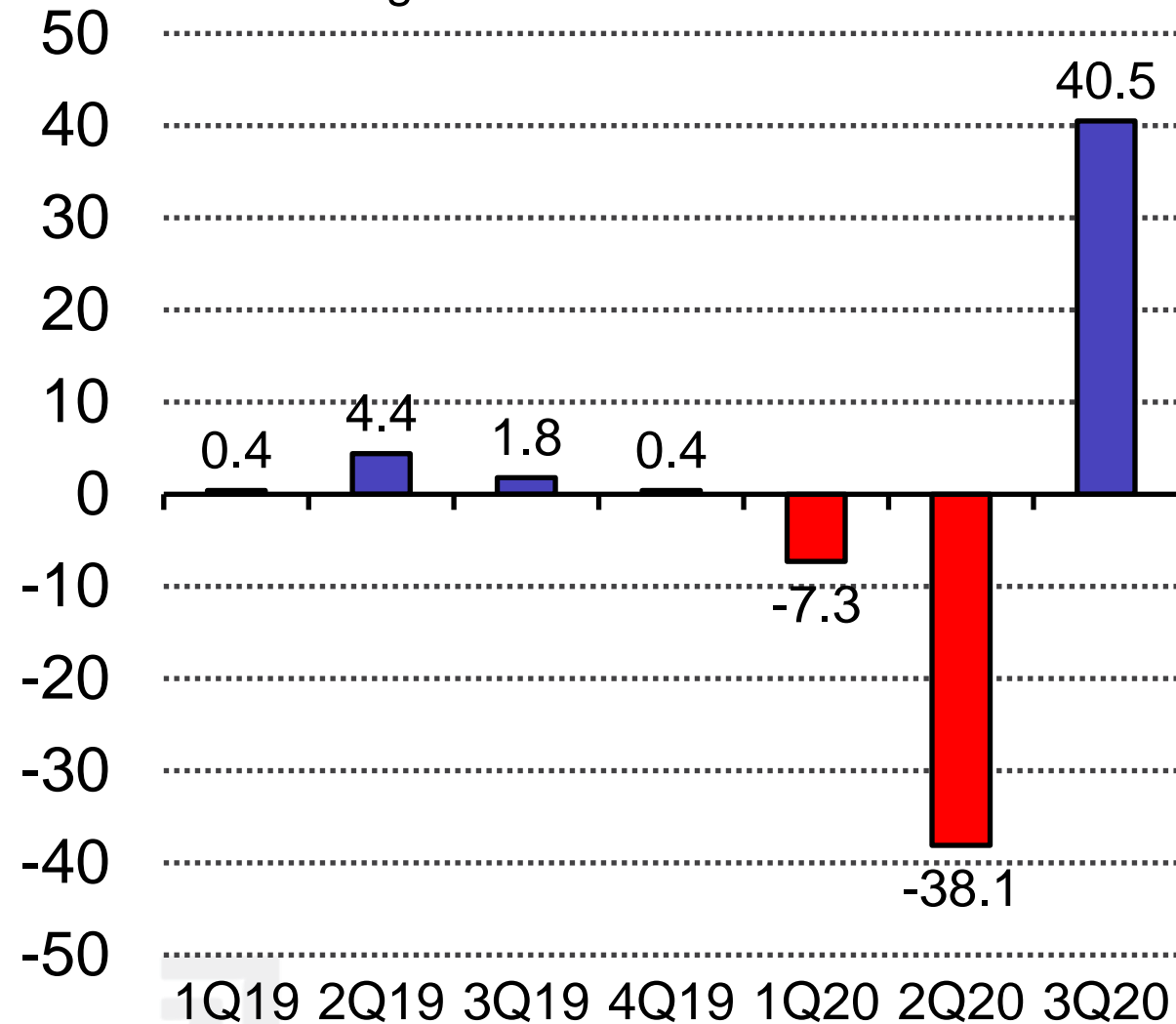


Source: Bank of Canada. Note: Product groups in USD. Latest: Nov-20

# Sudden, sharp, short recession; recovery underway

## Canada Quarterly GDP

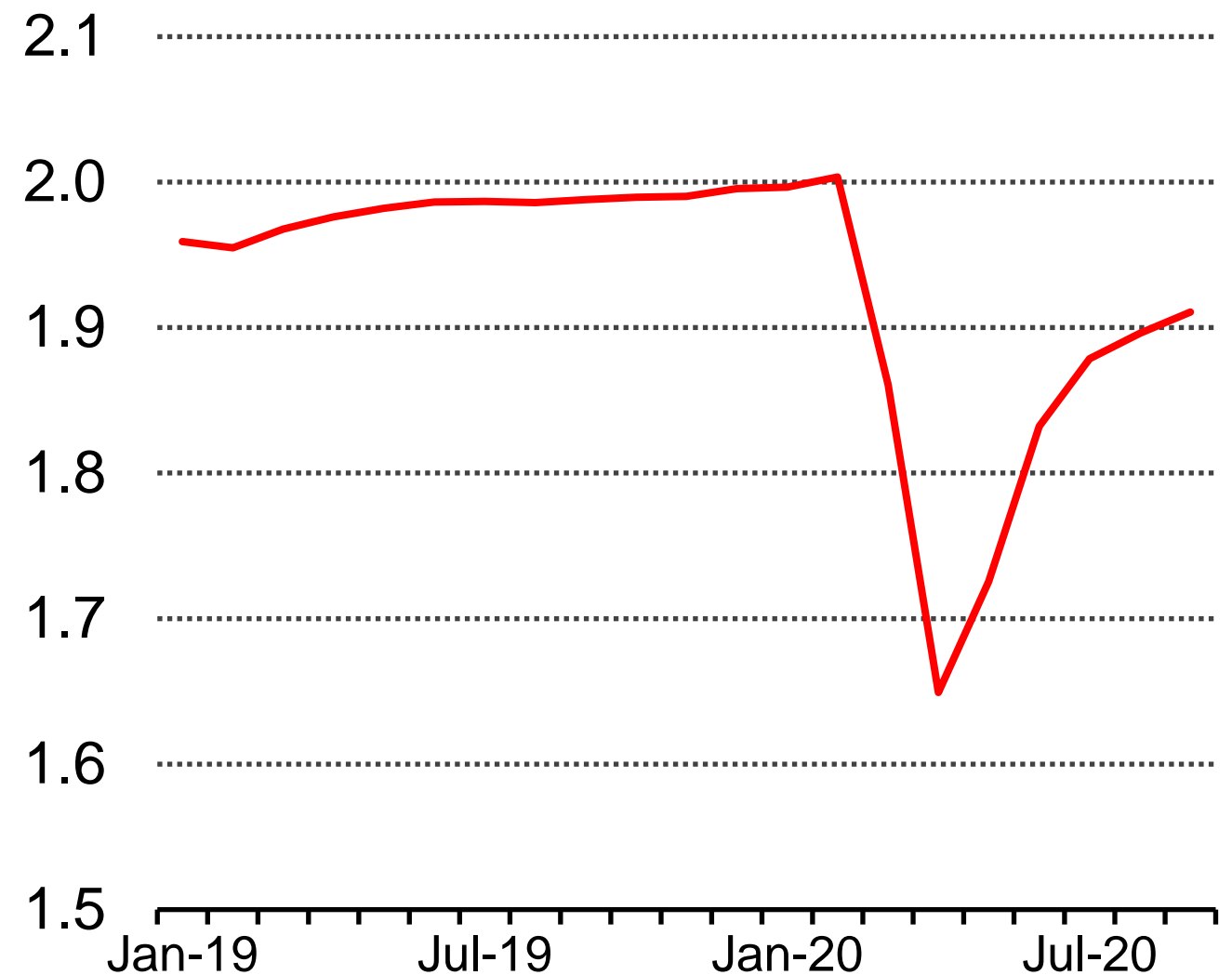
Per cent change at annual rate



Source: Statistics Canada.

## Canada Monthly GDP

Chained 2012 dollars - trillions

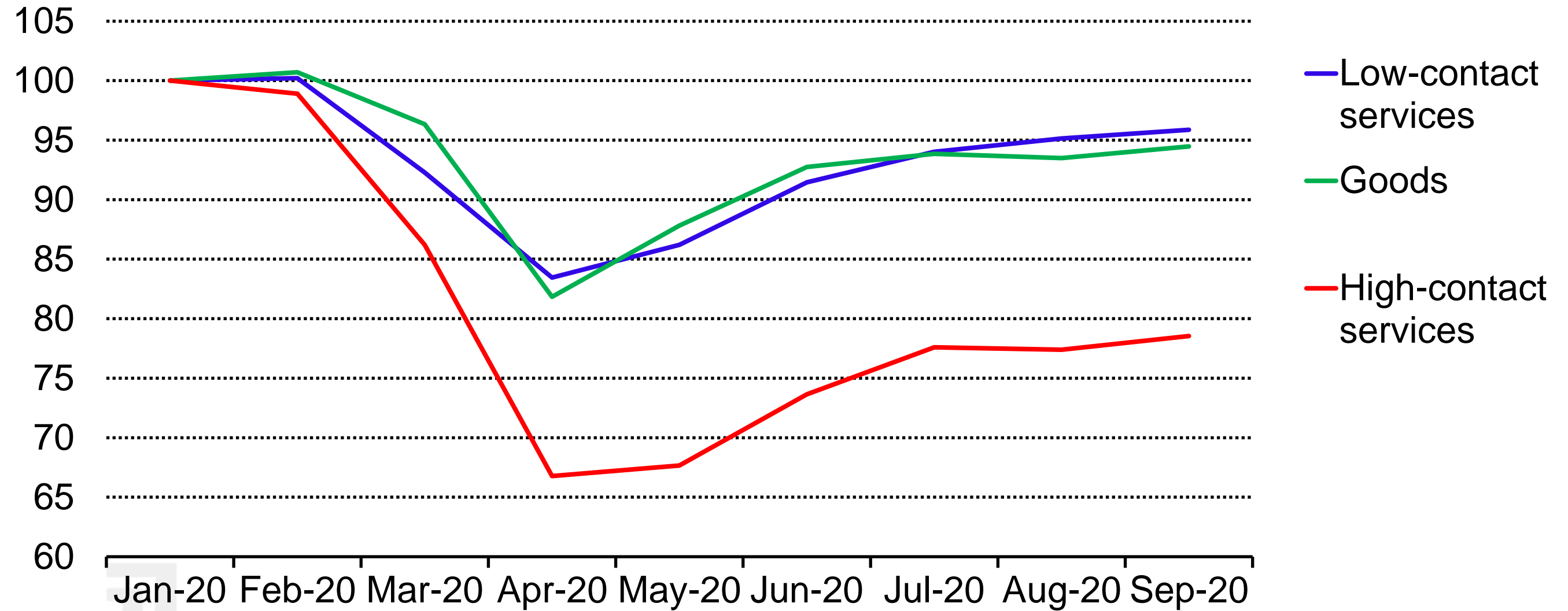


Latest: Sep-20

# Uneven sector impacts

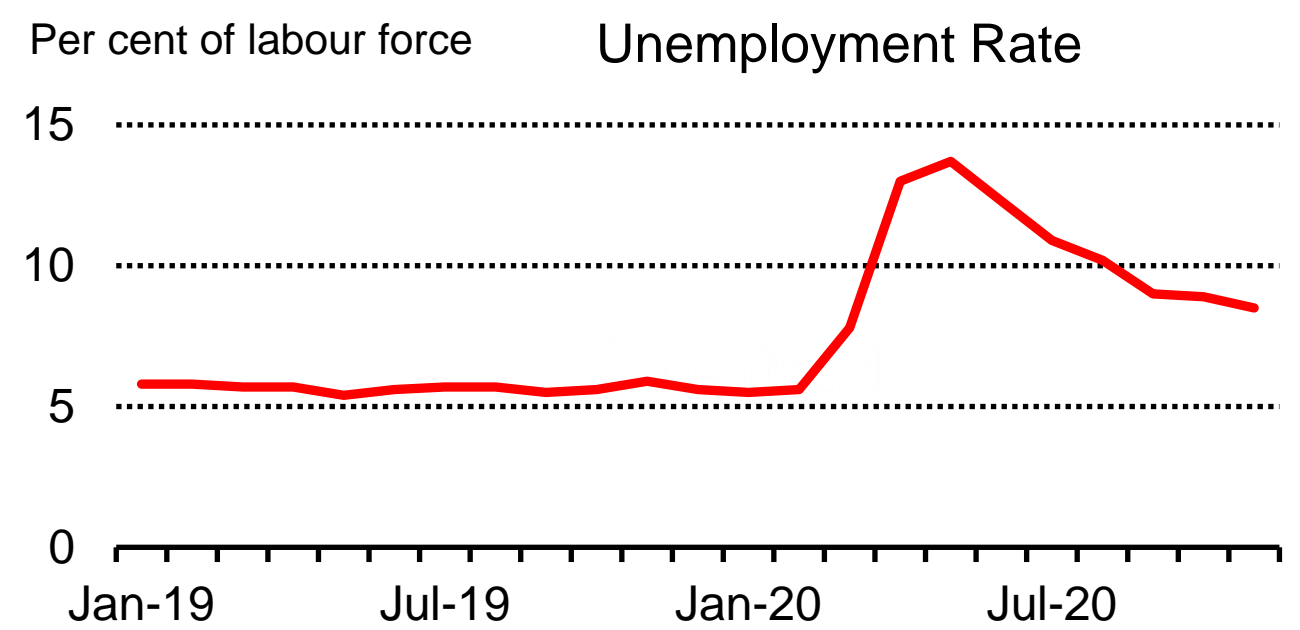
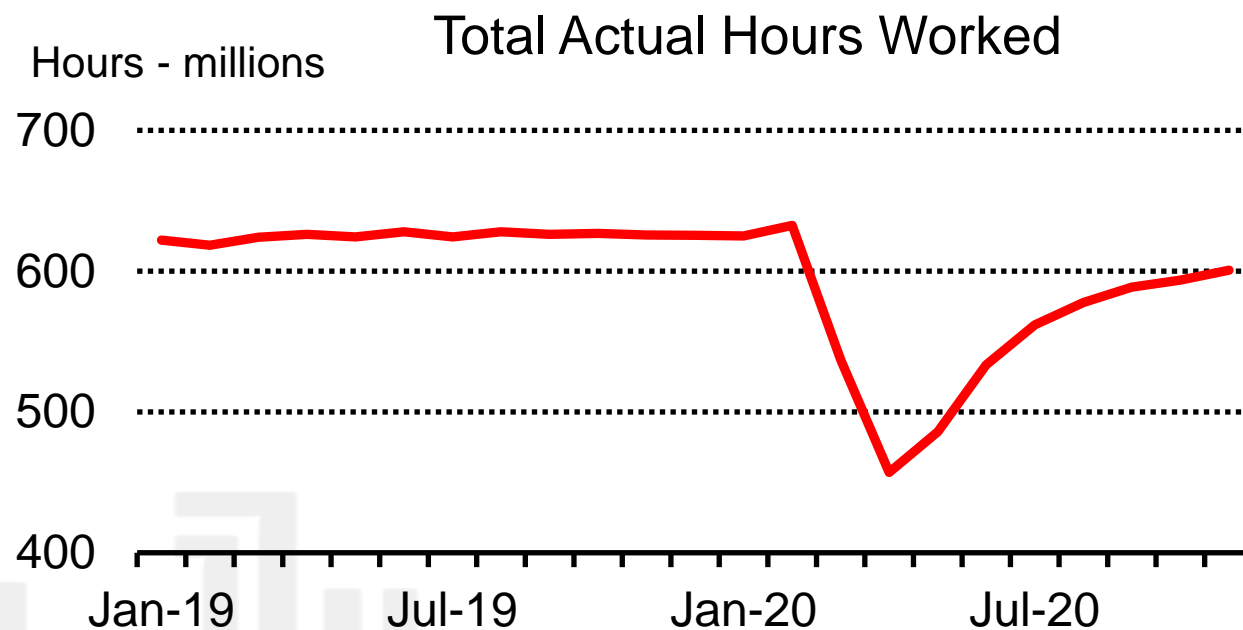
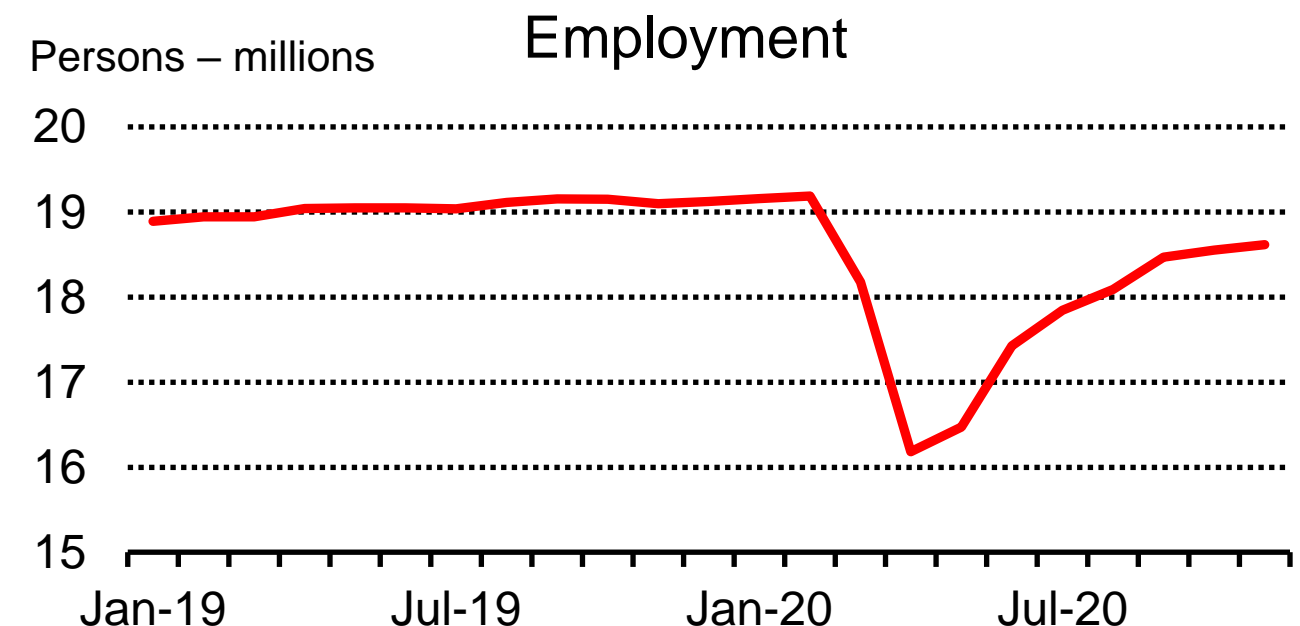
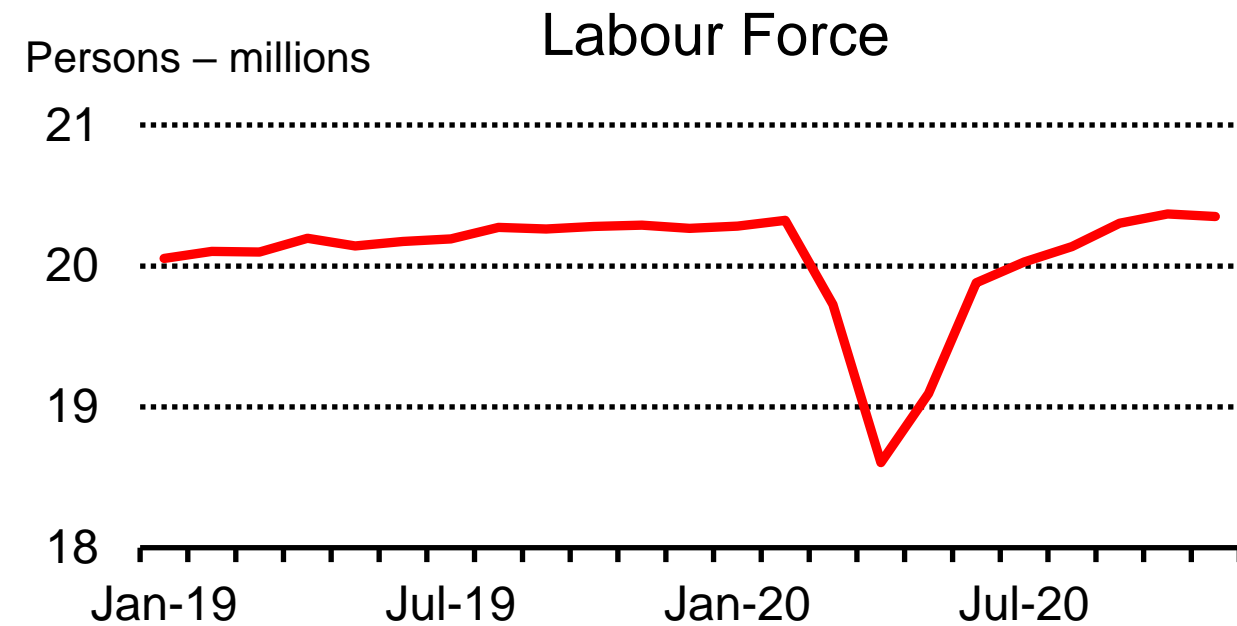
## Industry GDP by Selected Sectors, Canada

Index Jan. 2020 = 100



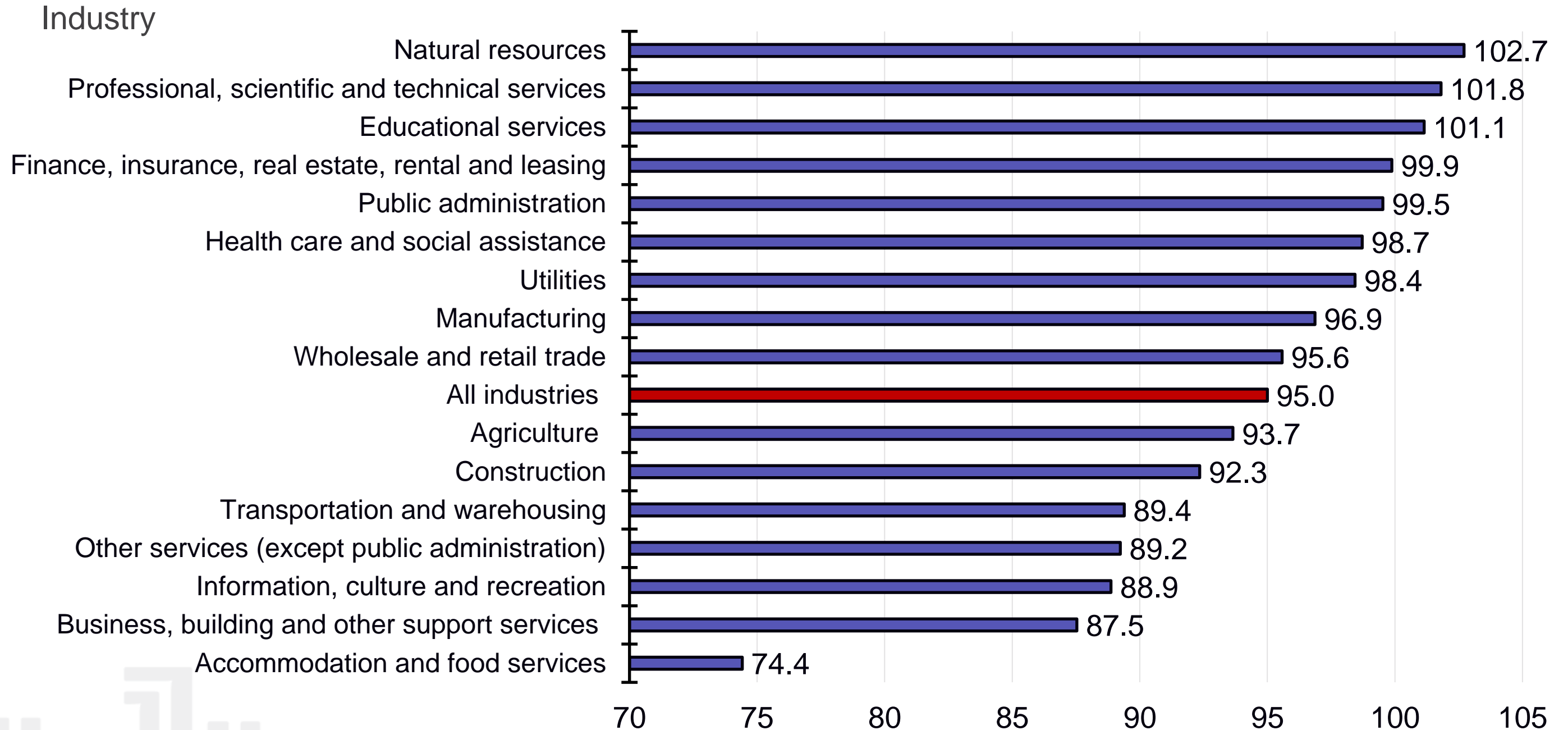
Source: Statistics Canada, Central 1. High-contact services” refers mainly to transportation, food and accommodation, arts entertainment and recreation and personal care. “Low-contact services” refers to other service-producing sectors.

# Labour market trends: Canada



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Nov-20

# Per cent of actual hours worked recovered since February 2020, Canada



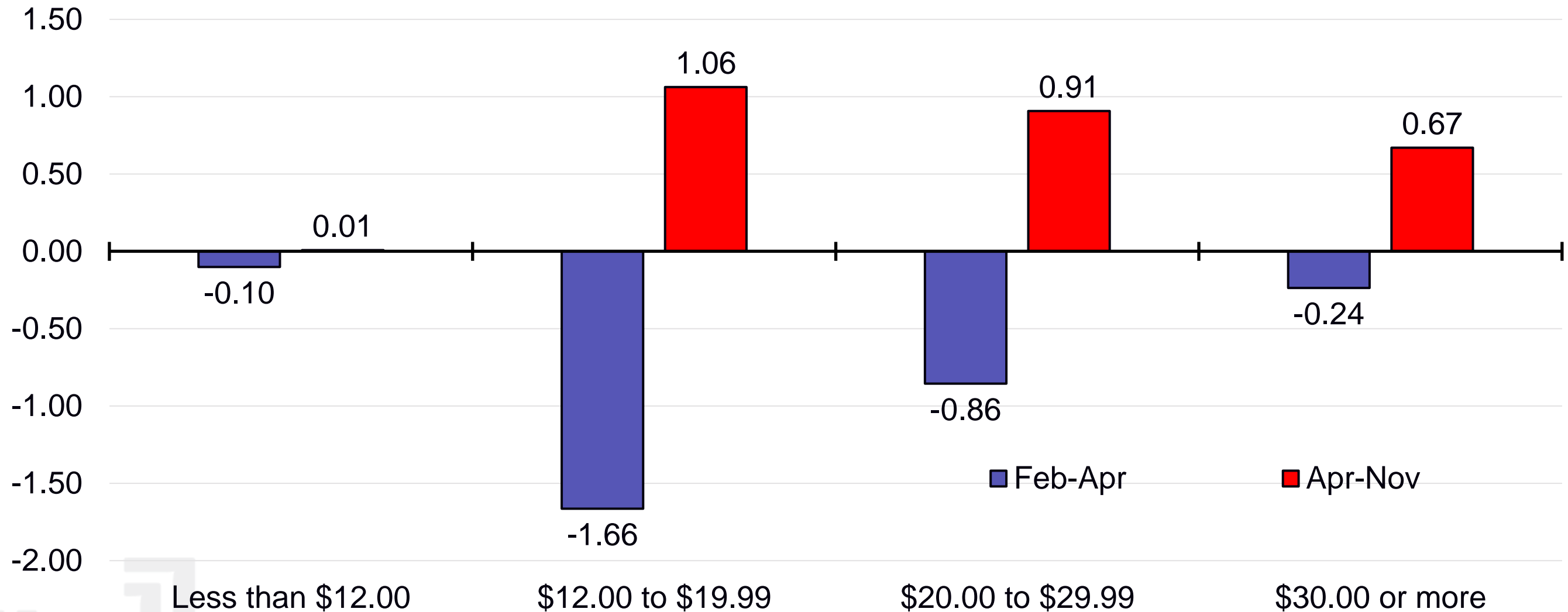
Source: Statistics Canada, Central 1. Note: Main job, seasonally adjusted.



# Lower wage workers most affected

## Employment change by Hourly Wage, Canada

Persons – millions

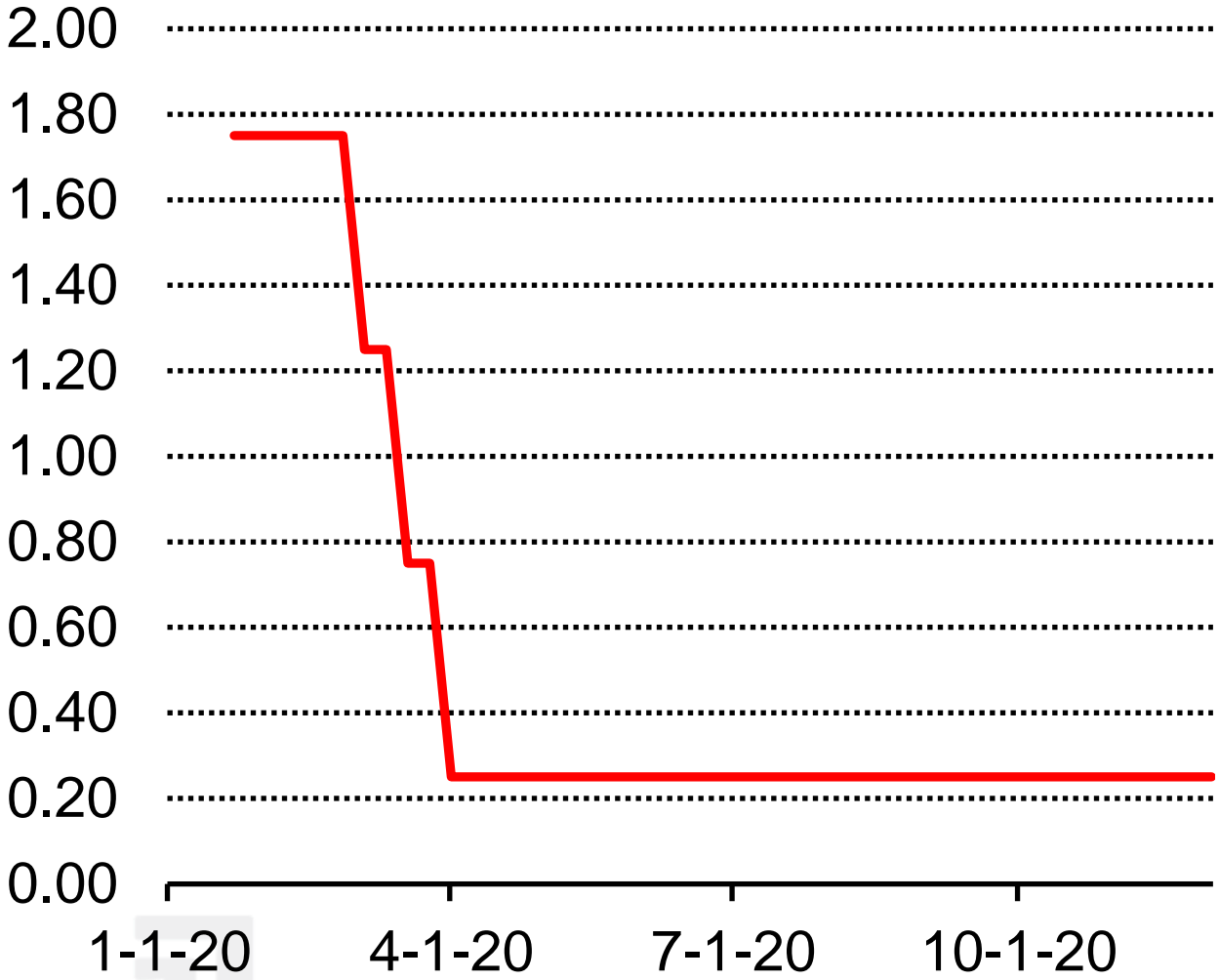


Source: Statistics Canada. Note: Actual, not seasonally adjusted.

# Bank of Canada cuts rate and buys bonds

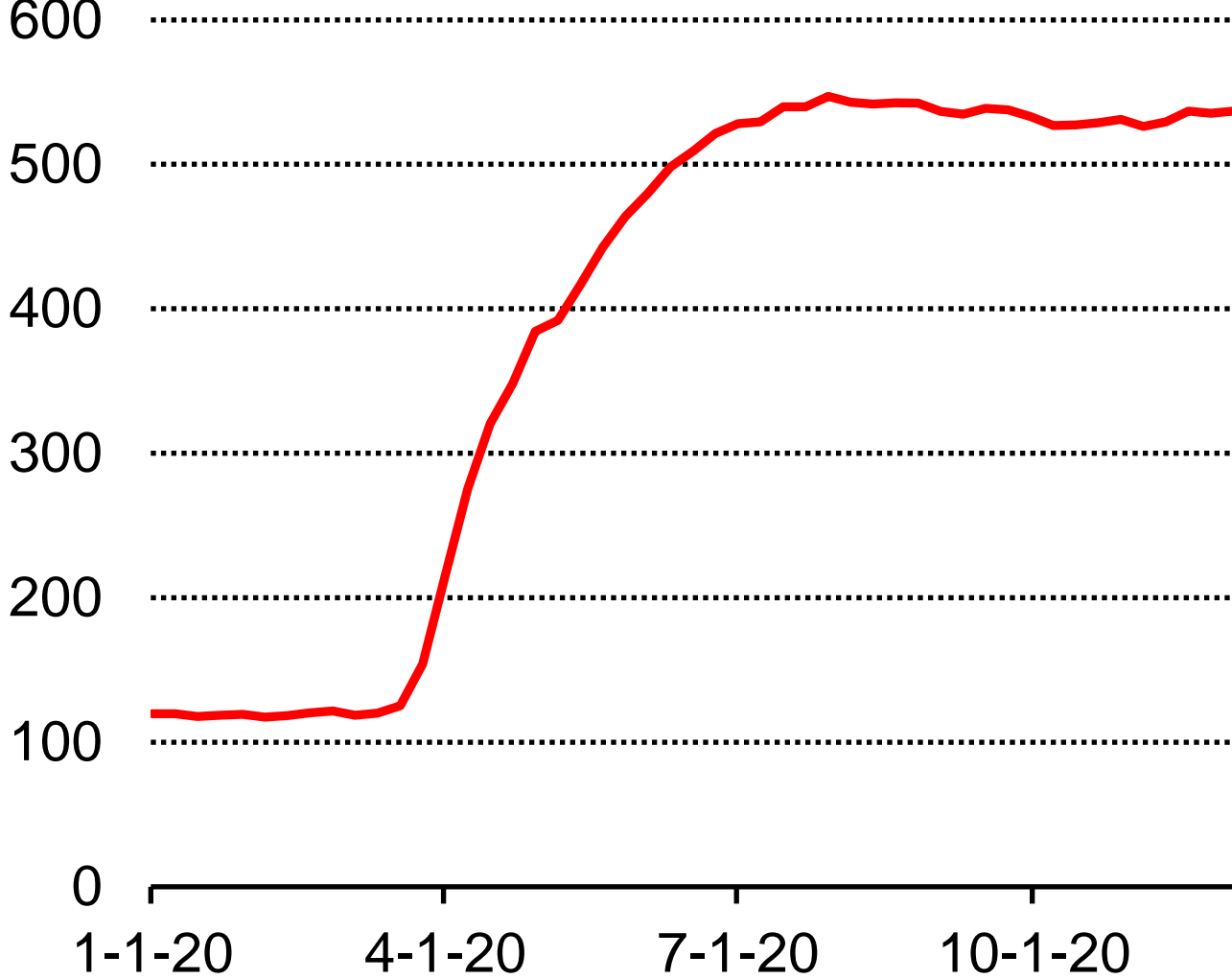
## BoC Overnight Target Rate

Per cent



## BoC Balance Sheet

Dollars - billions



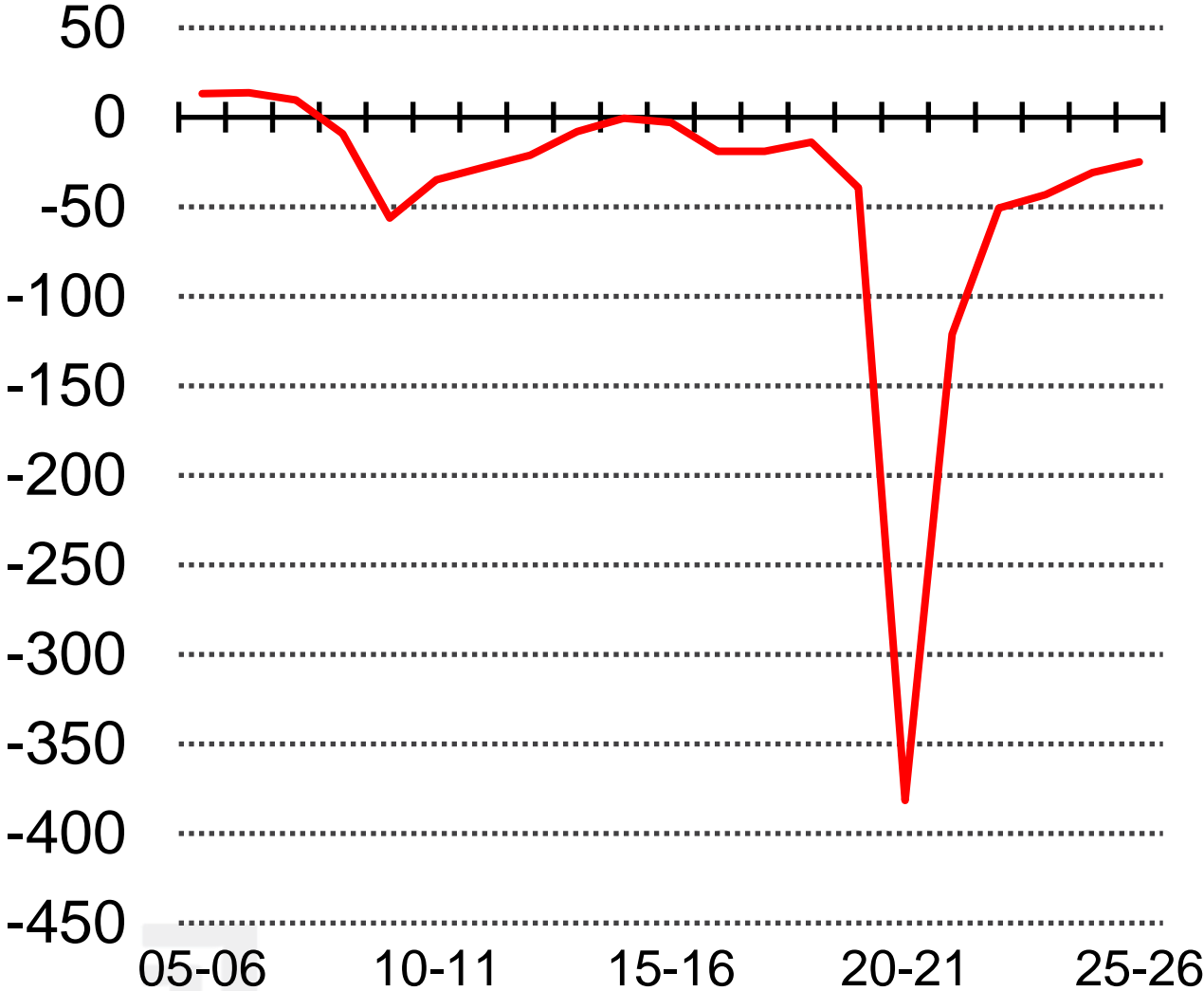
Source: Bank of Canada.

Latest: 12/02/20

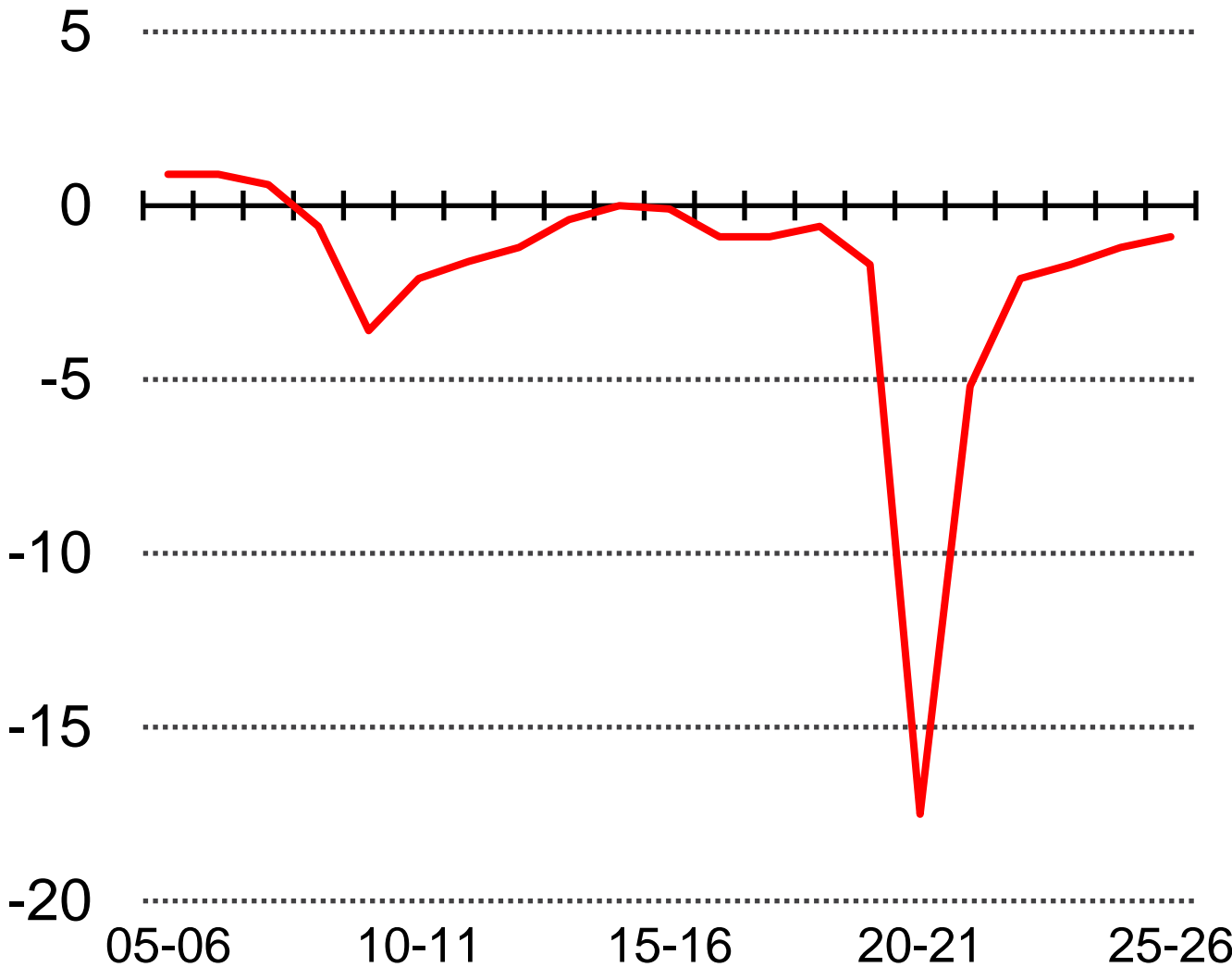
# Recession and fiscal supports drive large deficit

## Federal Government Budgetary Balance

Dollars - billions



Per cent of GDP

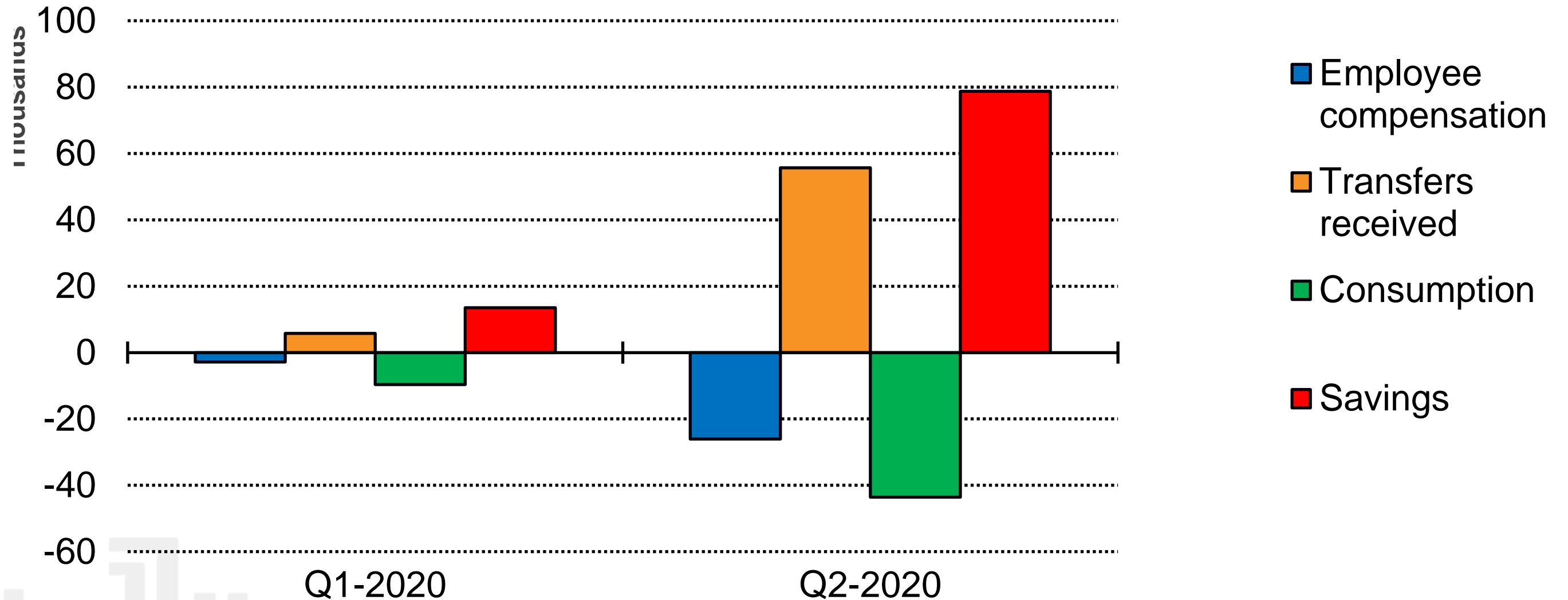


Source: Federal Fiscal Reference Tables, Fall Economic Statement 2020.

# Income transfers and consumption drop drive savings surge

## Change in Household Income, Spending and Savings

Dollars - billions

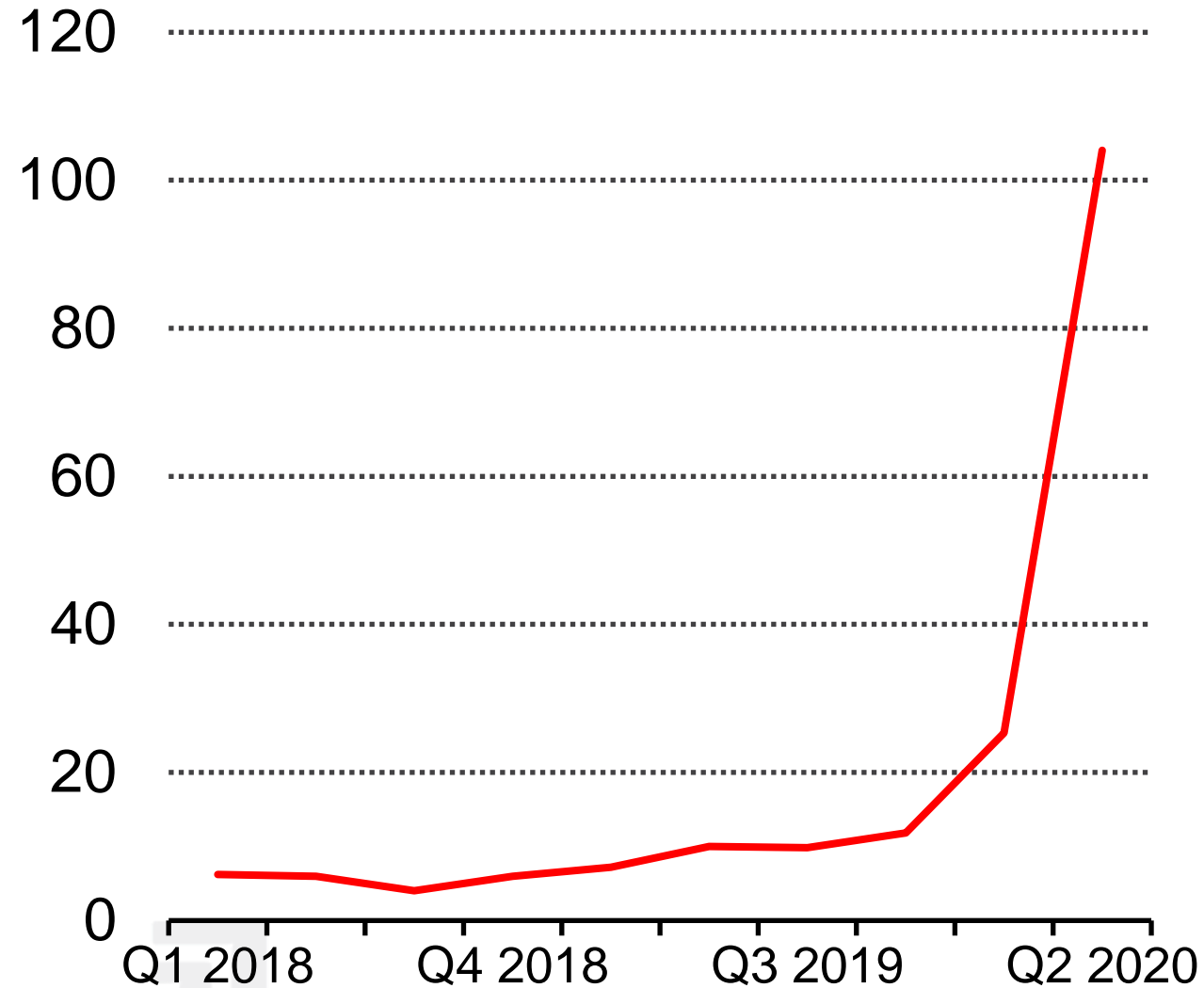


Source: Statistics Canada. Note: Seasonally adjusted

# Sharp surge in household savings

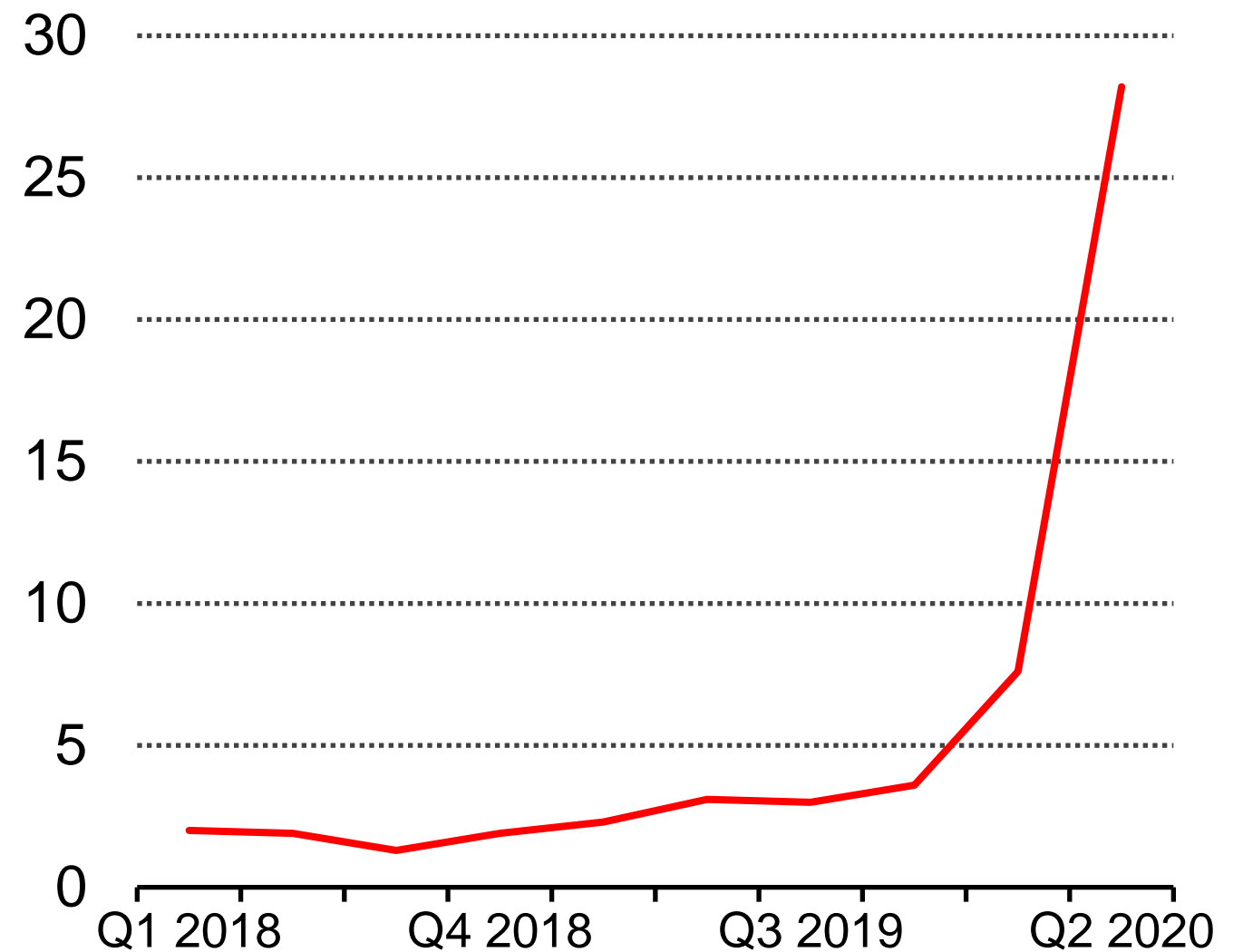
## Household Savings, Canada

Dollars - billions



## Household Savings Rate, Canada

Per cent

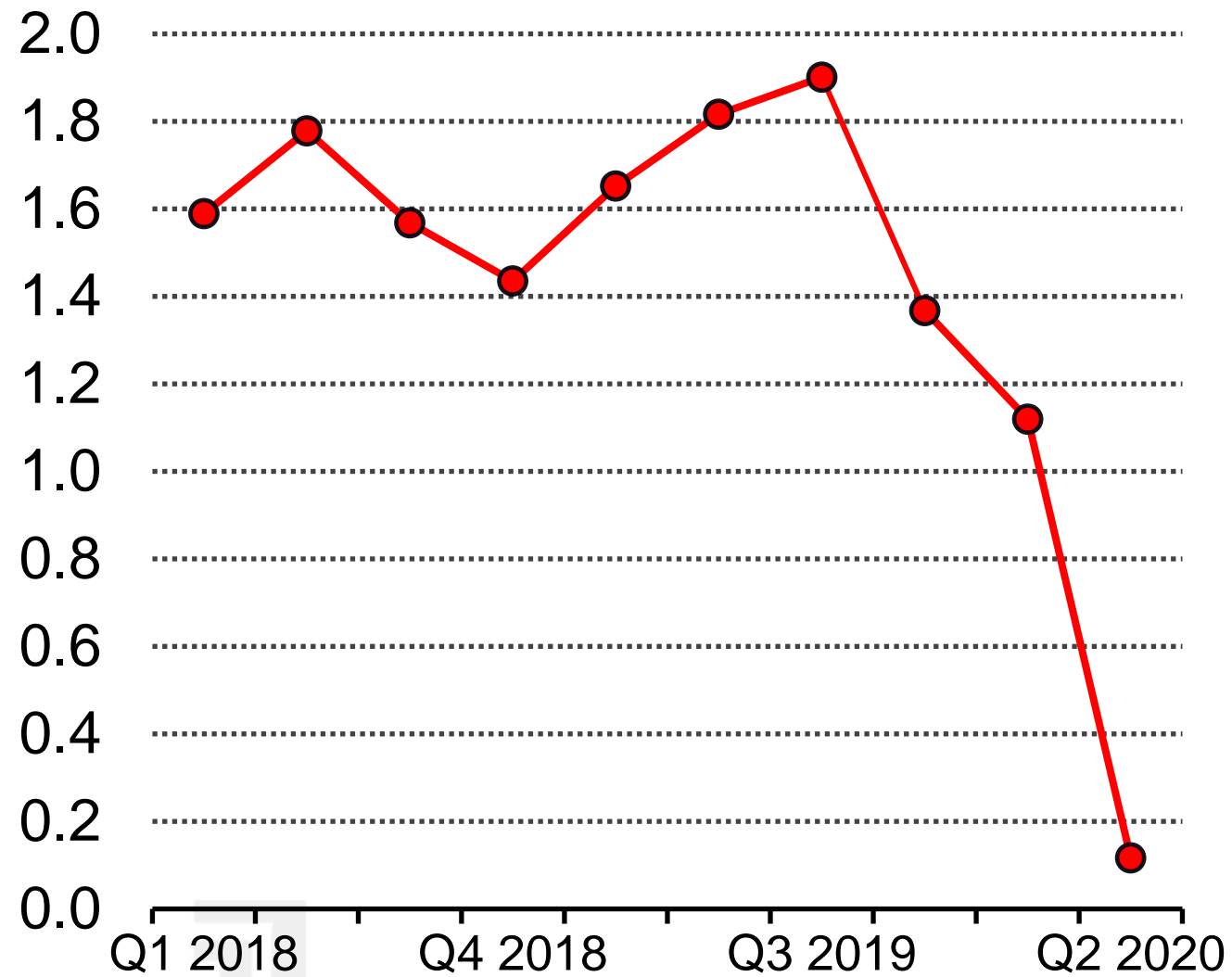


Source: Statistics Canada Note: Seasonally adjusted.

# Population growth dives during pandemic

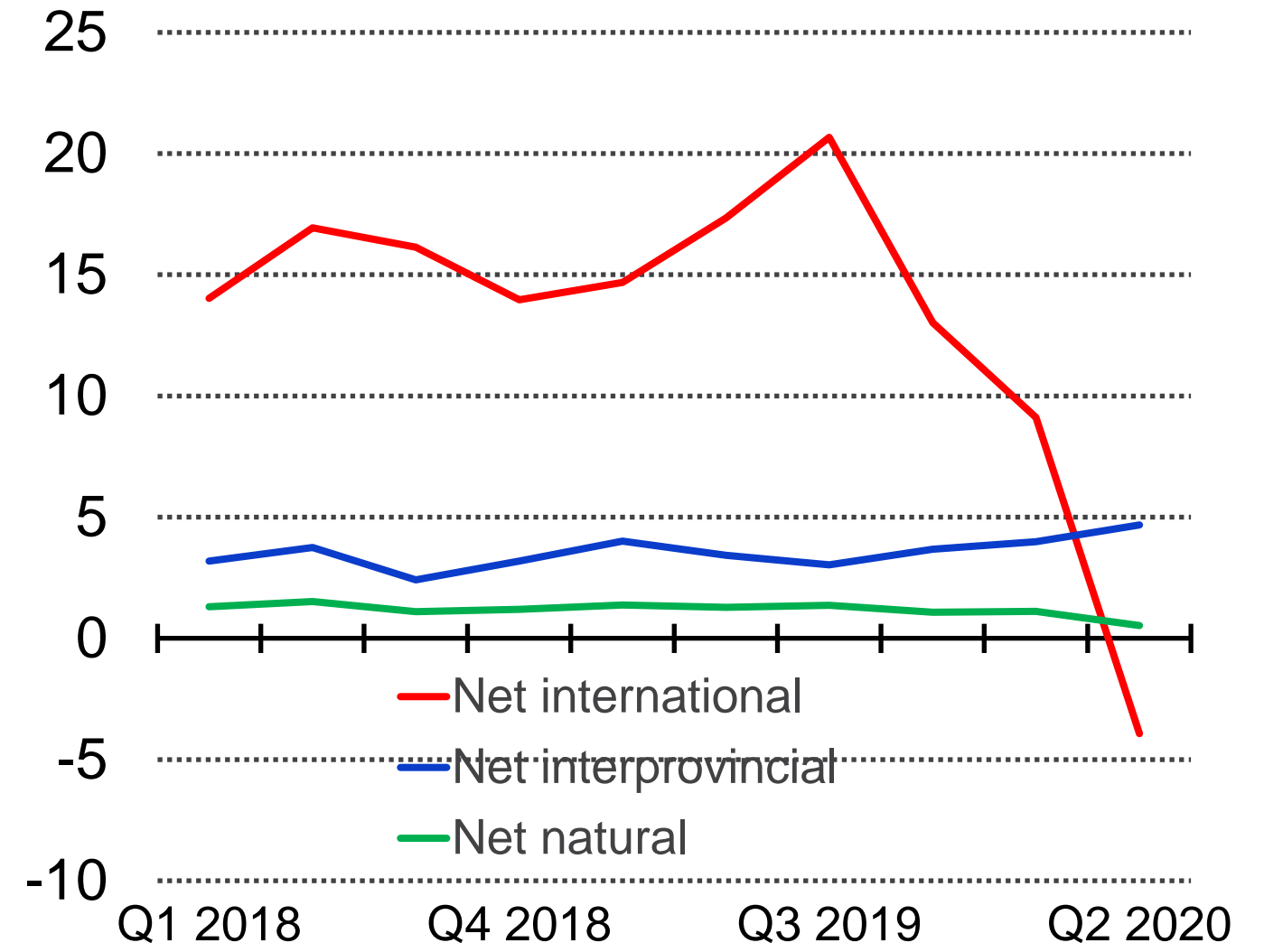
## Population Growth, B.C.

Per cent change at annual rate



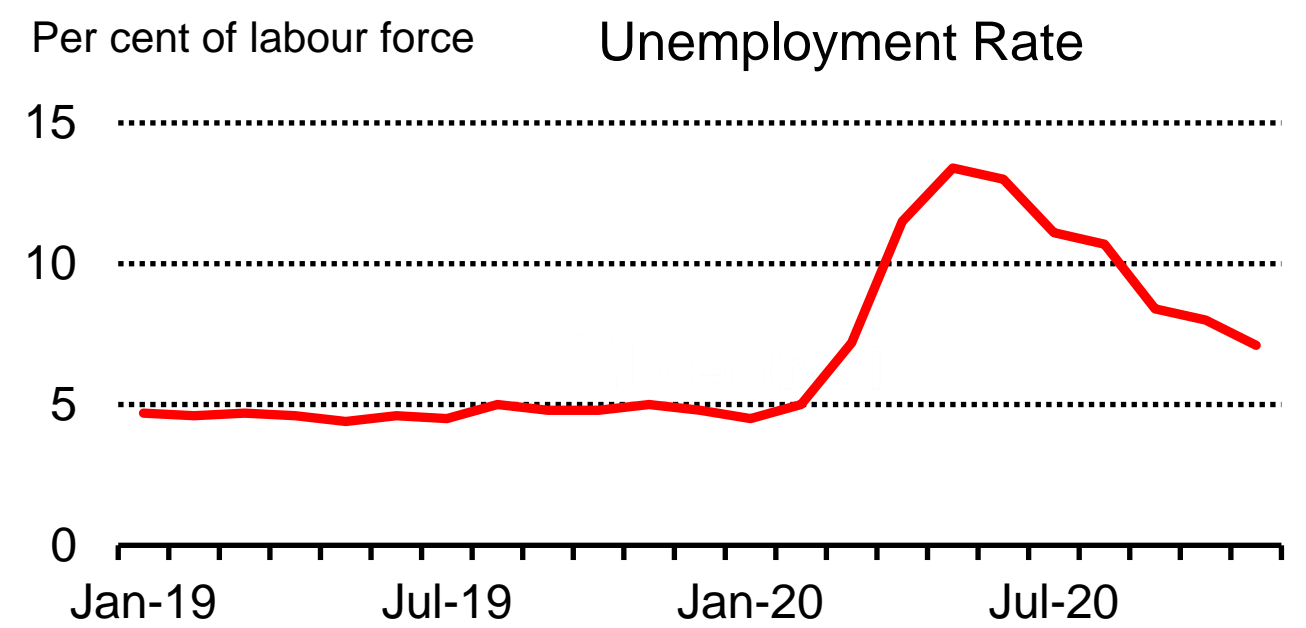
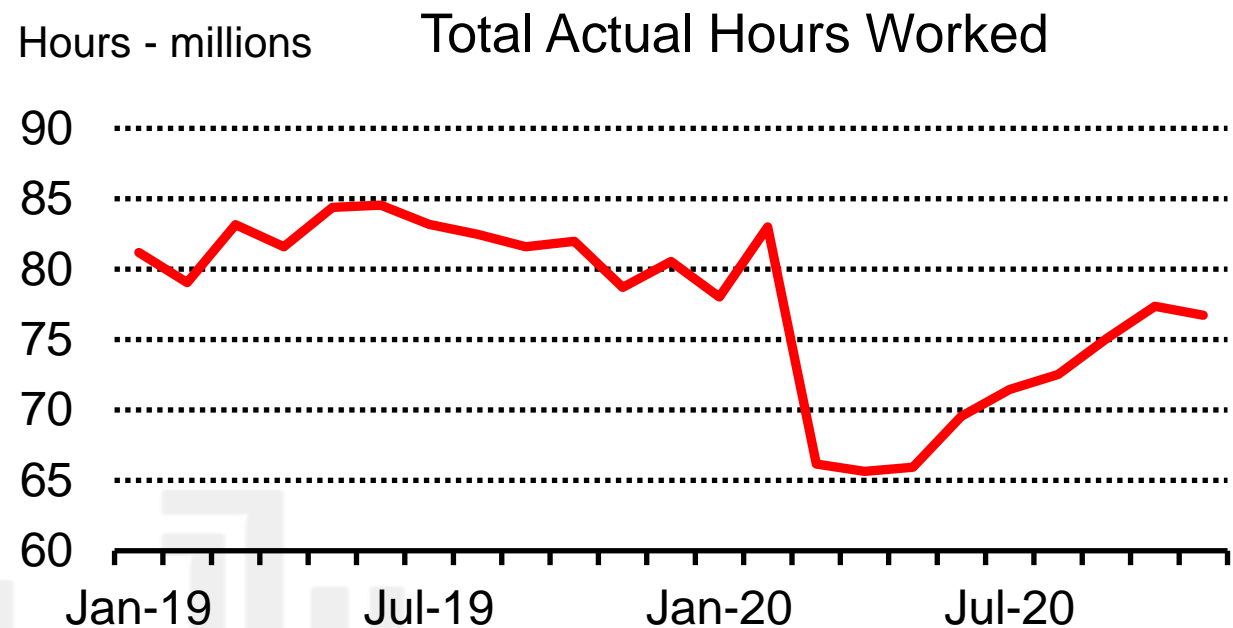
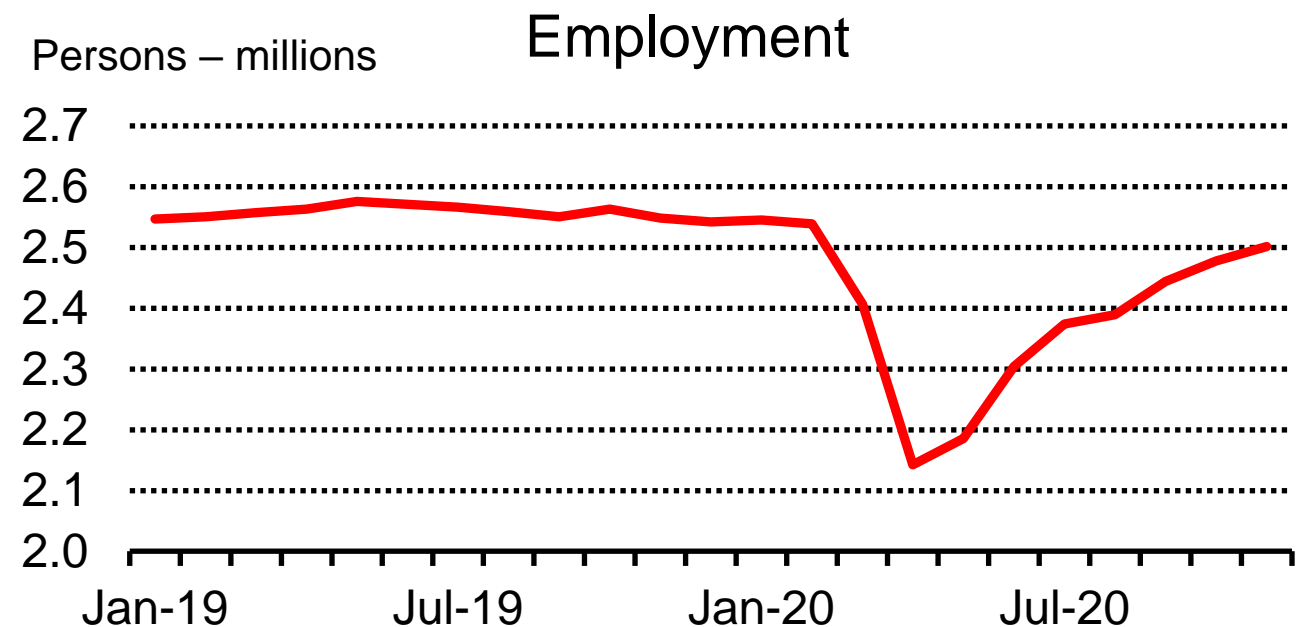
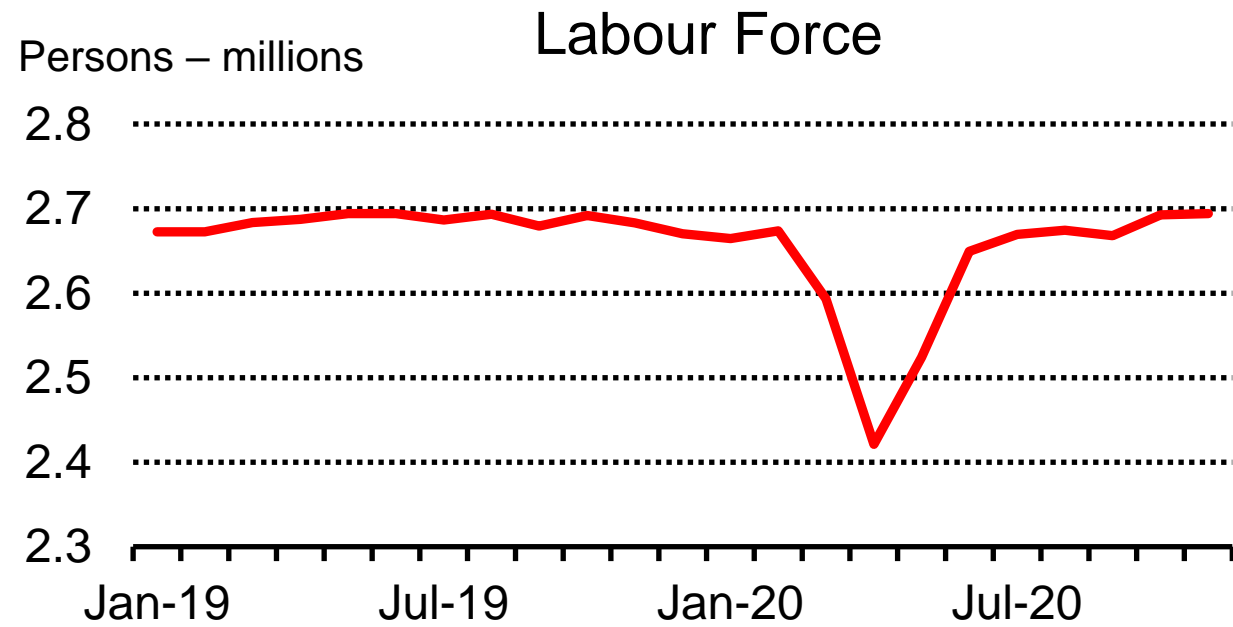
## Components of Population Growth, B.C.

Persons - thousands



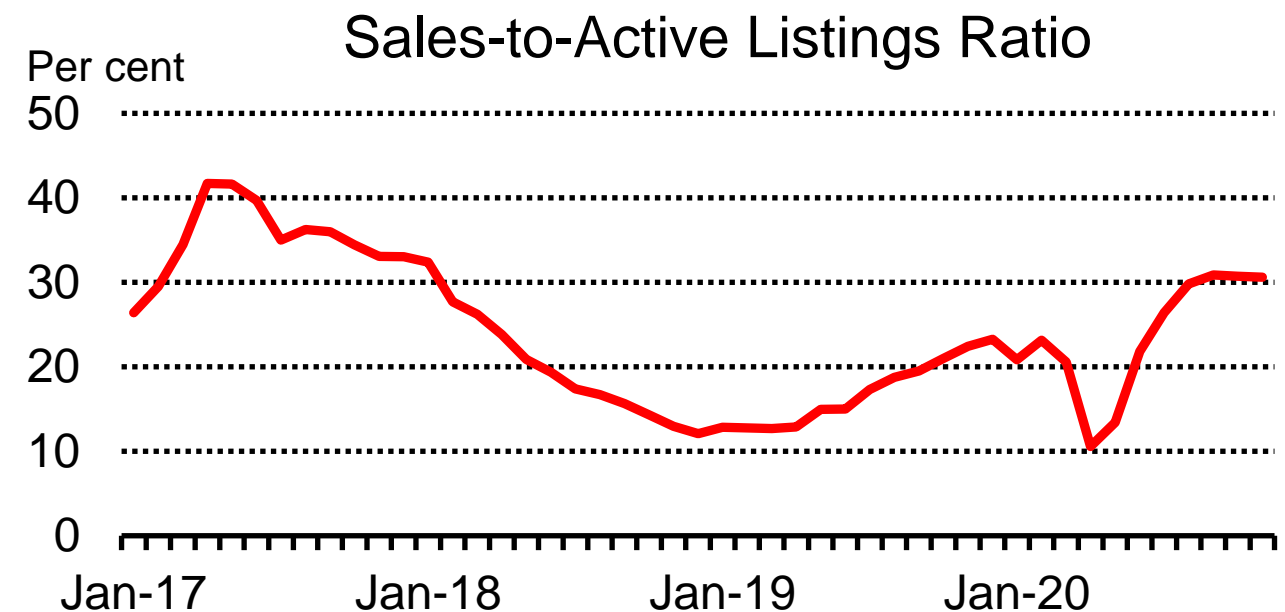
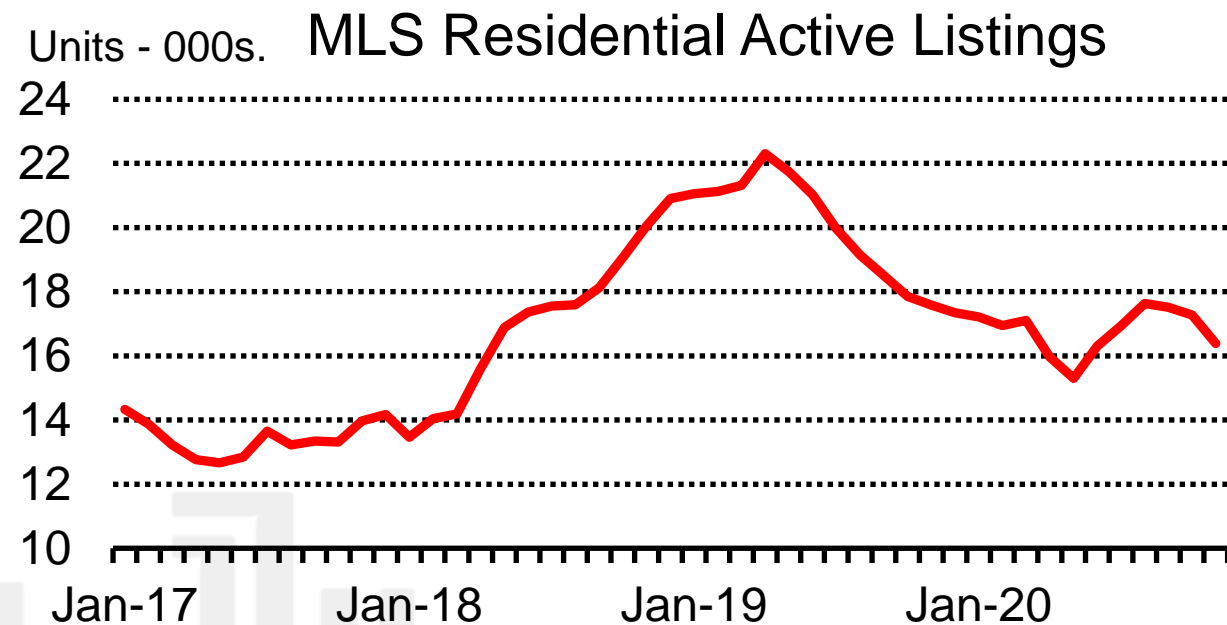
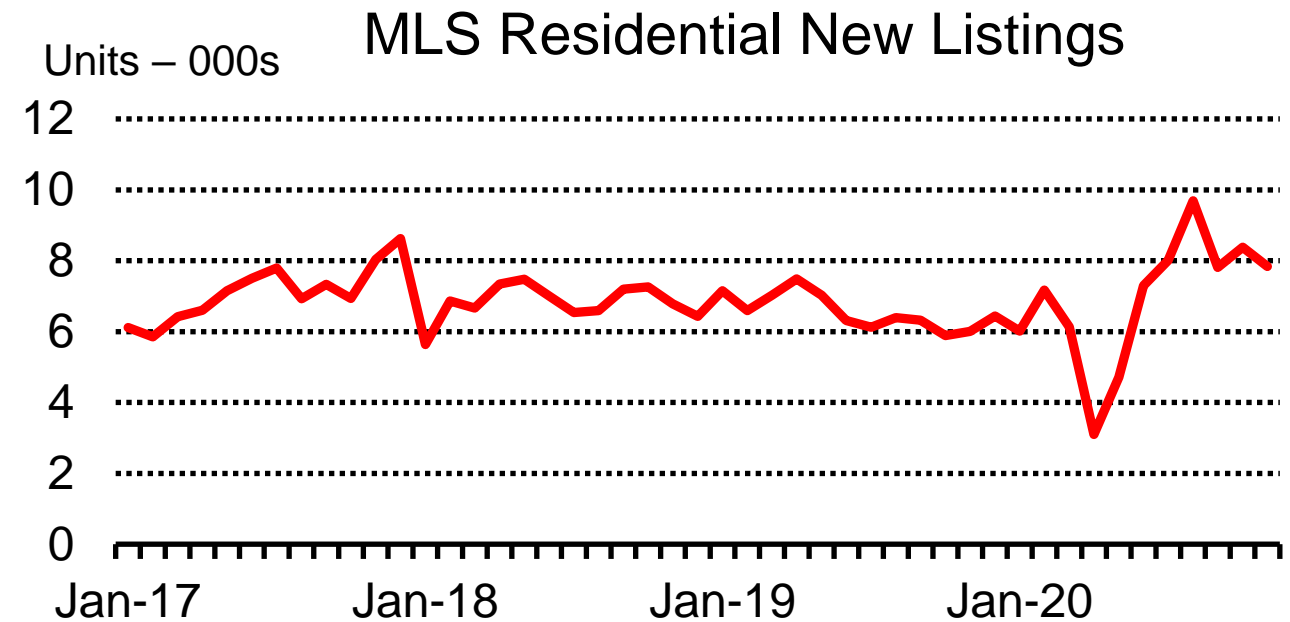
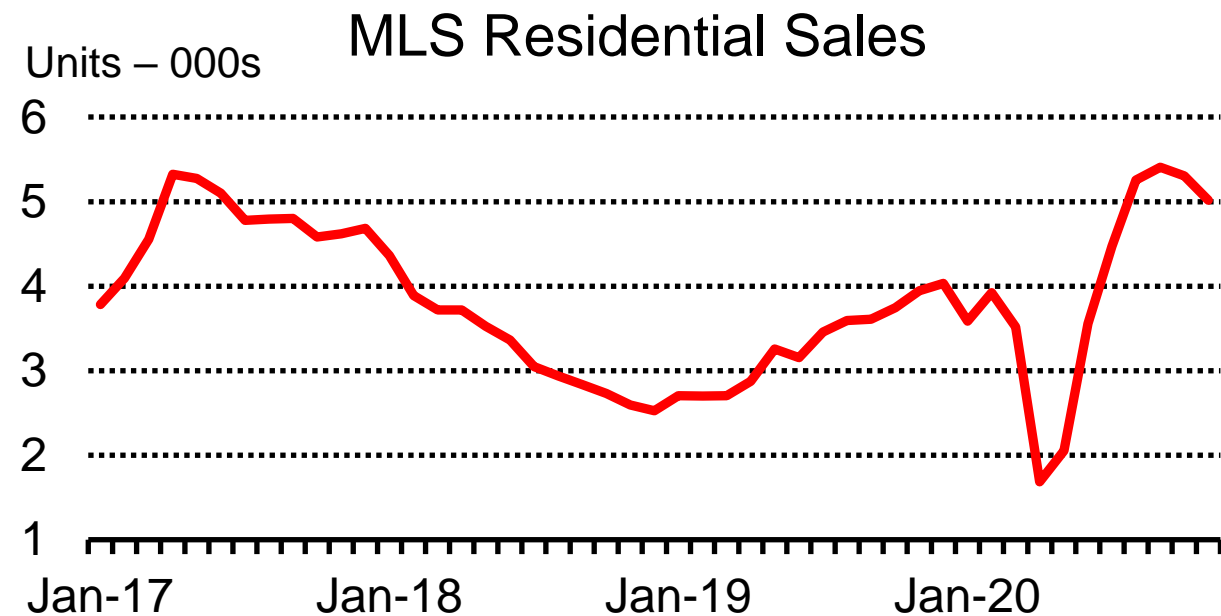
Source: Statistics Canada, Central 1 Economics. Note: Based on seasonally adjusted data.

# Labour market trends: B.C.



Source: Statistics Canada. Note: Seasonally adjusted. Latest: Nov-20

# Resale housing market trends: Lower Mainland REBs



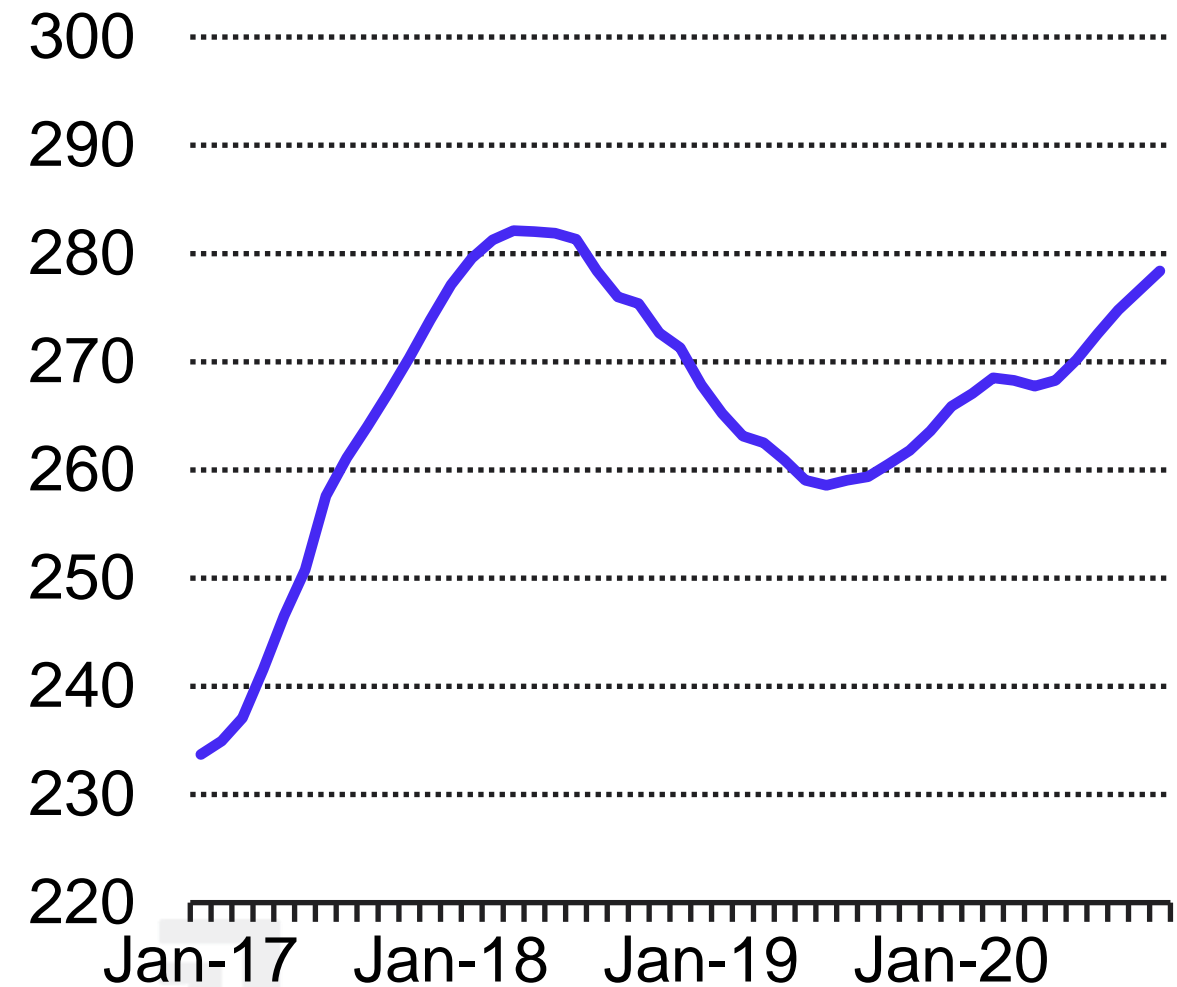
Source: CREA, BCREA, Central 1. Note: Seasonally adjusted, includes REBGV and FVREB. Latest: Nov-20



# Prices re-accelerating

## MLS HPI: Lower Mainland

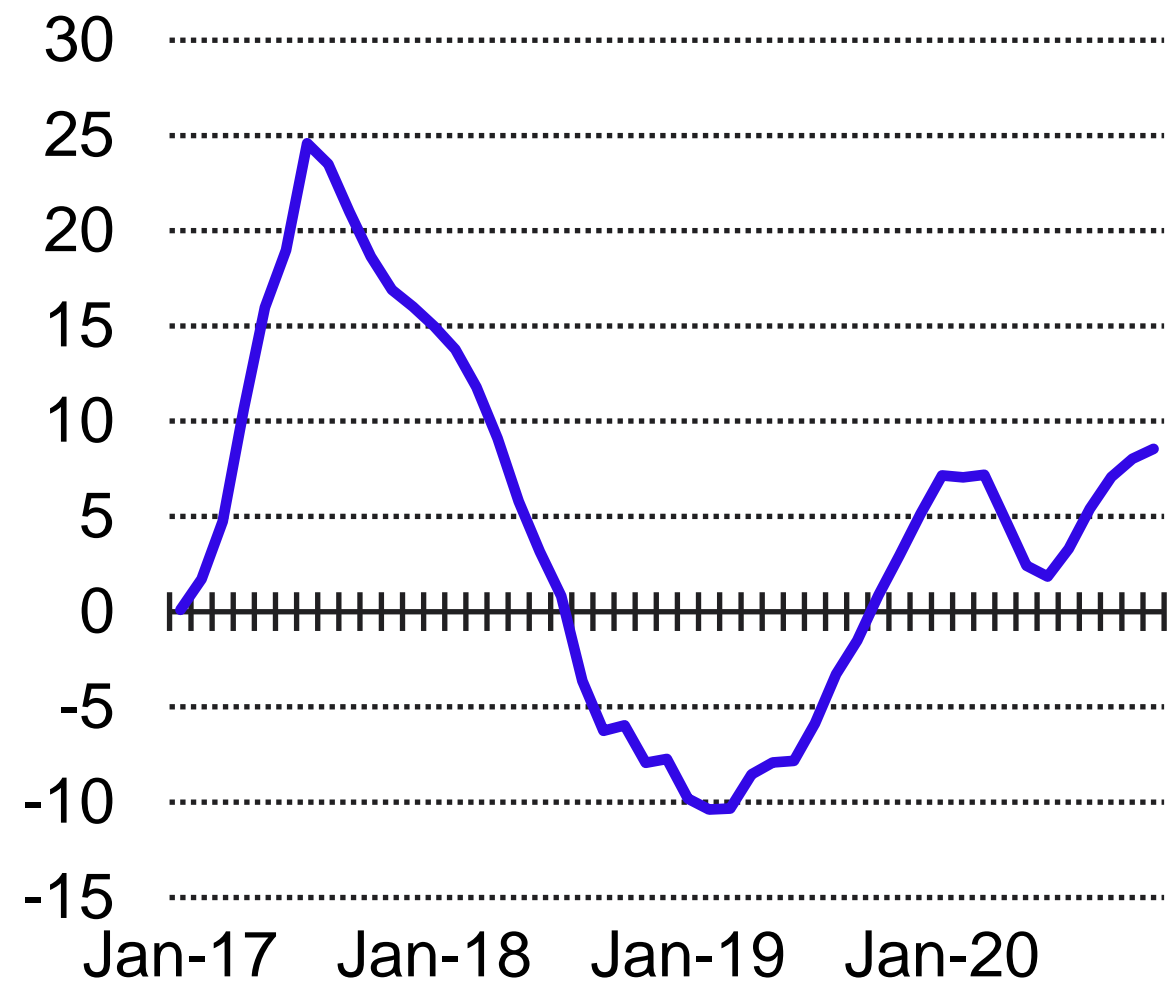
Jan. 2005 = 100



Source: CREA, BCREA, Central 1. Note: Seasonally adjusted

## Change in HPI: Lower Mainland

Per cent change annualized

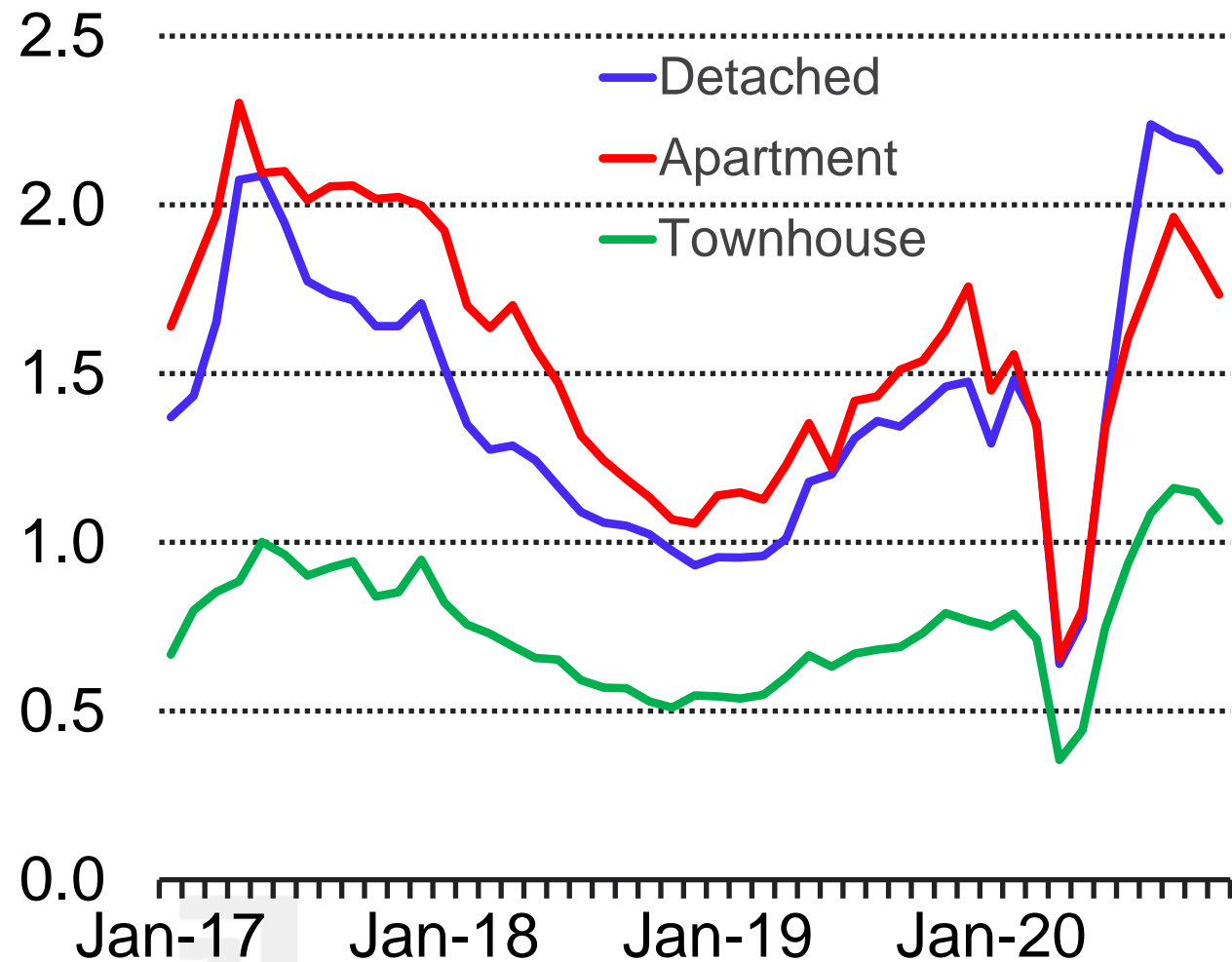


Latest: Nov-20

# Townhouse and detached markets lead

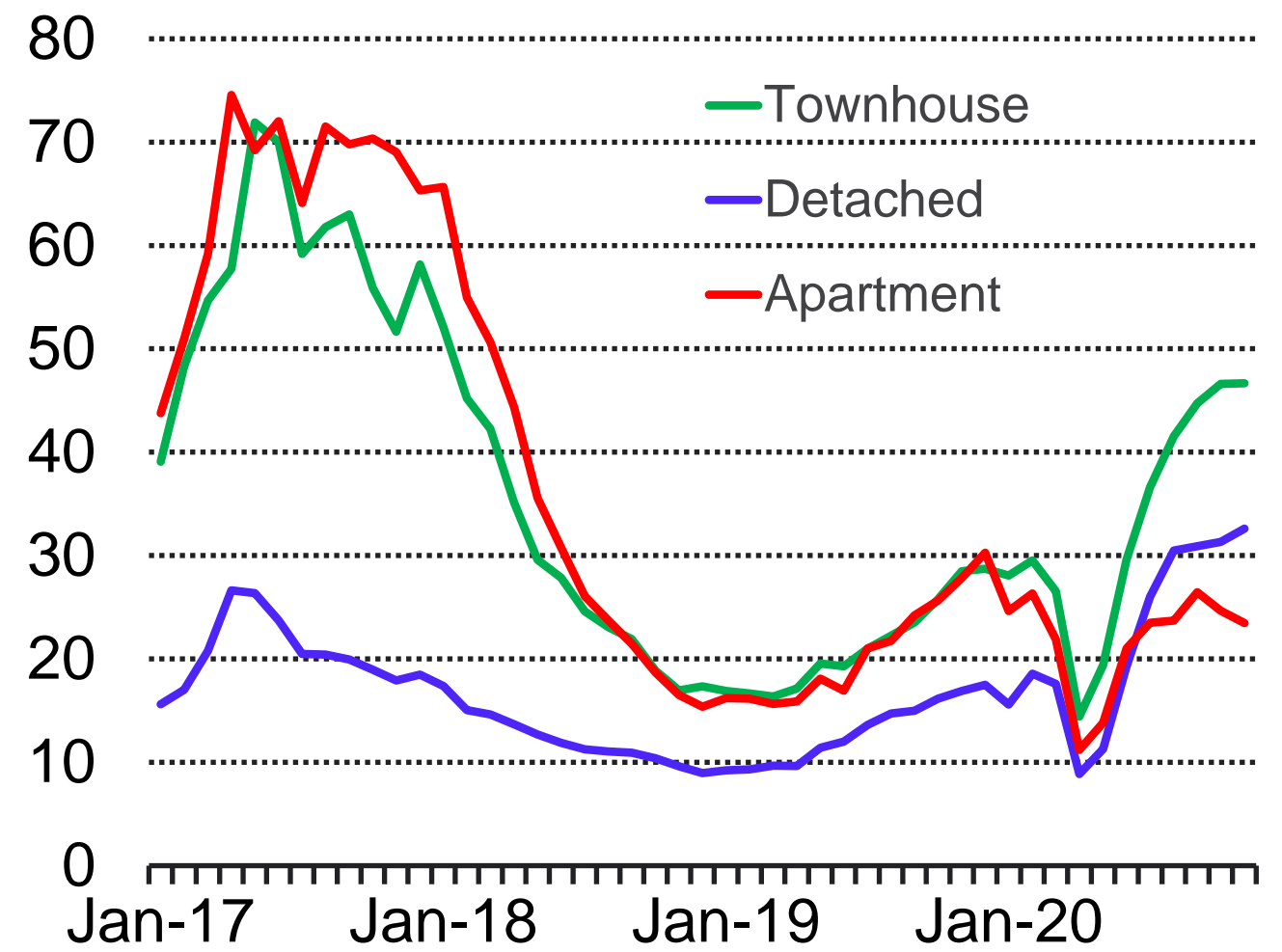
## MLS Sales by Dwelling Type: LM

Units – 000s



## Sales-to-Active Listings Ratios: LM

Per cent

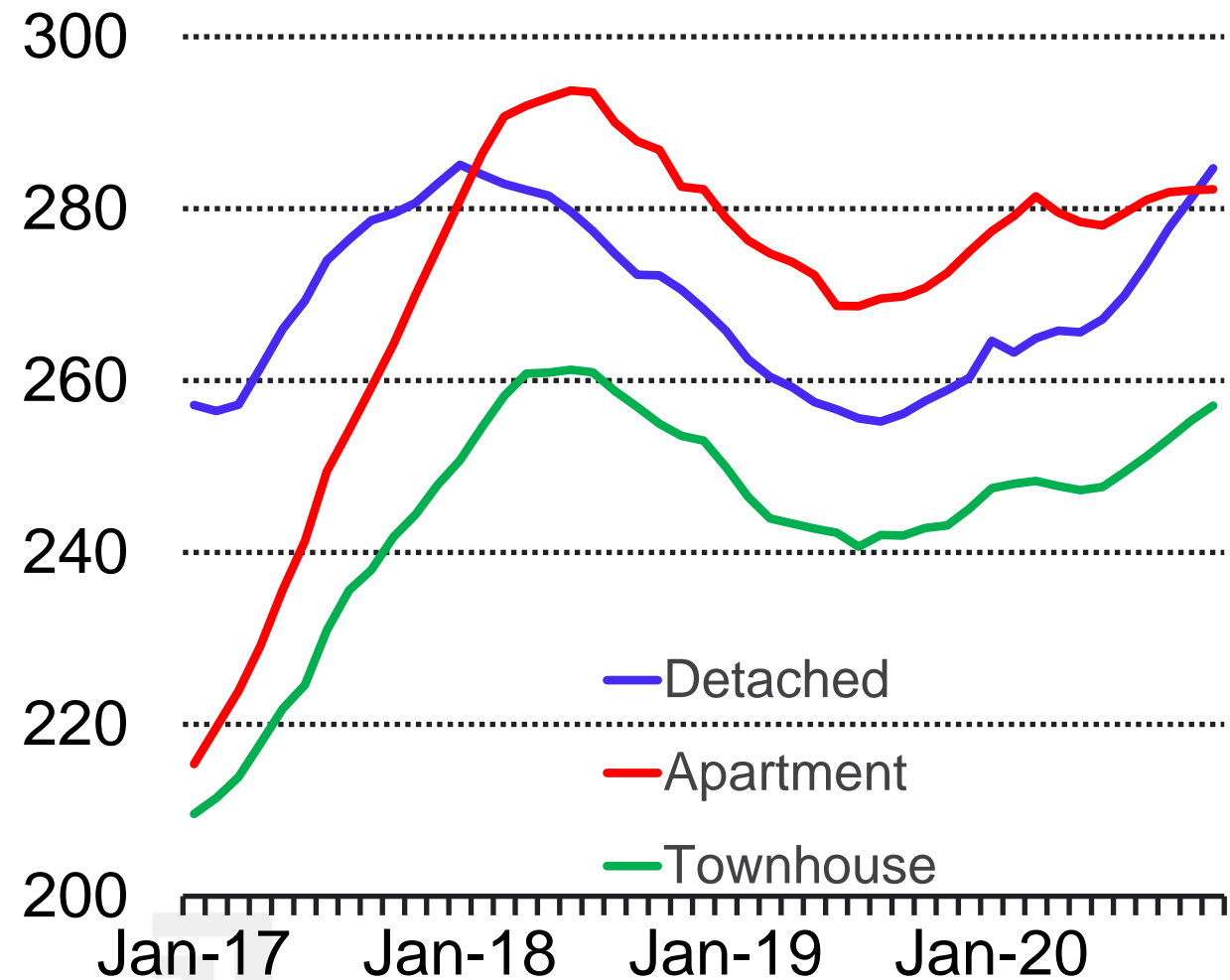


Source: CREA, BCREA, Central 1. Note: Seasonally adjusted, Lower Mainland REBs Latest: Nov-20

# Detached prices rising fastest, apartment slowest

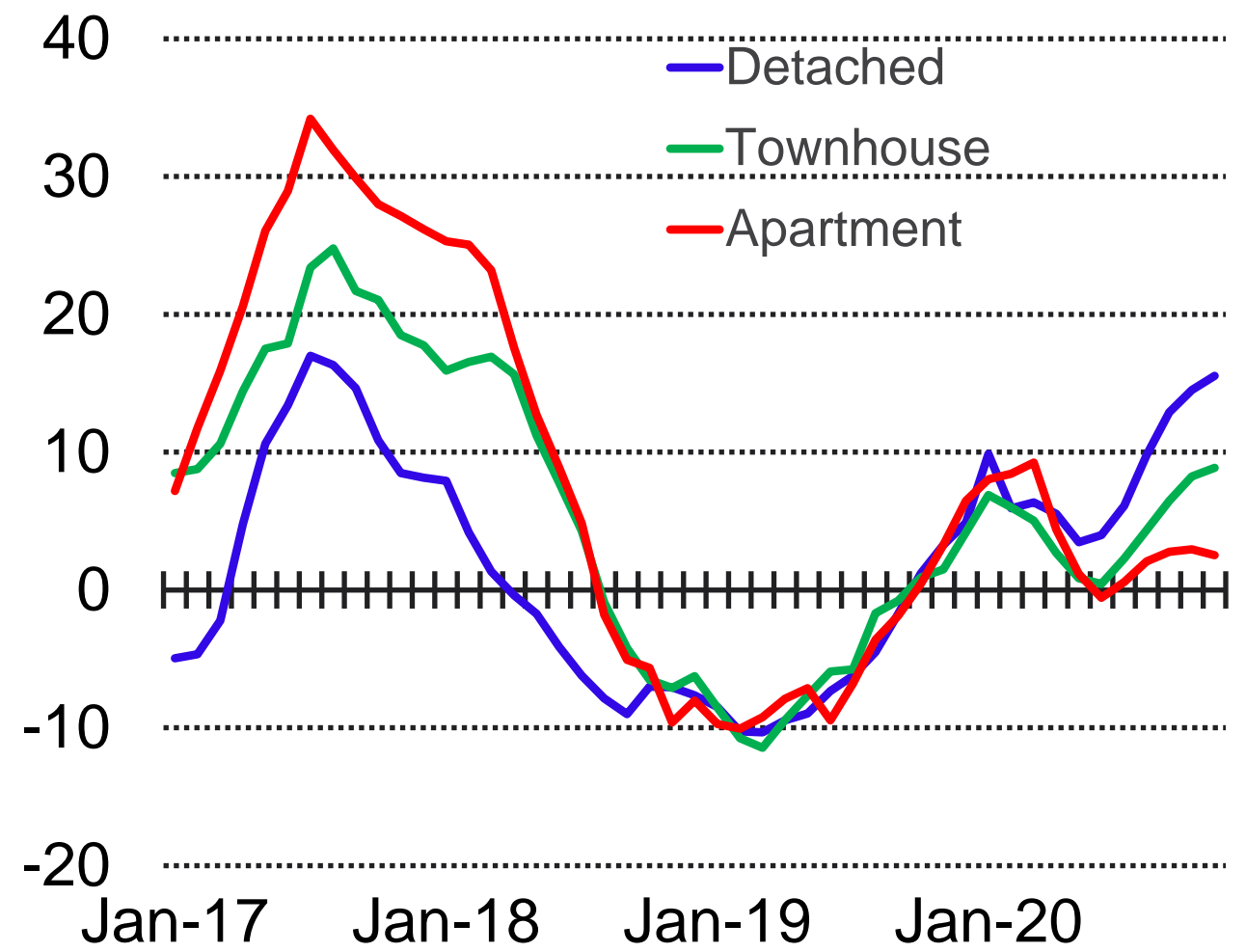
## MLS HPI by Dwelling Type: LM

Jan. 2005 = 100



## Change in HPI: Lower Mainland

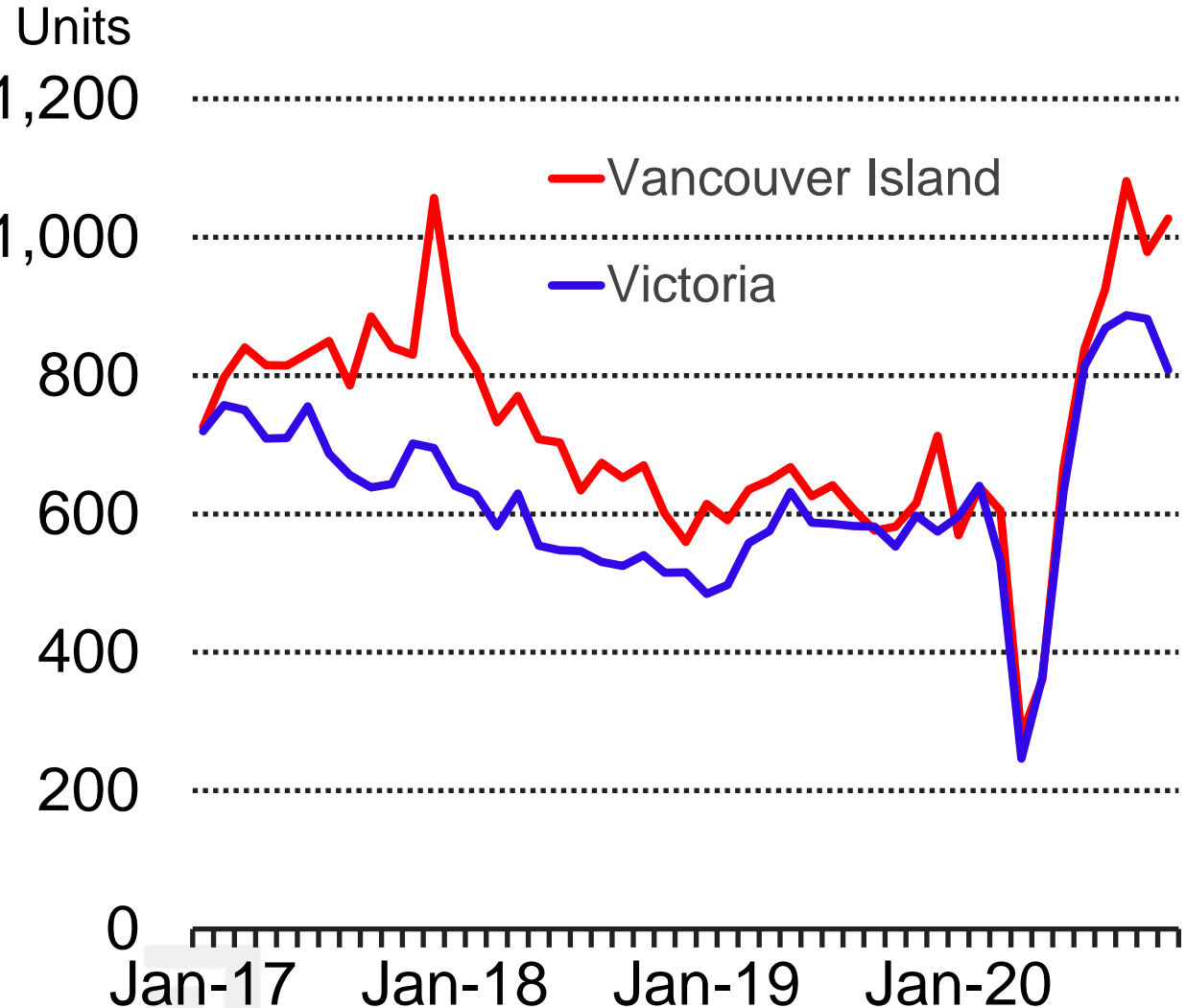
Per cent change annualized



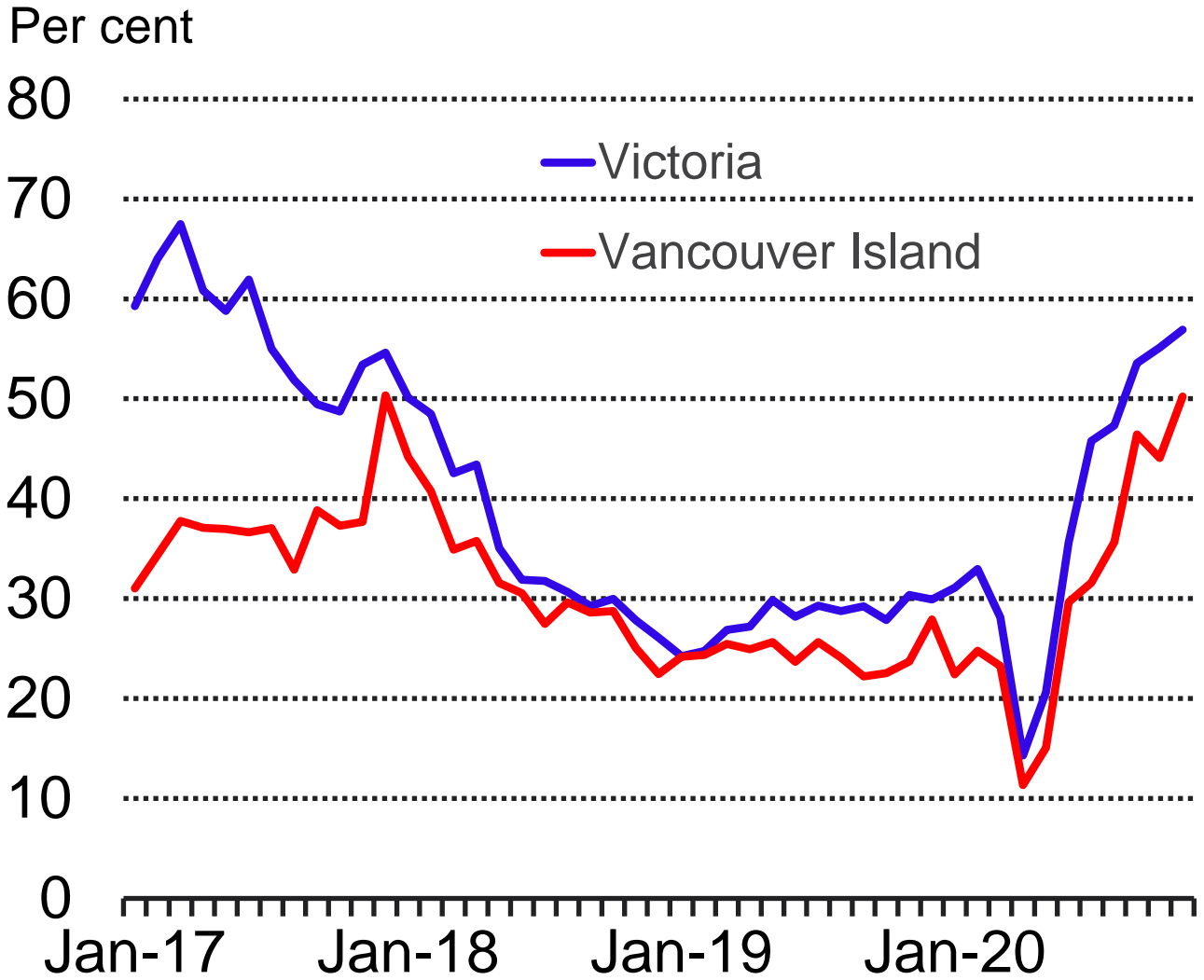
Source: CREA, BCREA, Central 1. Note: Seasonally adjusted, Lower Mainland REBs Latest: Nov-20

# Robust upswing in Vancouver island markets

## MLS Sales: VREB and VIREB



## Sales-to-Active Listings Ratios

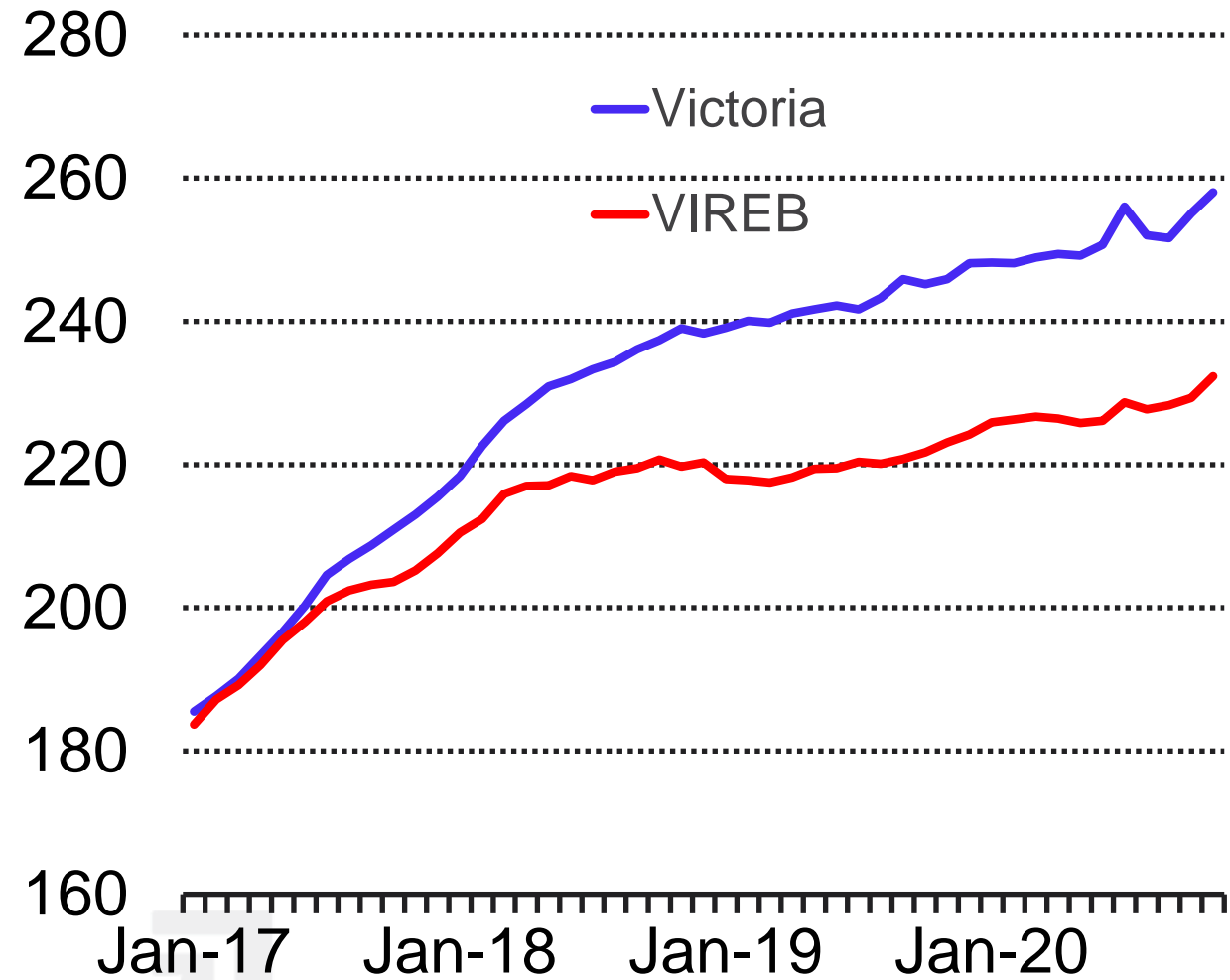


Source: CREA, BCREA, Central 1. Note: Seasonally adjusted, Victoria REB and Vancouver Island REB Latest: Nov-20

# Prices hitting new highs

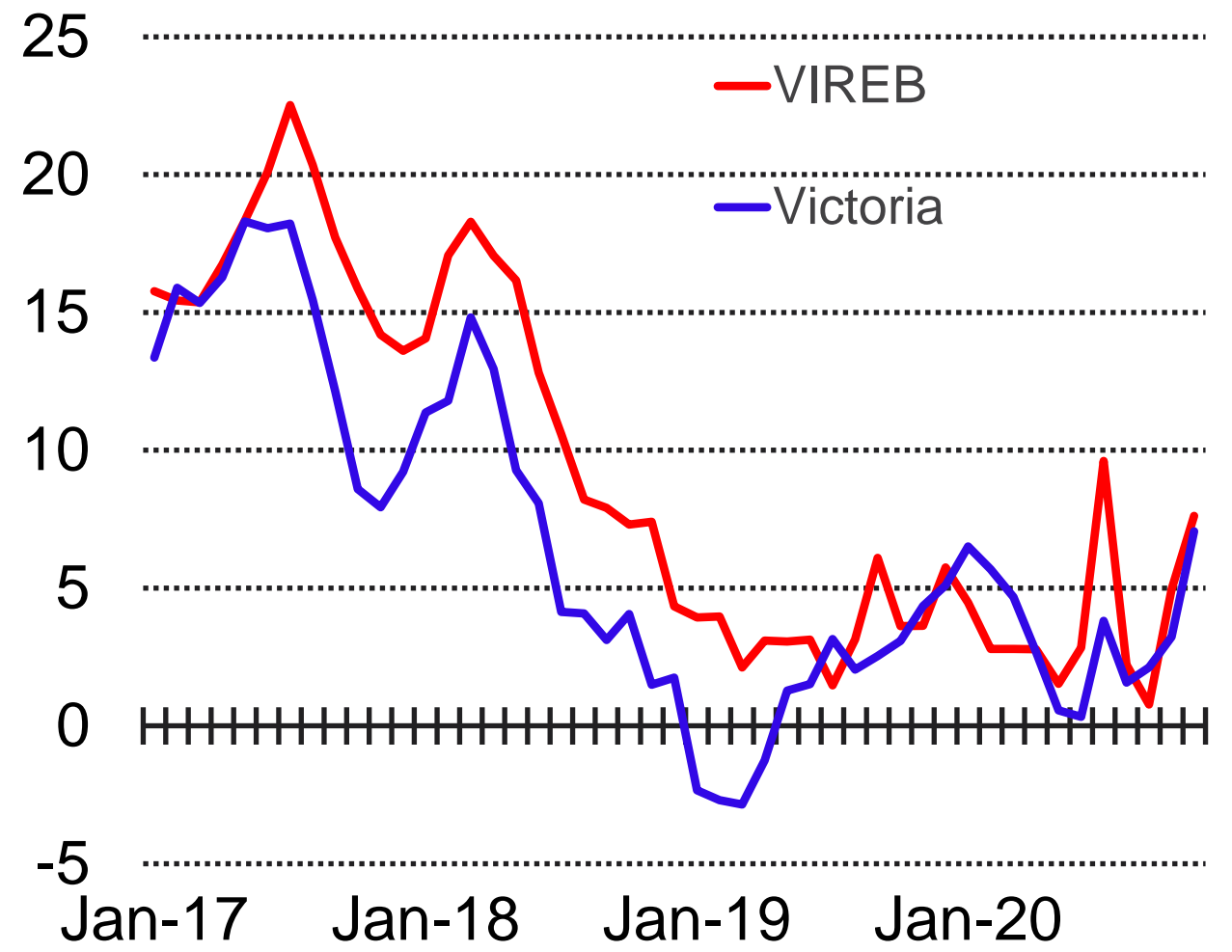
## MLS HPI: VREB and VIREB

Jan. 2005 = 100



## Change in HPI: VREB and VIREB

Per cent change annualized

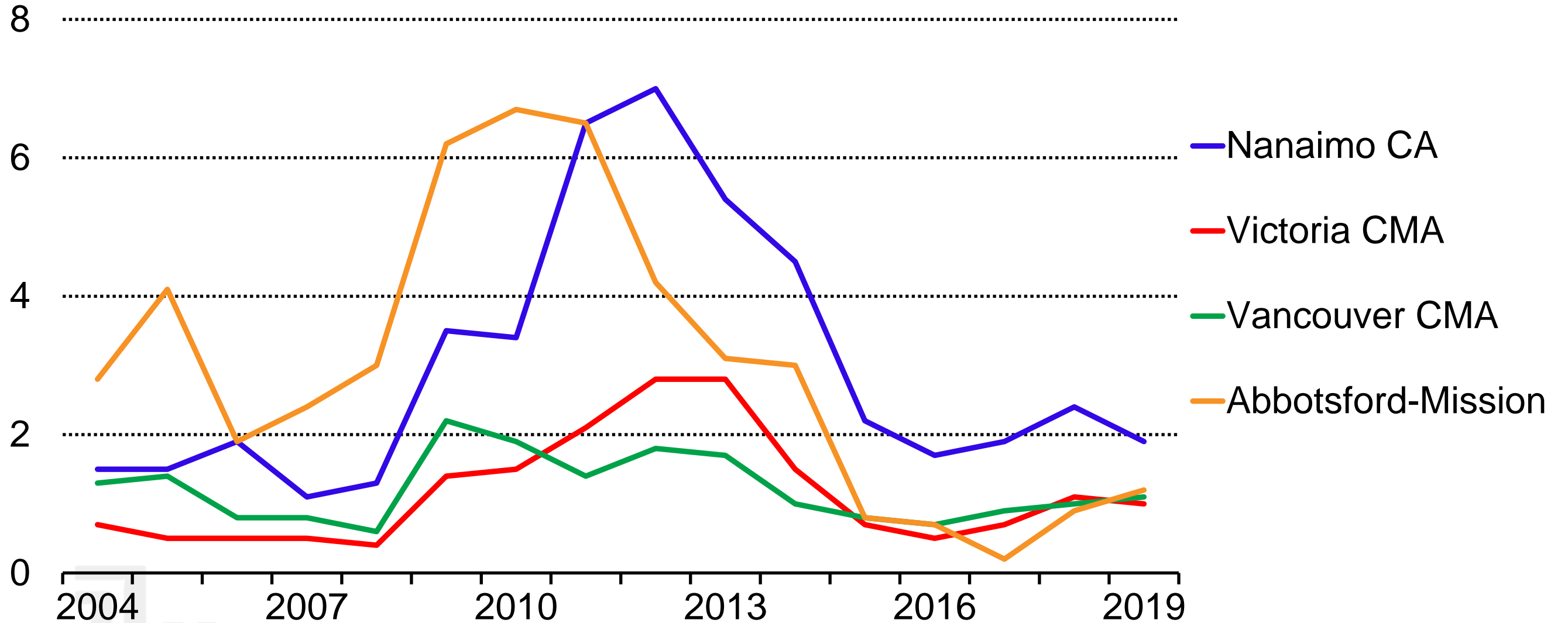


Source: CREA, BCREA, Central 1. Note: Seasonally adjusted, Victoria REB, Vancouver Island REB Latest: Nov-20

# Higher vacancy rate expected in October 2020

## Rental Vacancy Rate: Selected B.C. Centres

Per cent

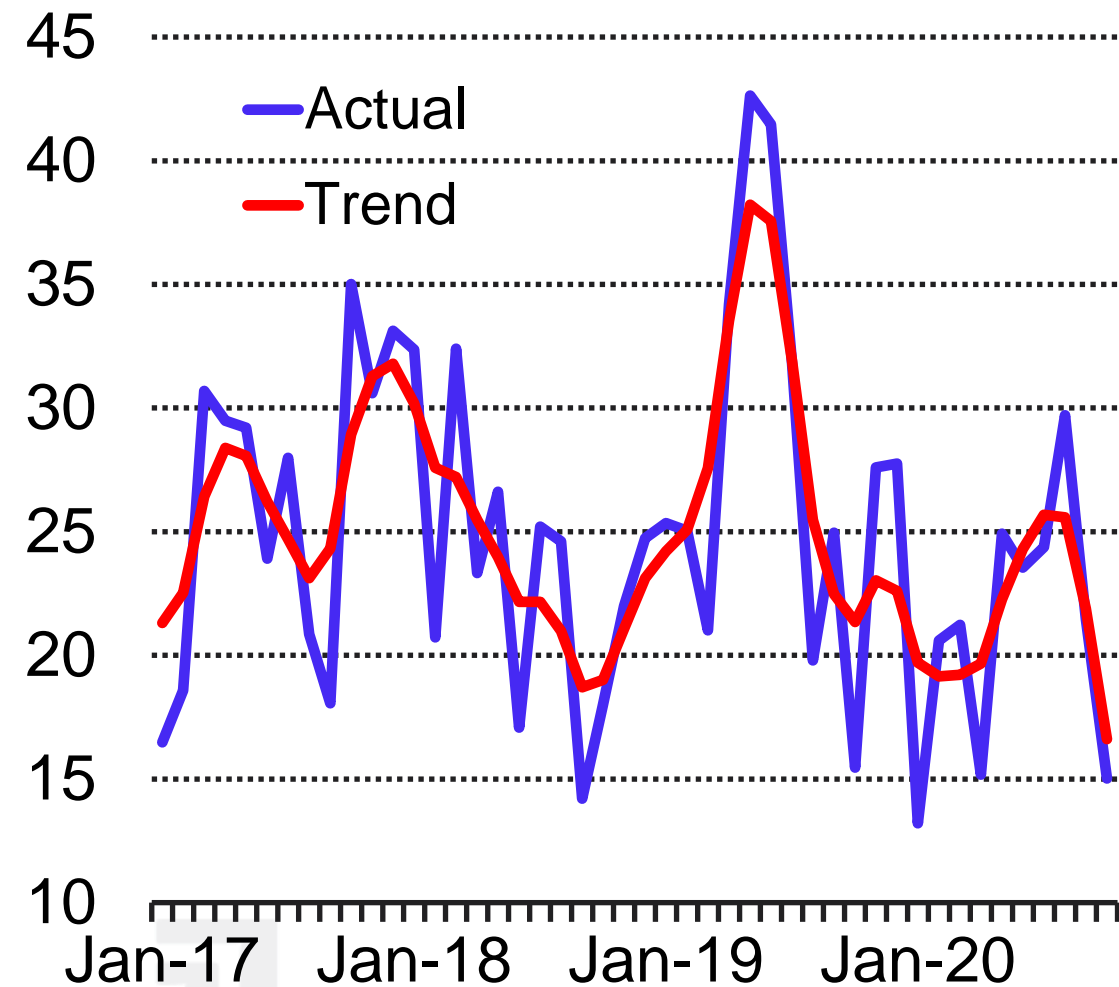


Source: CMHC. Note: As of October. Private Row and apartments.

# Housing construction down this year

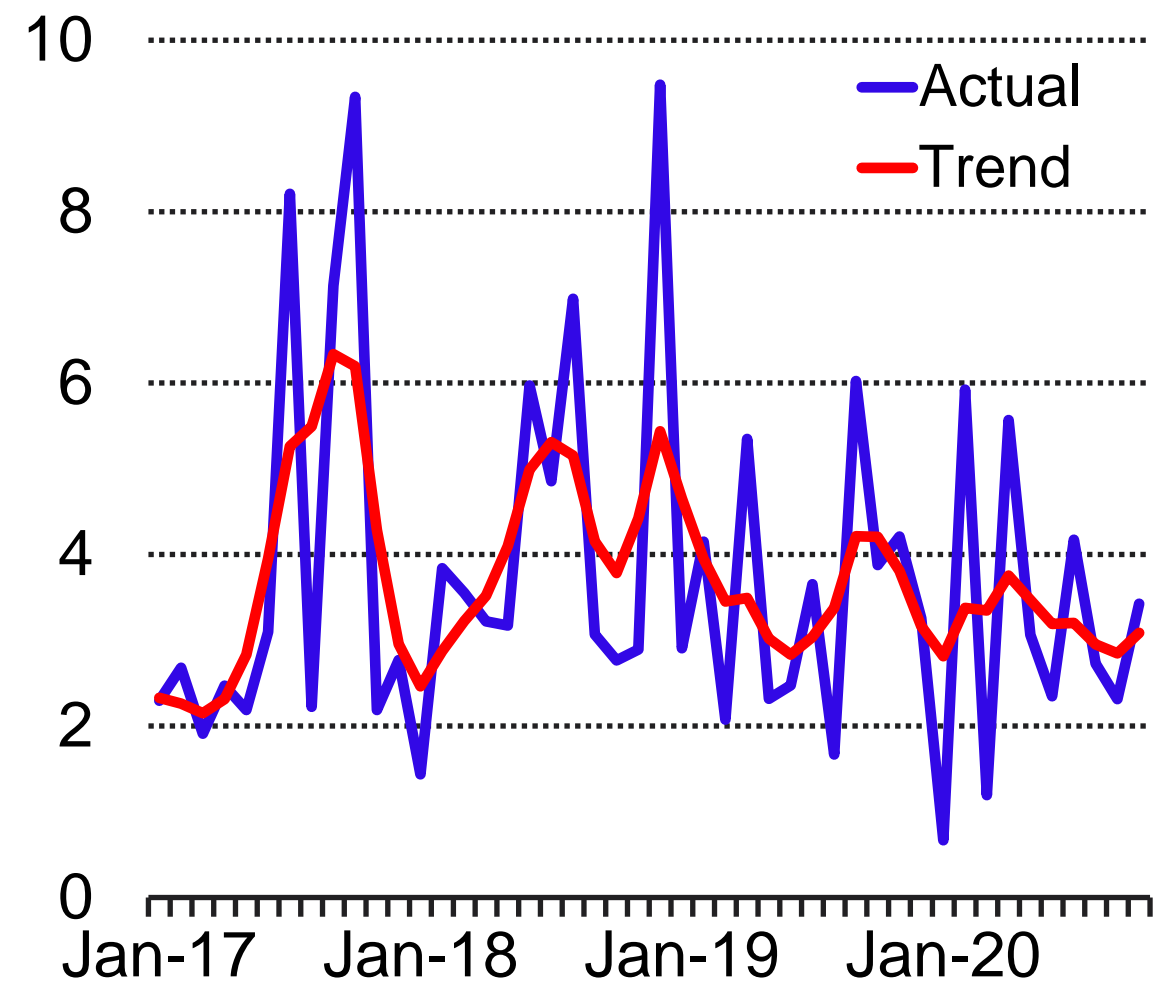
## Housing Starts: Vancouver CMA

Units – 000s



## Housing Starts: Victoria CMA

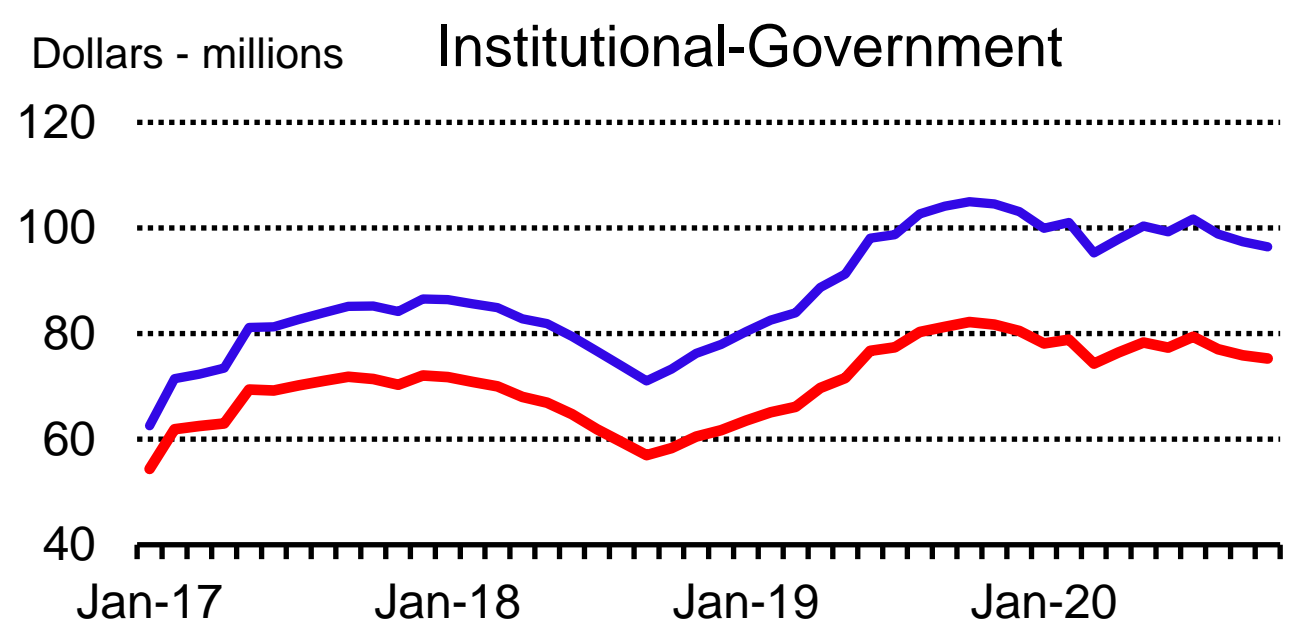
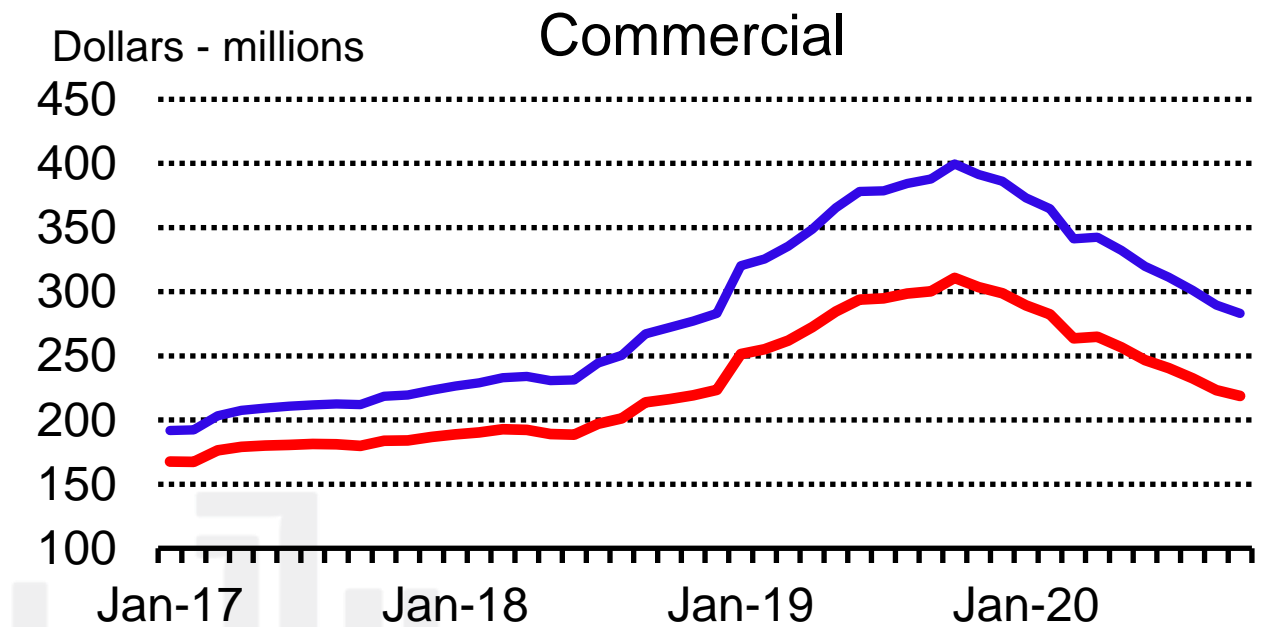
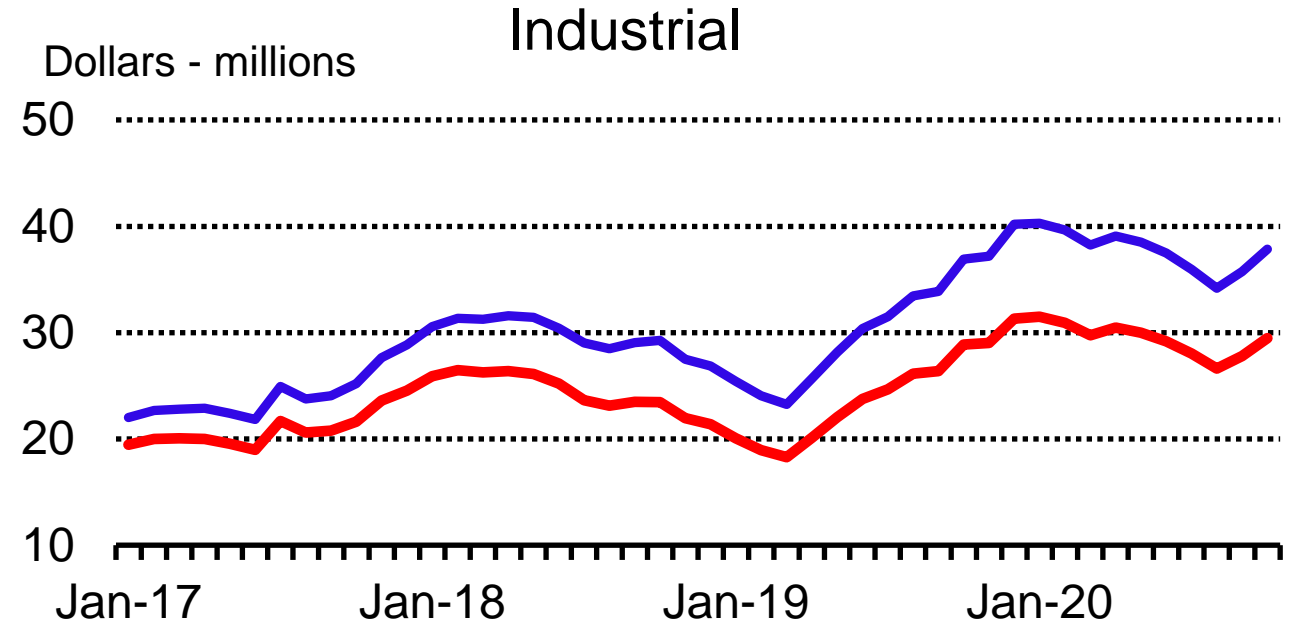
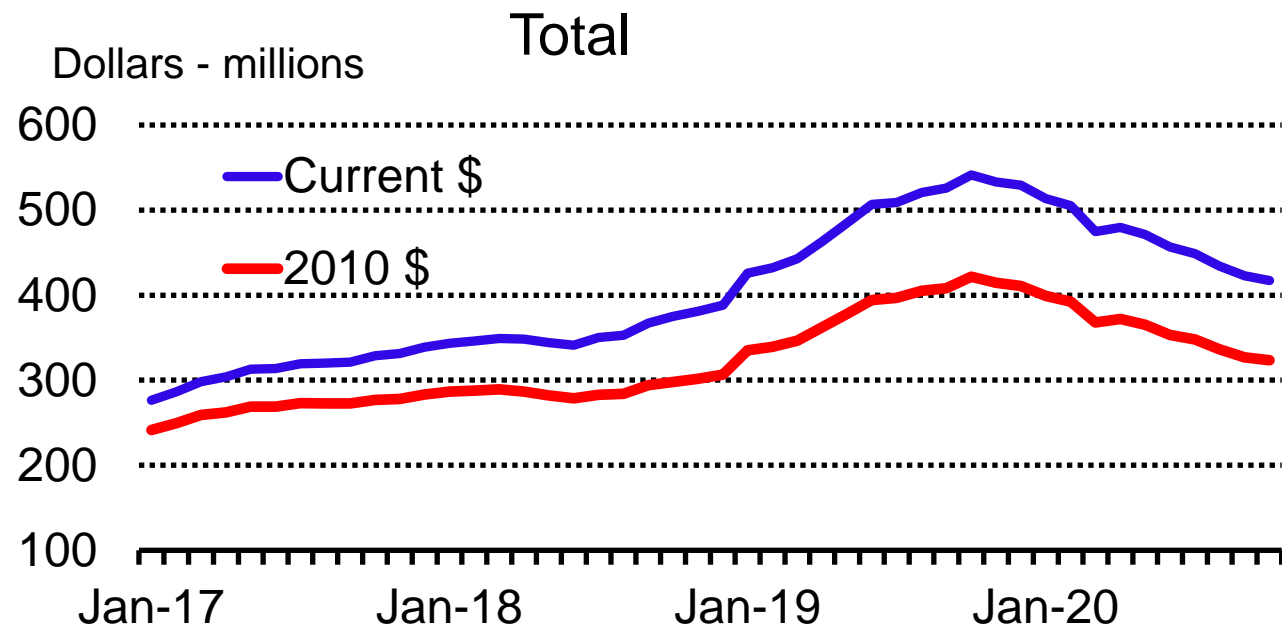
Units – 000s



Source: CMHC, Central 1 Credit Union. Note: Seasonally adjusted at annual rate.

Latest: Oct-20

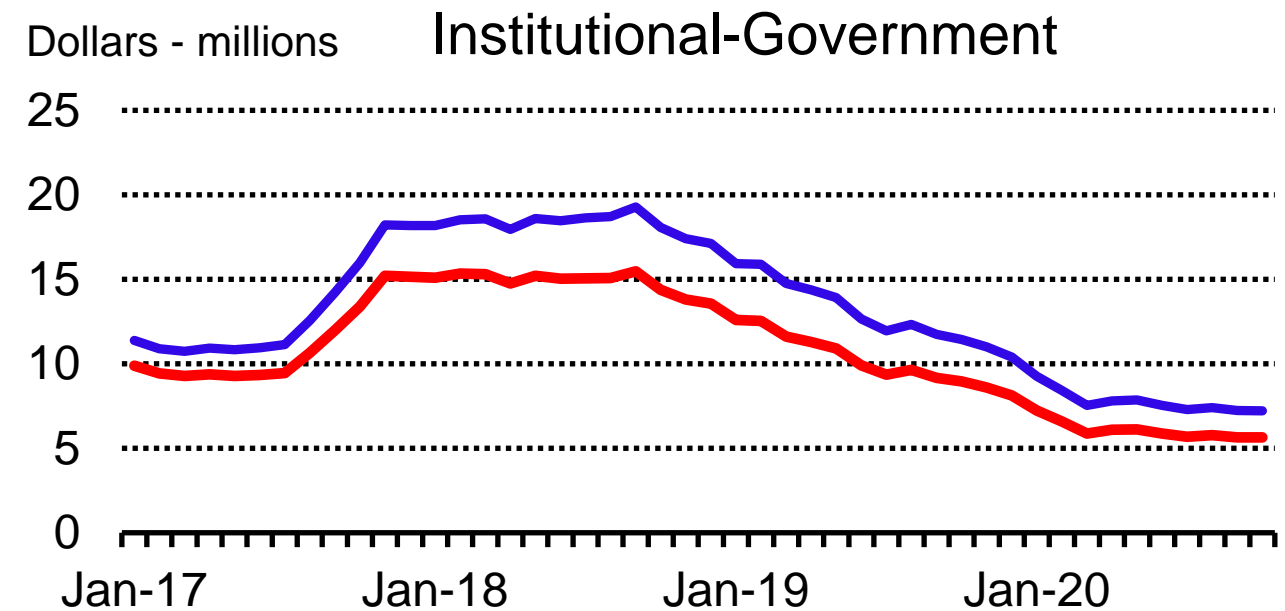
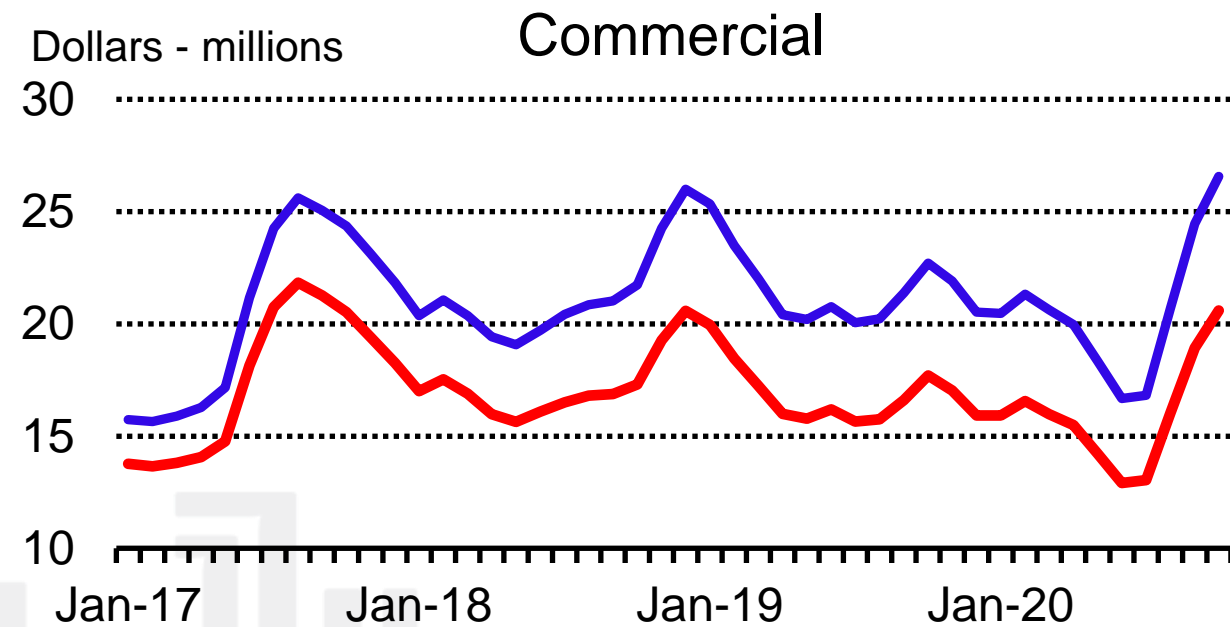
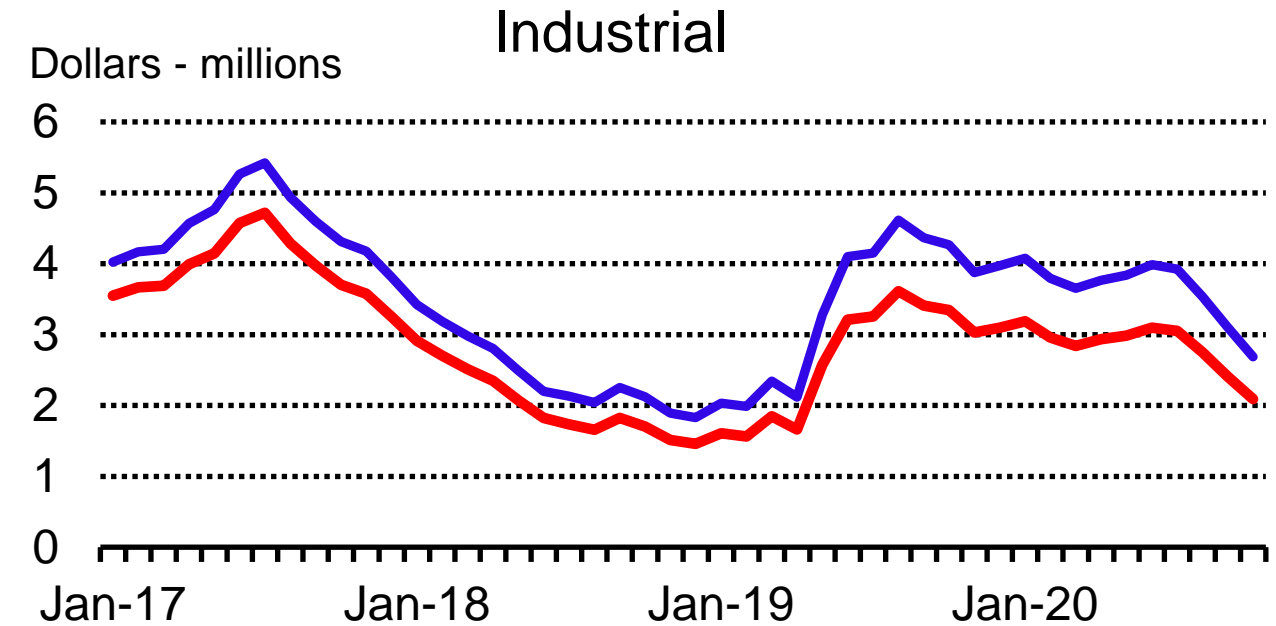
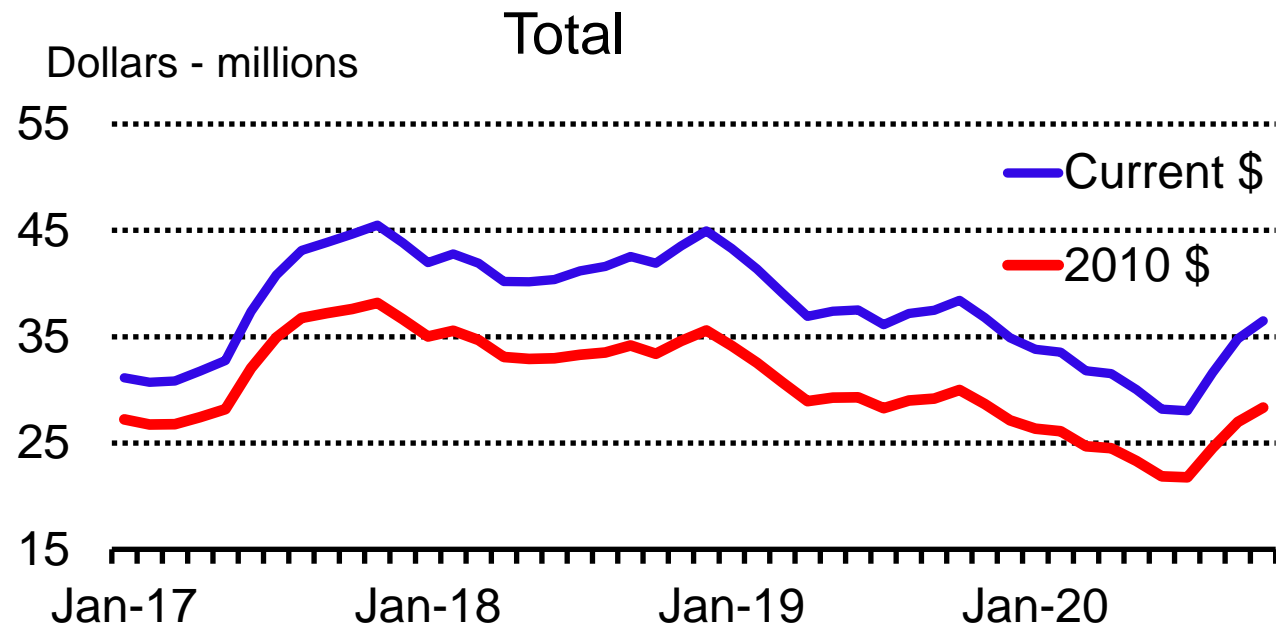
# Non-residential Building Construction: Vancouver CMA



Source: Statistics Canada. Note: Seasonally adjusted. Investment spending. Latest: Oct-20



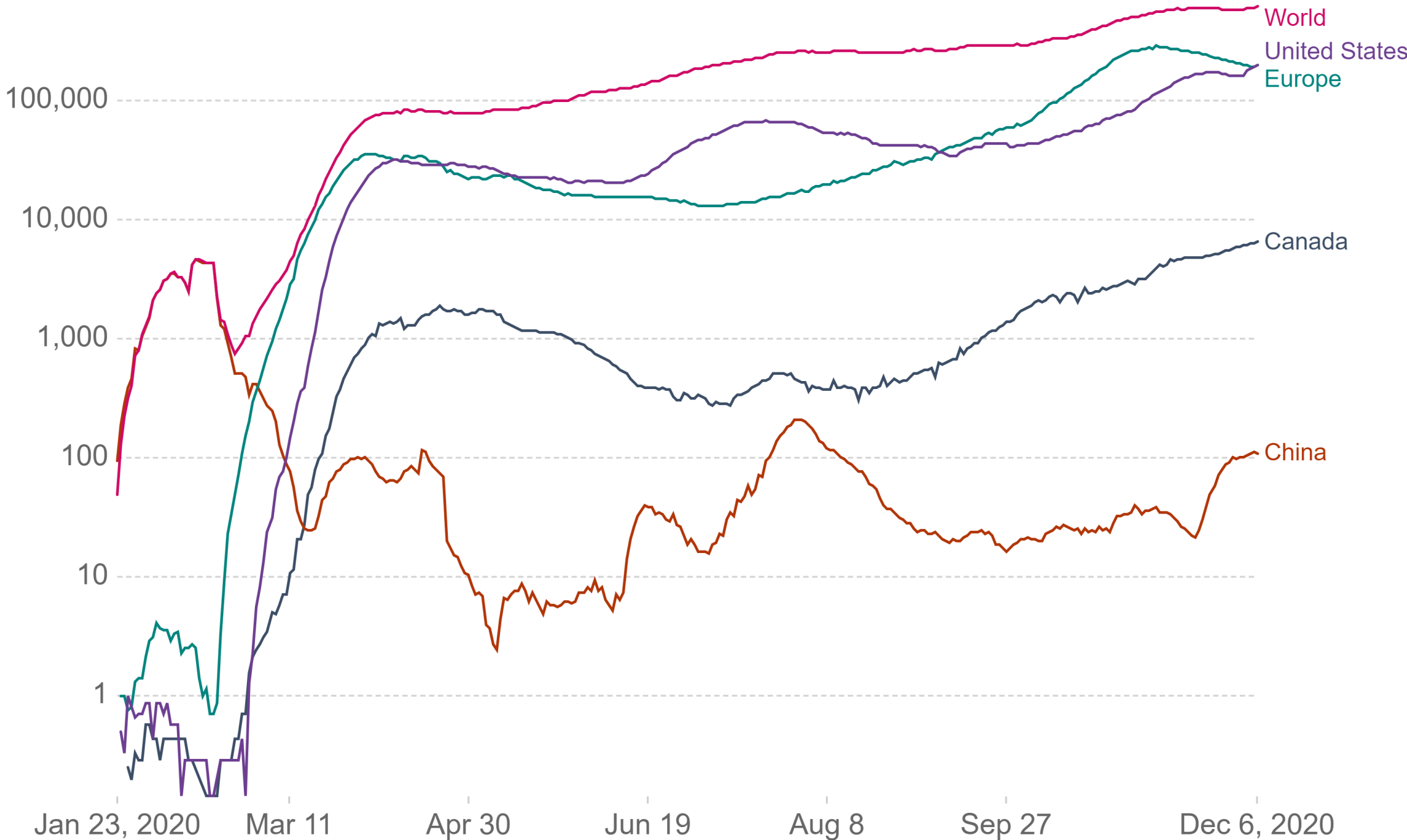
# Non-residential Building Construction: Victoria CMA



Source: Statistics Canada. Note: Seasonally adjusted. Investment spending. Latest: Oct-20

# Daily new confirmed COVID-19 cases

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

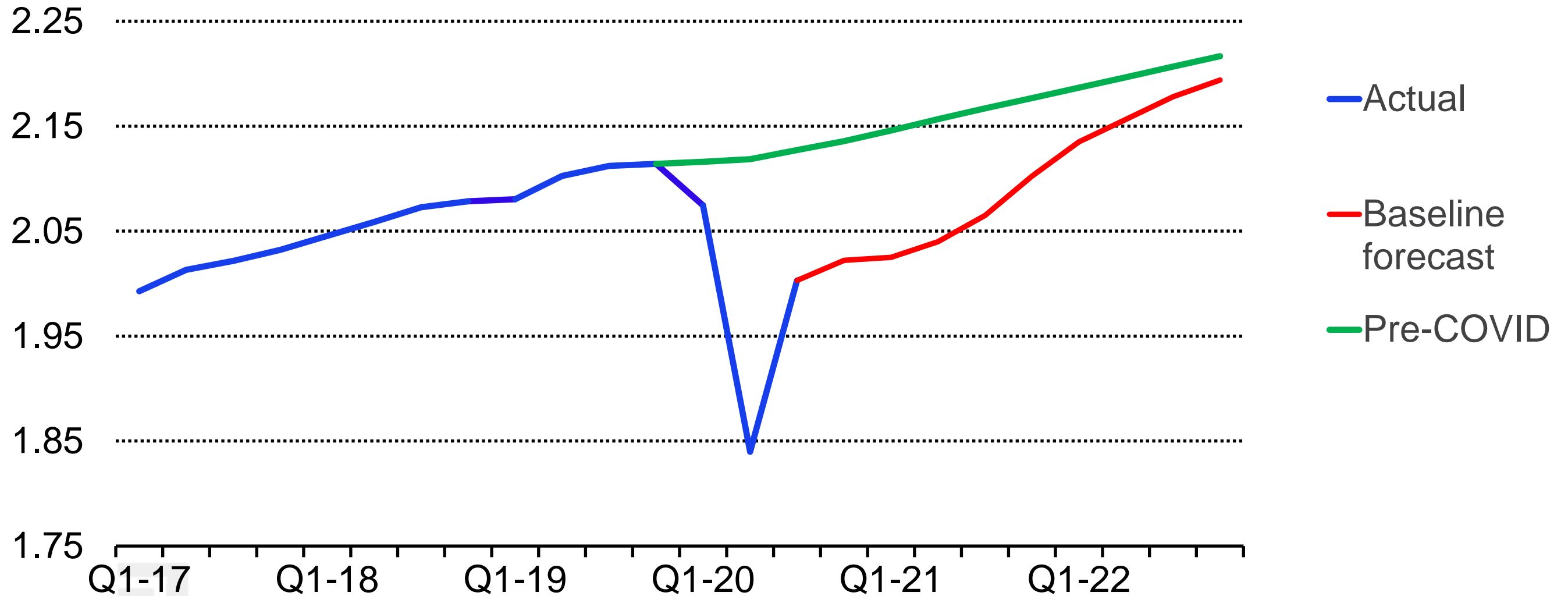


Source: Johns Hopkins University CSSE COVID-19 Data – Last updated 7 December, 06:06 (London time)

# Large gap from pre-COVID economy

## Canada Real GDP – Pre-COVID and COVID Forecasts

2012 chained dollars - trillions



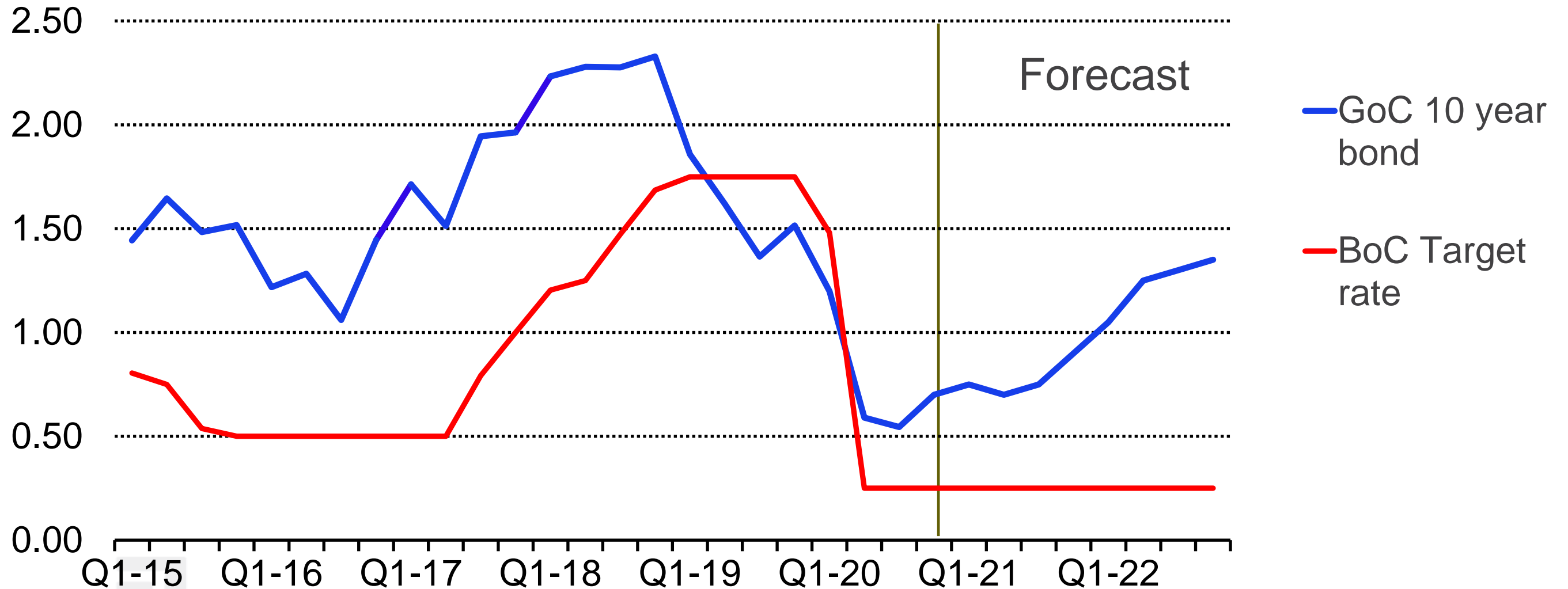
Source: Statistics Canada, Central 1 Economics. Latest actual: Q3-20

Forecast: Q4-20 to Q4-22

# Bank of Canada on hold, bond yield rises

## Interest Rate Baseline Forecast

Per cent



Source: Bank of Canada, Central 1 Economics. Latest actual: Q3-20, forecast: Q4-20 to Q4-22

# Pandemic impacts – temporary or permanent?

- Job losses, business closures, remote learning and work from home, e-commerce retailing, immigration, supply chains, de-globalization, de-urbanization, housing de-densification, rising income and wealth inequality, more reliance on fiscal policy with investment in health systems, infrastructure, technology, and sustainability, more global cooperation on health, and .....

# Forecast Summary:

- Pandemic economy stalls in near term, re-accelerates in 2H-21 and in 2022.
- Bank rate unchanged into 2023; long bond yields rise
- Economy's potential growth rate temporarily reduced due to the pandemic's 'scarring'
- Housing market activity divergent or "K-shaped"; robust ownership market – higher sales, prices, construction; weaker rental market until the high-contact services sector recovers more fully and immigration-migration flows normalize

Thank you

Questions?