

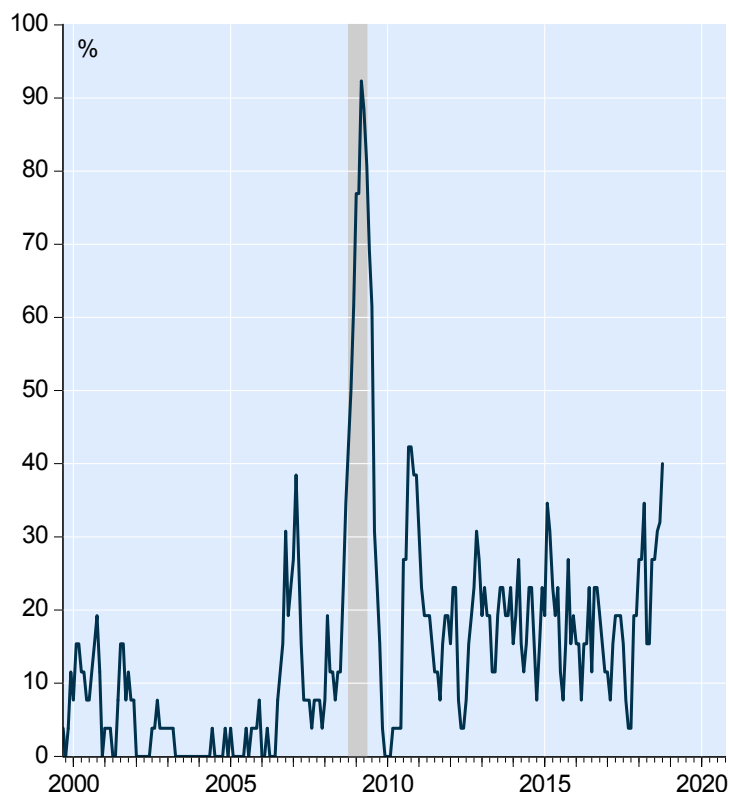
## Canada Watch

By Stéfane Marion/Jocelyn Paquet

In its most recent Monetary Policy Report (MPR), the Bank of Canada depicted a relatively bullish view of the Canadian economy with most of the downside risks to growth tilted towards international developments. However, there are also domestic risks to contend with. For instance, Teranet-National Bank data released this morning showed home prices falling 0.4% in October at the national level, the first decline in eight months. Worse, the decline seems to be becoming more widespread. As today's Hot Chart shows, 40% of the 26 markets covered by Teranet-National Bank are showing price drops over the past six months, the worst diffusion since 2010. A pronounced decline in house prices in certain regions has been highlighted as a potential downside risk to the outlook in the recent MPR. We're not there yet, but the present trend has caught our attention. If things don't stabilize soon, an eroding wealth effect for consumers will become a headwind to growth in 2019. So there are some "made in Canada" risks to the outlook.

### Canada: Wealth effect is eroding

Share of regional markets\* in Canada where home prices fell in the last 6 months



\*26 markets in total

NBF Economics and Strategy (Source: Teranet-National Bank)

Decline in home prices since peak, (26 selected markets)

City	Drop since peak	Month of peak
Abbotsford	-4.5%	2018M03
Barrie	-7.4%	2017M06
Brantford	-2.7%	2018M06
Calgary	-5.4%	2014M10
Edmonton	-2.1%	2015M05
Guelph	-0.3%	2018M09
Halifax	-5.6%	2018M02
Hamilton	-0.2%	2017M06
Kelowna	-3.1%	2018M05
Kingston	0.0%	At peak now
Kitchener	0.0%	At peak now
London	-0.1%	2018M09
Montreal	0.0%	At peak now
Oshawa	-3.6%	2017M06
Ottawa/Gatineau	-1.1%	2018M08
Peterborough	-1.9%	2018M01
Quebec	-5.0%	2017M11
St Catharines	0.0%	At peak now
St Johns	-10.0%	2016M05
Sudbury	-1.6%	2017M02
Thunder Bay	-6.8%	2018M02
Toronto	-2.1%	2017M06
Vancouver	-2.3%	2018M05
Victoria	-2.1%	2018M04
Windsor	0.0%	At peak now
Winnipeg	-2.1%	2018M09

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