Weekly Updates Issue # 572

1. Weekly Markets Changes

[July 8, 2016]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
14,259.84 +195.3 +1.39%	2,129.90 +26.95 +1.28%	17,146.74 +197.4 +1.10%	4,956.76 +94.19 +1.94%	$0.7669 -0.88¢ -1.13%	$1,367.40 +22.50 +1.67%	$45.12 -4.16 -8.44%

2. Canada adds service jobs, loses factory jobs in June

[July 8, 2016] Canada's overall labour market was stuck in neutral last month as gains in the services sector were offset by declines in factory work, Statistics Canada said Friday.

The federal agency's latest labour force survey said the national unemployment rate fell to 6.8% in June, down from 6.9% the previous month.

Overall, the data indicated the country lost 700 jobs last month — a change so slight it was statistically insignificant.

Service sector jobs continued to rise last month, gaining 45,500 positions, with the biggest increases registered in accommodation and food services as well as information, culture and recreation.

Compared to 12 months earlier, the survey found that Canada had added 170,600 services jobs, an increase of 1.2%.

However, in contrast, the country's goods-producing industries shed 46,200 jobs, as construction and manufacturing industries saw the largest declines.

Over the previous year, 63,000 factory jobs were lost overall — a drop of 1.6%.

Employment in the category of self-employed work grew last month by 37,700 while the number of employee positions dropped 38,400 positions, the survey found.

The data also showed that the labour market shed 40,100 full-time jobs and gained 39,400 less-desirable part-time positions. However, the agency considered both these numbers to be statistically insignificant.
British Columbia was the only province to add a significant number of jobs last month with 16,000 new positions, while the labour markets in other regions experienced decreases or remained largely unchanged.
A consensus of economists had predicted the country to add 5,000 jobs and for the unemployment rate to move up to 7%, according to Thomson Reuters.

3. Half of Vancouver Airbnb hosts use income to pay rent, mortgage

[July 8, 2016] The home-sharing service Airbnb is pushing back against growing concerns that it's having a negative impact on rental vacancies in Vancouver.
A new report released by the company says more than half of people who rent out their homes do so to afford their skyrocketing cost of living.
"It shows the majority of people in Vancouver are doing this on occasion and doing this as supplemental income," says Max Pomeranc, Airbnb's regional head of public policy.
Vancouver is studying the impact of Airbnb and similar websites on rental housing, as the vacancy rate sits at 0.6%. Staff will report to council in September with suggestions on how to regulate the service.
There are over 4,200 active Airbnb hosts in Vancouver with some 6,400 units listed in 2015, and 70% of those were entire homes, while the rest were private or shared rooms.
The report says the average host makes about $6,500 annually by occasionally renting out space and uses at least half of this income on their rent or mortgage, or household items like groceries.
Airbnb says the statistics signal that people aren't keeping properties vacant to profit on sharing but rather are listing their space when they're away.
The company prepared the report, based on 2015 survey and bookings data, in response to questions from the city.
Vancouver bylaws prohibit rentals of less than 30 days outside of licensed bed and breakfasts or hotels.
Airbnb is locked in legal battles with San Francisco and New York over their short-term rental laws, but Pomeranc says Chicago and Philadelphia have crafted regulations supported by the company.
"The reason for this conversation is to make sure […] we all get together and figure out the type of home sharing that is best for Vancouver."

The report adds more than 80% of all listings were shared for less than 180 days, with only 3% of listings shared for more than 300 days. But a local researcher says 180 days is an extremely high cutoff.

Iain Marjoribanks recently released a report that found Airbnb's top earners in Vancouver are commercial hosts who list multiple units and don't live in them. He used methodology developed by San Francisco, with cutoffs of 59 days for full homes and 89 days for rooms.

He says Airbnb's report shows 47% of listings are booked more than 60 days, consistent with his finding that 53% of hosts are commercial users.

"I don't know anybody who goes on a two-month vacation," says Marjoribanks, a student at the University of British Columbia's school of community and regional planning. A significant number of commercial hosts list units on several home-sharing platforms, including HomeAway and VRBO, he adds.

Coun. Geoff Meggs said in an interview this week, before the report was published, that he has little patience for the argument that Airbnb is a good way to supplement income.

"If they're tenants in a building, they're undermining tenants like themselves by driving down vacancy rates and forcing up rents. If they're members of a strata council, they're doing things that are potentially harmful to members of the community they decided to buy into," he says. "I'm more interested in protecting the rental stock for people with medium and low incomes than I am worrying about those who try to maximize their benefits at the expense of others."

The city has received 24 complaints about short-term rentals this year.

It recently received a complaint about a rental building with multiple units listed on Airbnb. The city says it will issue an order to the owner to comply with the minimum 30-day rental requirement or face further enforcement action.

4. Manitoba joins other provinces in efforts to reform CPP

[July 8, 2016] Manitoba has joined the other provinces in working towards enhancing the Canada Pension Plan, though Premier Brian Pallister said the province's agreement with the federal government includes additional research and analysis on several proposals it had set out at the end of June.

Manitoba had opted out of the agreement struck in Vancouver on June 21 by federal, provincial and territorial ministers. Its proposals include: considering low-income single seniors; indexation of the death benefit; a phase-in to the

increase to the upper earnings limit; and a commitment to a comprehensive review of CPP benefits.
"Our government proposed additional items for consideration by finance ministers which would make CPP not just bigger, but better as well," the premier said in a statement. "We are very pleased by the support that these proposals have received from other jurisdictions and with the willingness of the federal government to conduct research and analysis to support their continued discussion."
Pallister said the results of this research will guide further discussion on the proposals as part of both the next CPP triennial review and are to be included as an agenda item at the next finance ministers' meeting.
In a statement, Finance Minister Bill Morneau thanked Pallister and provincial finance minister Cameron Friesen for their contributions before, during and following the meeting in Vancouver. "I look forward to our on-going collaboration and discussions," he said.
"I want to thank all my provincial and territorial colleagues for their important contributions to the future of the CPP and to the retirement security of current and future generations. We have truly shown that Canada works best when its governments come together in the interest of the people we serve."
The agreement in principle now includes the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland and Labrador. Quebec has agreen to remain part of the discussions moving forward in recognition of the unique nature of the Quebec Pension Plan.
All have agreed to work towards confirming the approval of their respective governments by July 15.

5. OSFI intensifies scrutiny of mortgage lenders

[July 7, 2016] The federal banking regulator says it's stepping up its scrutiny of mortgage lending.
The Office of the Superintendent of Financial Institutions Canada has sent a letter to all federally regulated financial institutions reminding them of its expectation for prudent underwriting of residential mortgages.
The regulator says it expects lenders to verify that their mortgage operations are well supported by prudent underwriting, as well as sound risk management and internal controls.
OSFI says low interest rates, record levels of household debt and the sharp rise in house prices in some cities such as Vancouver and Toronto could generate significant loan losses for lenders if the economy deteriorates.

The regulator says it has identified several areas that it will be watching closely including the verification of a borrower's income.
It is also looking at non-conforming loans, debt service ratios, property appraisals and risk management.

6. Building permits down almost 2%: StatsCan

[July 7, 2016] Statistics Canada says municipalities issued building permits worth $6.8 billion in May, down 1.9% from the previous month.
Major factors were a drop in construction plans for single-family homes in Ontario and a drop in construction plans for commercial buildings in Quebec and Ontario.
The value of non-residential permits dropped 3.3% to $2.5 billion in May, following a 1.9% increase in April.
The value of commercial building permits fell 15.6% to $1.2 billion in May, with fewer plans for office buildings, recreational facilities and distribution warehouses. That was offset in part by a gain of 0.6% to $384 million in the value of industrial permits and a 20.3% increase to $842 million for institutional building permits.
The value of residential building permits slipped 1.1% to $4.3 billion nationally, as a drop in single-family homes more than offset a gain in the increase in the value of permits for multi-family homes.

7. Canada's job market still lags pre-recession level

[July 7, 2016] The OECD says Canada's labour market is doing better than in many other countries but it hasn't fully recovered to pre-recession levels.
The Paris-based think-tank says the percentage of working-age Canadians with a job was just 65% in the first quarter — about two percentage points below the pre-crisis level in the fourth quarter of 2007.
It also says 11% of Canada's unemployed have been searching for a job for more than one year — a deterioration of four percentage points from the low point in the fourth quarter of 2008.
And it estimates 13% of people in Canada between the ages of 15 and 29 are both out of work and out of school — one percentage point above the pre-recession level.
The Organization for Economic Co-operation and Development issued its employment outlook a day before Statistics Canada announces the June unemployment rate.

The OECD notes that Canada's unemployment rate in May was 6.9% — improved from a recessionary high at 8.6% in the third quarter of 2009, but still one percentage point worse than before the downturn.

"After falling during 2010-14, the unemployment rate has edged back up as energy-producing provinces experienced rising unemployment due to the drop in commodity prices. However, the unemployment rate is projected to slowly continue to decrease in 2017," the report says.

"While real wages in Canada (adjusting for inflation) have grown faster than the OECD average since the crisis, real wage growth was moderately slower during 2008-2015 than it had been during 2000-2007."

OECD Secretary-General Angel Gurria called on member governments — which include Canada and the United States — to adopt policies that will kick-start wage growth and productivity.

"The job of healing the employment market is only half done: back at work, but out of pocket," Gurria said in a statement.

8. Record trade deficit signals economic troubles

[July 7, 2016] Fresh figures from Statistics Canada show the country had a record trade deficit in April and that it was nearly as bad in May, raising concerns economic weakness in the second quarter could be worse than feared.

The federal agency said Wednesday the trade deficit in May was $3.28 billion and revised the deficit for April to a record $3.32 billion. That compared with its initial estimate of a $2.93 billion shortfall for April.

Economists had expected a trade deficit of $2.7 billion for May, according to Thomson Reuters.

Bank of Montreal senior economist Benjamin Reitzes called the trade report, which showed a 2.3% drop in export volumes, "very downbeat."

"The string of declines in export volumes is a worrying sign that the transition away from energy sector-driven growth might be stalling," Reitzes wrote in a report.

"Add on the uncertainty surrounding the global economic outlook following the Brexit vote and Canadian trade will likely have trouble gaining meaningful traction in the near term."

Overall, exports fell 0.7% to $41.1 billion in May, while exports excluding energy products declined 1.8%. Imports slipped 0.8% to $44.4 billion.

The bigger than expected trade deficit came as exports of crude oil and bitumen grew despite the wildfires in Fort McMurray, Alta., that forced several oilsands operations to shut down production. By some estimates, more than one million barrels per day of crude production was knocked offline — about 40% of all Canadian oilsands output.

Based on preliminary evidence, Statistics Canada said refinery activity slowed in May, freeing up oil for export, and the remaining shortfall in crude production was largely offset by a reduction in Alberta oil inventories.

Exports of crude oil and bitumen were up 10.5% at $3.8 billion, as prices were up 9.9% and volumes rose 0.6%.

CIBC economist Nick Exarhos said the weak export volumes are another factor that will depress an already bleak May GDP outlook.

"The Bank of Canada may be factoring in some pain in their second quarter outlook, but without a turn ahead in exports, it will soon become time to start taking down growth forecasts for the back half of this year," Exarhos said.

Bank of Canada governor Stephen Poloz has predicted the Alberta wildfires will shave between one and 1.25 percentage points from the annualized pace of growth in the second quarter and that could mean a slight contraction. However, he has said the dip likely means the third quarter will show growth better than anticipated.

Eight of the 11 sectors tracked showed a drop in exports for May. On the opposite side of the ledger, six of 11 sectors saw gains in imports.

Exports to the United States were up 3.6% to $32.1 billion, while imports from our largest trading partner fell 1.1% to $29.3 billion for a trade surplus of $2.8 billion in May.

Exports to other countries fell 13.6% to $9.1 billion in May, while imports from those countries slipped 0.1% to $15.1 billion. Canada's trade deficit with countries other than the U.S. widened from $4.6 billion to a record $6.0 billion in May.

9. Subdued business outlook for the next year: Bank of Canada poll

[July 4, 2016] Canadian businesses are anticipating only a minimal acceleration in sales growth over the next 12 months amid bleak expectations among firms linked to the energy industry, a new Bank of Canada poll suggests.

The central bank's latest business outlook survey released Monday said that companies hit hard by the oil price slump reported that indicators of future sales, such as new orders, had seen scant improvement compared to a year ago.

“The moderation in future sales expectations was concentrated among firms in the Prairies, which see few signs of a recovery from the oil price shock,” the bank’s quarterly survey said.

In other regions of the country, the poll said “steady, albeit modest, domestic momentum” supported brighter sales outlooks.

The survey found that businesses outside the affected commodity industries and in the service sectors were more optimistic about the coming year. Rising demand from the United States and the past depreciation of the Canadian dollar remained key sources of stronger sales expectations, the poll said.

The survey also suggested that overall, firms generally expected to add jobs over the coming year — but found hiring intentions remained below post-recession levels and diverged considerably by sector.

Plans to reduce staff were prominent among companies in the goods sector, while firms in the service industries intended to boost their workforces to meet growing demand, the poll found.

“Hiring intentions remain modest overall,” the bank said.

Firms also remained cautious about business investment, with many companies tied to the energy sector budgeting for further cuts, the survey said. However, businesses in the service sectors were found to be more willing to invest and expand, it added.

CIBC chief economist Avery Shenfeld said the survey indicates that the repercussions from the fall in energy prices will continue to be felt.

“We’re not out of the woods yet,” Shenfeld said in a note to clients. “The energy shock dented Canada over the past 12 months, but the Bank of Canada’s latest survey suggests that the tide isn’t yet turning back in our favour.”

The Bank of Canada’s survey of senior managers from about 100 companies was conducted between May 9 and June 8, and therefore doesn’t reflect any potential changes in expectations linked to the United Kingdom’s referendum to leave the European Union.

National Bank senior economist Krishen Rangasamy said that companies’ actual investment and hiring may end up being softer following the result of the so-called Brexit vote than the opinions reported in Monday’s survey.

“Intentions to hire and invest remain weak, which does not bode well for economic growth in the second half of the year,” Rangasamy wrote in a research note.

Have a nice and fruitful week!