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1. Weekly Markets Changes

[July 12, 2019]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,488.12 -53.87 -0.33%	3,013.77 +23.36 +0.78%	27,332.03 +409.9 +1.52%	8,244.15 +82.36 +1.01%	\$0.7670 +0.36c +0.47%	\$1,415.75 +16.30 +1.16%	\$60.21 +2.70 +4.69%

2. Governments must focus on inclusive, sustainable growth: report

[July 12, 2019] Weak economic growth prospects and rising risks should push governments to implement reforms designed to boost growth and bolster incomes, says the Organization for Economic Cooperation and Development (OECD) in a new report.

Against a backdrop of softening growth, macro trends such as population aging, environmental degradation, globalization and digitalization are shaping economic development, the OECD said.

To manage the impact of these trends, governments should prioritize structural reforms that “boost long-term growth, improve competitiveness and productivity, create jobs and ensure a cleaner environment and equal opportunities,” it said.

“As growth is slowing down, and new technologies are rapidly transforming our economies, it is urgent to pursue reform efforts to boost inclusive and sustainable growth,” Angel Gurría, secretary-general of the OECD, said in a statement.

While these priorities are different for each country, the OECD said that a common objective should be equalizing opportunities across workers and firms.

In advanced economies, shifting taxation from income to property would boost growth, it said, adding that better public sector efficiency and creating the conditions for business innovation are also critical.

“Opening up markets to entry, competition and foreign trade and investment is essential for innovation, the diffusion of digital technologies and ultimately productivity growth and social inclusion,” it noted.

Additionally, the OECD called for an increased focus on reforms to make growth environmentally sustainable.

“The report suggests countries make better use of environmental taxation, phase out agricultural subsidies and environmentally harmful tax breaks, and take additional steps to reduce emissions from transport, including more investment in better and low-emission public transport,” it said.

3. Most non-bank mortgages are uninsured: StatsCan

[July 12, 2019] The majority of mortgages provided by non-bank lenders are uninsured, and more than half of the loans from these firms that are in arrears are also uninsured, according to new data from Statistics Canada.

For the first time, StatsCan has published data on non-bank mortgage lenders, which found that they held 1.7 million residential mortgages in the fourth quarter of 2018, with a total value of \$325.5 billion.

Two-thirds of these loans (1.1 million loans worth \$188.0 billion) were uninsured, StatsCan reported.

That data also showed that 34,638 residential mortgages (worth \$6.4 billion) were in arrears by at least a day in the fourth quarter. Of these mortgages, 62.5% were uninsured, StatsCan noted.

There were also 4,249 mortgages in arrears by over 90 days, StatsCan reported, with a total value of \$930.4 million. Of these, 59.4% of the loans were uninsured.

4. American exporters hit hard by tariff war with China

[July 12, 2019] China’s trade with the United States plunged in June amid a tariff war with Washington over Beijing’s technology ambitions that has battered exporters on both sides.

Imports of U.S. goods fell 31.4% from a year earlier to \$9.4 billion, while exports to the American market declined 7.8% to \$39.3 billion, customs data showed Friday. China’s trade surplus with the United States widened by 3% to \$29.9 billion, potentially giving its critics ammunition to demand Washington take a hard line with Beijing.

Presidents Donald Trump and Xi Jinping agreed in June to resume talks on the fight over U.S. complaints about Beijing's trade surplus and plans for government-led development of technology industries. That helped to calm financial markets but economists say the truce is fragile because the conflicts that caused talks to break down in May persist.

Trade has weakened since Trump started hiking tariffs on Chinese goods last June. Beijing retaliated with its own penalties and ordered importers to find non-U.S. suppliers.

Envoys talked by phone Tuesday in their first contact since Trump and Xi met in Japan, the Chinese Commerce Ministry said. It gave no details or a date for more contacts.

"Our base case remains that trade talks will break down again before long," said Julian Evans-Pritchard of Capital Economics in a report.

China's global exports sank 1.3% to \$212.8 billion while imports fell 7.3% to \$161.9 billion.

Trade weakness has added to pressure on Xi's government to shore up economic growth and avoid politically dangerous job losses.

Washington is pressing Beijing to roll back plans for government-led creation of Chinese global competitors in robotics, electric cars and other technologies. The United States also wants other changes including cuts in subsidies to Chinese industry.

Beijing agreed last year to narrow its trade surplus with the United States by buying more American natural gas and other exports but scrapped that plan after one of Trump's tariff hikes. The Chinese government said in June that any purchases must be at a reasonable level, suggested Beijing was becoming more cautious about making big commitments before it sees what Washington offers in exchange.

Trump accused Beijing on Thursday of backsliding on promises to buy more American farm goods. He said on Twitter that "China is letting us down."

Trump's statement "highlighted how more speed bumps may remain in the road ahead," said Craig Orlam of OANDA in a report. "While a deal makes sense for both sides this year, it's far from guaranteed and could hit many more snags."

Chinese leaders express confidence their economy can survive the tariff fight. Importers of American soybeans and other goods are trying to switch to Brazilian, Russian and other sources, but supplies are limited and costs are higher. Farmers who use soybeans as animal feed have been told to switch to other grains.

While American exporters have been hit hardest, Chinese industries including electronics that Beijing sees as its economic future have suffered double-digit declines in sales to the United States, their biggest market.

Economists say even if a settlement with the U.S. is reached, China's exports this year will be lacklustre due to weak global demand, putting pressure on manufacturers that support millions of jobs.

5. BoC holds rate, lowers global growth forecast

[July 10, 2019] The Bank of Canada is leaving its key interest rate unchanged in an announcement that balances domestic economic improvements with an expanding global slowdown caused by trade conflicts.

The decision Wednesday kept the interest rate at 1.75% for a sixth-straight meeting as Canada rebounds from a weak stretch that nearly brought the economy to a halt in late 2018 and early 2019.

Governor Stephen Poloz and the governing council appeared to be in no rush to change the rate, even as they noted policy-makers in the U.S. and Europe have signalled they may introduce cuts to respond to weakened global economic activity.

"Recent data show the Canadian economy is returning to potential growth," the Bank of Canada said in a statement.

"However, the outlook is clouded by persistent trade tensions. Taken together, the degree of accommodation being provided by the current policy interest rate remains appropriate."

The Bank of Canada, which was widely expected to stand pat Wednesday, said it will continue to monitor data ahead of future decisions with a particular focus on developments in the energy sector and the effects of global trade tensions.

Fallout from the uncertain international trade environment was also reflected in the bank's updated economic projections, which were also released Wednesday in the bank's quarterly monetary policy report.

The bank downgraded its 2019 global growth forecast to 3% from 3.2% due to trade disputes — the U.S.-China fight, in particular — that have rippled through the world's economy.

"Escalating trade conflicts, geopolitical tensions and related uncertainty are contributing to the broad-based slowdown of global economic activity," the bank said in its report.

The wider trade-related fights and, in some cases, direct actions are having an impact on Canada.

China's recent trade actions on meat and canola products from Canada are expected to lower exports by 0.2%, the bank said. The changes, including stricter inspections on Canadian goods by Chinese authorities, have come amid a bilateral diplomatic dispute.

The bank predicted economic growth in Canada this year of 1.3%, up slightly from its April forecast of 1.2%, and an expansion of 1.9% in 2020, down from its previous call of 2.1%.

The Bank of Canada raised its forecast for second-quarter growth to annual pace of 2.3%, up from its April projection of 1.3%, following the stronger-than-expected rebound from the slowdown at the start of the year. It predicted growth an annual pace of 1.5% for the third quarter.

The unexpectedly robust bounce back, the bank said, was due to temporary factors such as a recovery from weather-related weaknesses and a boost in oil production.

Consumption in Canada is being supported by the healthy job market and rising wages, while the housing market at a country-wide level is stabilizing, the bank said. In addition, climate-related incentive payments from the federal government, which are front-loaded, could also provide a temporary boost to household spending.

The Canadian economy ran at close to full tilt for most of 2017 and 2018 — a stretch that saw Poloz hike the interest rate five times. A sharp drop in oil prices in late 2018 prompted the bank to hit pause and it hasn't raised the rate since last October.

6. Canadians dealing with less income mobility: study

[July 10, 2019] In a new report, StatsCan finds that Canadian families are increasingly likely to remain stuck in their existing income bracket.

Back in the '80s, the data show that 25.5% of families remained in their current income bracket over a five-year period. That was up to 32.6% in the period from 2011 to 2016.

The study segmented families into deciles — 10% slices — based on after-tax family income. The highest and lowest-income families, as well as seniors, are the most entrenched in their current income situation, it found.

“Taxfilers from all income deciles experienced rising immobility over time, but the reduced income mobility was most prominent for taxfilers in the lower part of the income distribution,” StatsCan said.

“Against the backdrop of rising immobility, taxfilers in lower deciles became less likely to move up,” StatsCan reports. “In contrast, taxfilers in the top deciles became less likely to move down.”

The decrease in income mobility stems from both a decline in upward mobility, and a reduction in downward mobility, the study said.

Back in the early '80s, 40.5% of families moved up the income ladder, whereas from 2011 to 2016, just 35.0% of families found themselves moving up.

StatsCan noted that immigrants are more likely to enjoy upward mobility. From 2011 to 2016, 44.7% of immigrant families moved up an income category, compared with just 32.8% of Canadian-born families.

At the same time, downward mobility has also declined a bit.

In the '80s, 34.0% of families overall moved down the income ladder over a five-year period — that was down to 32.5% in the 2011 to 2016 period.

Immigrants outperformed Canadian-born families in this area too, with just 26.0% of immigrant families sliding down the income ladder in the 2011-2016 period, compared with 33.9% of Canadian-born families.

7. Montreal sees spike in luxury home sales

[July 10, 2019] Luxury real estate sales flourished in Montreal with property sales over \$4 million jumping by triple digits in the first half of 2019, but continued to dwindle in Vancouver, according to a new report.

“Canada’s top-tier real estate markets veered in separate directions,” read a report released Wednesday by Sotheby’s International Realty Canada, which tracked the number of condominiums, townhouses and detached homes sold for over \$1 million and \$4 million in major Canadian cities.

The agency has previously forecast Montreal as an emerging hot stop set to make new records.

Sales of properties over \$1 million jumped 5% in the first half of 2019 compared with the same period last year. Sales of properties over \$4 million soared 267% with 11 properties sold. Three such properties were sold in the first half of 2018.

The agency’s experts noted an increase in international buyers — a group that includes new Canadians, permanent residents and investors, according to the report, as foreign buyers’ taxes in Toronto and Vancouver redirected international buyers to Montreal. However, the group still composes “a small percentage of overall top-tier sales activity” in the city, it said.

There were “healthy increases” in sales of properties over \$1 million in the Greater Toronto Area, where 8,612 such properties sold in the first half of the year — up 12% from the same time in 2018.

Sales of properties over \$4 million in the GTA fell 19%, which the report attributed to sellers of such homes not listing their properties on the Multiple

Listing Service in favour of private sales. That shift comes after a change that makes more information public when homes are sold via the MLS.

Industry experts expect this trend will affect real estate markets in other major cities more significantly in time, according to the report.

Meanwhile, in Vancouver's formerly heated housing market, luxury property sales continued to drop due to fallout from government intervention.

"The market continued to bear the burden of tightened mortgage rules, multiple governmental policies and taxes, and hesitant sellers and fickle buyers lacking motivation to commit to transactions," the report read.

Homes sold for over \$1 million fell 33% to 1,308 properties, while homes sold for more than \$4 million fell 34% to 73 homes.

Sotheby's said a slow reconciliation between sellers' expectations and the current market conditions "are setting the stage for activity at new levels" for the rest of 2019.

"Evolving conditions in Vancouver real estate have created opportunities for prospective top-tier real estate buyers to consider housing options previously out of reach," the report said, adding some potential buyers who were considering condos priced at more than \$1 million have likely now shifted their focus to attached or detached homes instead.

Sales of condos over \$1 million fell 51% in the first six months of this year from 708 condos sold between January and June 2018 to 349 in the same six months of 2019.

"The continued adjustment of housing prices is expected to renew interest and activity in the future," the report noted of Vancouver's single family homes priced over \$1 million.

The report also tracked prices in Calgary, where sales of properties over \$1 million fell 21%.

8. Canadian housing starts rise in June: CMHC

[July 9, 2019] The Canada Mortgage and Housing Corp. says the annual pace of housing starts picked up in June to a seasonally adjusted annual rate of 245,657 units compared with 196,809 units in May.

The result topped the 210,000 units that economists had expected, according to Thomson Reuters Eikon.

The increase in the pace of home starts came as the rate of urban starts increased by 26% in June to 234,238 units.

The annualized pace of multiple-unit projects such as condominiums, apartments and townhouses increased by 31% to 185,804 units last month, while the pace of single-detached urban starts rose 8% to 48,434 units.

Rural starts were estimated at a seasonally adjusted annual rate of 11,419 units.

The six-month moving average of the monthly seasonally adjusted annual rates was 205,838 units in June compared with 200,530 in May.

In emailed commentary, Royce Mendes, senior economist at CIBC World Markets, noted that the strong growth in June has brought the average pace of housing starts above 220,000 for the current quarter.

“Today’s print adds further evidence that residential investment will show up as a positive contributor to GDP growth for the first time since 2017,” Mendes wrote. “Looking ahead, though, many of the prior headwinds to the housing sector remain in place, and will likely see the strength seen in Q2 taper off as the year progresses.”

Have a nice and fruitful week!

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