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Canada: The housing market continues to rebound in January

By Daren King

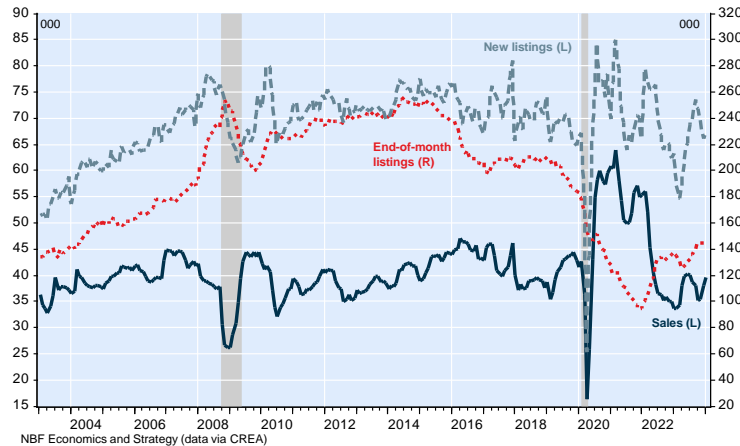
Home sales increased 3.7% between December and January, a second monthly gain in a row following a 7.9% jump in transactions in December (chart 1). This rebound occurs at a time when fixed mortgage interest rates have fallen significantly since October. Furthermore, the stabilization of the Bank of Canada's policy rate and the anticipation of an easing of monetary policy in 2024 have probably motivated some buyers to take action. As a result, sales were at their highest level since July 2023. On a provincial level, the strongest increases in January were seen in Ontario (+6.9%), B.C. (+4.5%), and Quebec (+4.3%). On the other hand, decreases were recorded in P.E.I. (-8.0%), Saskatchewan (-4.9%), Nova Scotia (-3.0%), and Manitoba (-1.6%, chart 2). While this rebound, underpinned by strong population growth, may continue into the dynamic spring period, it is likely to be short-lived, given persistent affordability problems and the current slowdown in the labour market.

On the supply side, new listings increased 1.5% in January, a first gain in four months. It should also be noted that the proportion of listings cancelled during the month edged down, indicating that sellers are regaining some confidence in the current market (chart 3). Overall, active listings edged up 1.0% in January following stabilization the previous month. With the increase in sales, the number of months of inventory (active listings-to-sales) decreased from 3.8 in December to 3.7 in January, a second monthly decline in a row (chart 4). Overall market conditions tightened during the month and remained tighter than their historical average in 8 provinces; they were roughly balanced in B.C. and Manitoba (chart 5).

On a year-over-year basis, home sales surged 22.0% compared to January last year (chart 6). Sales were up in every province, with the biggest increases being recorded in Alberta (+33.5%), B.C. (+28.5%), and Saskatchewan (+23.5%, chart 7).

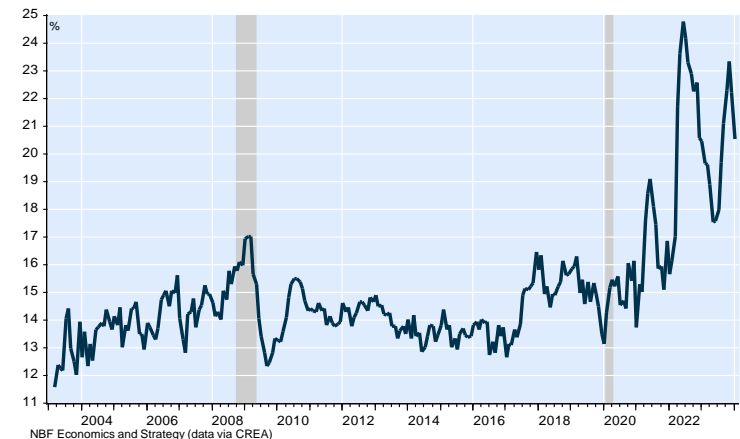
1. Canada: Home sales and listings

Seasonally adjusted. Last observation: January 2024



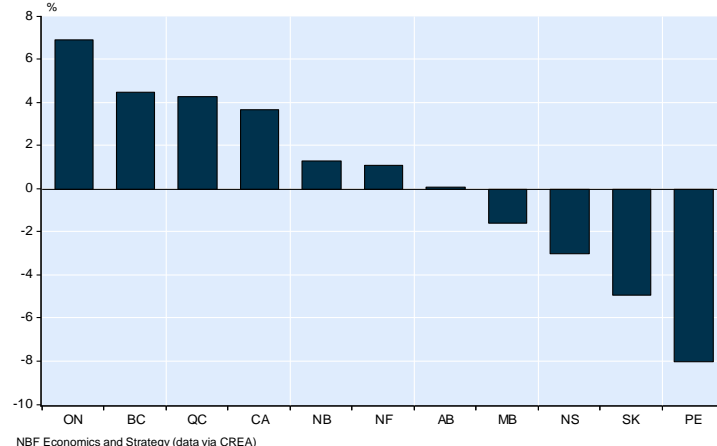
3. Canada: Proportion of active listings cancelled

3-month moving average. Seasonally adjusted. Last observation: January 2024



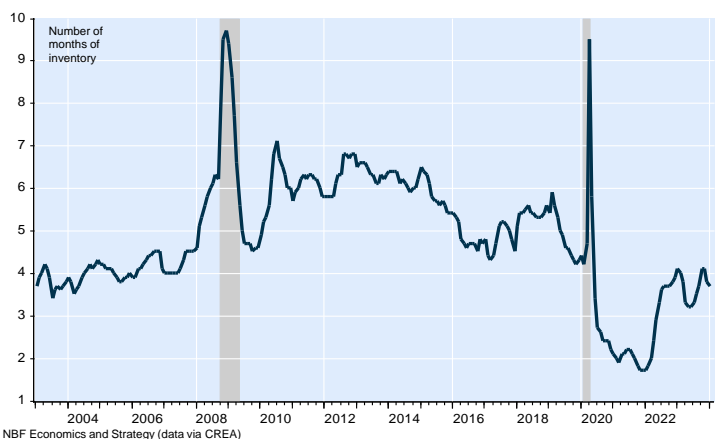
2. Canada: Monthly home sales variation in January

Monthly variation (%), seasonally adjusted data



4. Canada: Home resale market conditions

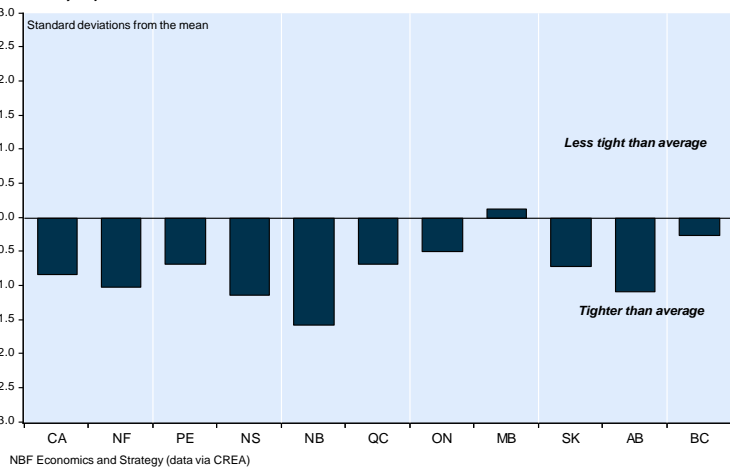
Months of inventory (active listings to sales ratio). Last observation: January 2024





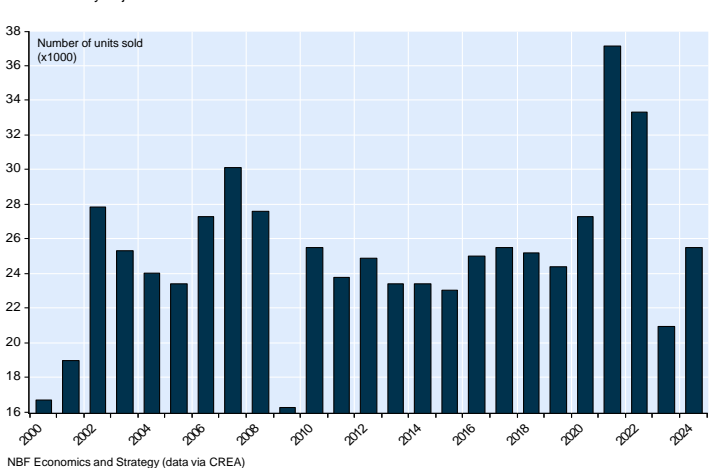
5. Canada: Active-listings-to-sales ratio

Seasonally adjusted data



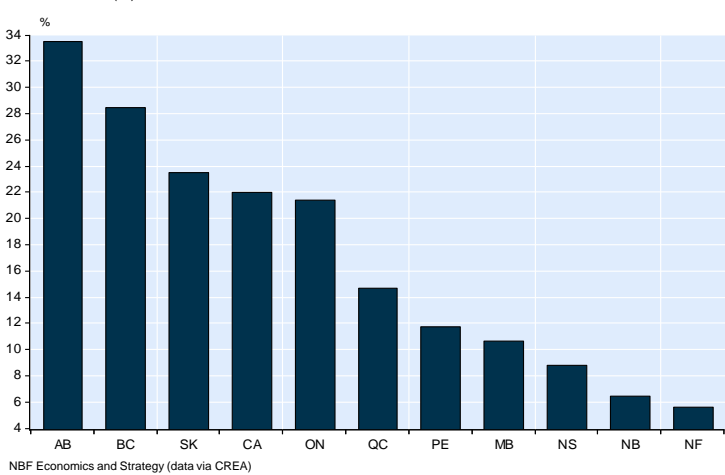
6. Canada: Home sales in January

Non seasonally adjusted



7. Canada: Annual home sales variation in January

Annual variation (%)





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