

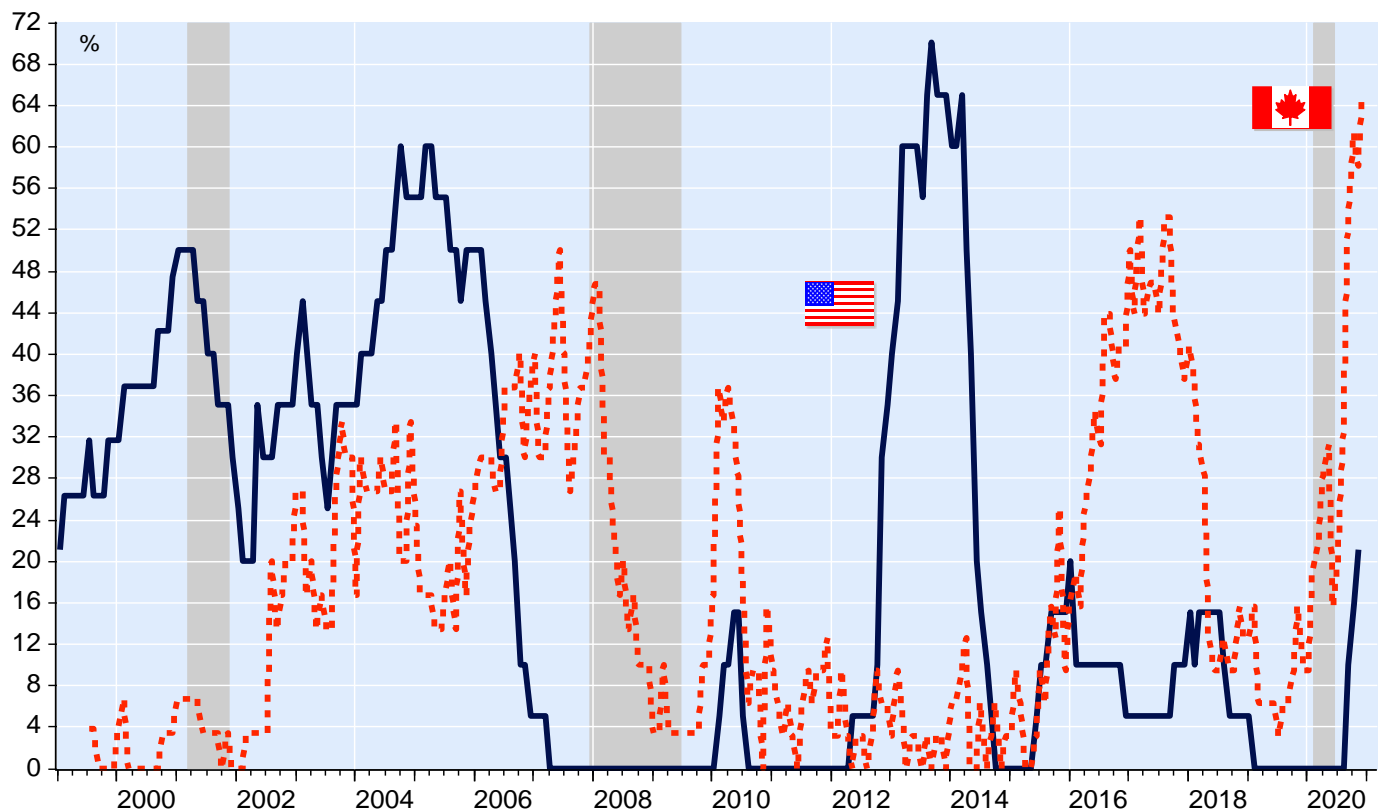
Canada Watch

By Stéfane Marion

Vaccine deployment has bogged down on this side of the border in recent weeks and forced the authorities to shut down certain sectors of the economy. Even if these decisions have negatively impacted job creation in the last two months, it is important to keep in mind that the losses were all in lower-paying jobs. Fortunately, and unlike the U.S., these sectors continue to benefit from generous government help. On the other hand, jobs in industries where hourly earnings exceed the national average increased 78K in January to a new record high. This development helps support domestic spending and demand for residential assets as the homeownership rate is higher for this class of workers. Under these circumstances, we wonder if the Bank of Canada's aggressive QE program is still justified given the current frenzy in the Canadian housing market. Home prices are already up a whopping 10% from year-ago levels and the increase is the most pervasive ever. As today's Hot Chart shows, about two thirds of the markets covered by the Teranet-National Bank index are showing price increases of 10% or more – vs. only 20% in the U.S. This unusual market behaviour needs to be monitored closely.

Canada: Home-price surge is the most pervasive ever

Share of regional markets where prices rose by 10% or more in the last 12 months



*32 markets in total **20 markets in total

NBF Economics and Strategy (Source: Teranet-National Bank & S&P Case-Shiller Home Price Index)

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