Weekly Updates Issue # 769

1. Weekly Markets Changes

[June 19, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,474.21 +217.64 +1.43%	3,097.74 +56.4 +1.86%	25,871.46 +265.9 +1.04%	9,946.12 +357.3 +3.73%	$0.7360 +0.05c +0.07%	$1,743.87 +13.12 +0.76%	$39.75 +3.49 +9.62%

2. Retail sales plunged 26.4% in April: StatsCan

[June 19, 2020] Retail sales fell by more than a quarter in April due to the Covid-19 pandemic, but Statistics Canada said Friday that they regained some of the lost ground in May.

The agency said retail sales plunged by a record 26.4% to $34.7 billion in April leaving them down 33.6% since physical distancing measures were implemented in mid-March.

However, Statistics Canada said early estimates suggest retail sales rose 19.1% in May.

Economists on average had expected a drop in April of 15.1%, according to financial markets data firm Refinitiv.

Bank of Montreal chief economist Doug Porter said April is cementing its reputation as the worst month for the Canadian economy ever.

“The Canadian economy, and retail trade specifically, looks to have been hit even harder than initially estimated as well as the U.S. economy through the shutdowns,” Porter wrote in a note.

“It’s a long road back from these April lows.”

While essential services like grocery stores remained open, most retailers did not offer in-store shopping in April due to public health restrictions meant to slow the spread of the pandemic.

However, many retailers started or expanded their online presence and curbside pick-up services in response to the closures.

Statistics Canada says online sales surged to a record high, representing 9.5% of the total retail market.

TD Bank economist Ksenia Bushmeneva said while spending is expected to begin to rebound in the coming months, the “where’s and what’s” of consumer spending are likely to differ from the pre-pandemic time.

“As we have highlighted in our recent report, consumer spending patterns have undergone quite the transformation in recent months.

“As expected, consumers are spending considerably less on travel and lodging, eating out, gasoline and clothing, but considerably more on home renovation and food. Online shopping also continues to rule the day, remaining far more prevalent than it was prior to the health crisis.”

Sales were down in all 11 subsectors in April, while motor vehicle and parts dealers took the largest hit in dollar terms as the sector fell 44.3% for the month.

Sales at food and beverage stores fell 12.7% as supermarkets and other grocery stores saw a drop of 12% compared with March when Canadians stocked up.

Retail sales in volume terms fell a record 25.2% in April, following an 8.2% drop in March, leaving them down 31.3% since the onset of the pandemic.

3. StatsCan uncovers “excess mortality” rates in 3 provinces

[June 19, 2020] With the emergence of the Covid-19, three of the big provinces — Alberta, British Columbia and Quebec — experienced higher than expected death rates this year, Statistics Canada says.

As part of its ongoing effort to capture the effects of the pandemic on Canada’s population and its economy, the national statistical agency released provisional demographic stats for the first four months of 2020 (to May 2), which found that “excess mortality” was evident in Alberta, B.C. and Quebec

since the beginning of the pandemic. Notably, the data does not include Ontario or the Yukon.
According to StatsCan, in the weeks since March 11 — when Covid-19 was officially declared a pandemic by the World Health Organization (WHO) — death rates have been higher than expected in the three provinces for both males and females, "and appears to disproportionately affect those over the age of 85," StatsCan said.
Some of these additional deaths can be directly attributed to Covid-19, while others may occur indirectly due to the pandemic's effect on the health system. Other sorts of deaths — such as those from car accidents and workplace accidents — were likely reduced due to the pandemic-driven lockdowns, which shut most businesses and sharply reduced traffic.
Nevertheless, StatsCan found that there were over 2,200 more deaths than usual in the three provinces.
In Quebec, excess mortality was evident for six weeks (starting in the week ending March 28). Over that period, there were 1,472 more deaths than usual, and there were 2,132 deaths attributed to Covid-19 over that period.
Alberta saw higher death rates for a seven-week period, starting in the week of Feb. 29, when it recorded 402 more deaths than usual, even though there were just 40 deaths attributed to Covid-19 during that period.
In B.C., excess mortality was observed starting March 15 and ending April 25, StatsCan reported. "Over this period, there were 372 more deaths than in any of the previous five years for those same weeks," StatsCan said.
Over that period, there were 99 deaths publicly attributed to Covid-19, StatsCan said.
"While this suggests that there were more excess deaths over this period than reported deaths due to Covid-19, it should be noted that this may be due to other factors, such as changes in population composition or other underlying causes of mortality," the agency noted.
For the other eight provinces and territories, StatsCan said that there was "no clear evidence of excess mortality" through the first four months of 2020.

4. Economic recovery from Covid-19 expected to be 'slow and gradual'

[June 18, 2020] Canada is set to endure "one of the worst recessions in its history," and some provinces will fare worse than others, according to a report from Desjardins.
Recovering from the economic turmoil wrought by Covid-19 "will be slow and gradual," the report predicted, with real GDP expected to plunge by 12%

in the second quarter and 5.9% for the year. Earlier this week, CIBC forecasted that GDP would fall 6.2% in 2020.
The Desjardins report said the rebound isn't expected to begin until the third quarter — but rebounding may prove difficult for some provinces.
"Alberta and Saskatchewan entered Covid-19 on their knees," the report said, noting that they were the only provinces in the country to see real GDP decline in 2019.
In addition to grappling with persistently low oil prices, both provinces have borne the brunt of a substantial drop-off in the manufacturing and construction sectors. Alberta saw its unemployment rate more than double from 7.2% in February to 15.5% in May.
Unemployment in Quebec — a province that "saw more upheaval than elsewhere in the country" — skyrocketed to 17% in April, but that province is already showing signs of recovery, the report noted.
Quebec, which began reopening its economy ahead of other provinces, saw unemployment drop to 13.7% in May.
"The labour market will continue to recover in step with the phases in lifting the lockdown," the report said.
It may be a tougher slog for Ontario, which has been slower to reopen than most provinces and has had several restrictive measures extended.
"Ontario is thus the only province not to see the number of jobs increase in May; it was also the only province to see the actual number of hours worked decline again that month," the report stated, noting that the auto sector has been particularly hard hit.
British Columbia and Manitoba, meanwhile, have remained relatively insulated from the worst of the pandemic's economic effects.
"Actual hours worked retreated less between February and April, particularly in Manitoba," the report said. "In British Columbia, homebuilding remains relatively strong, as shown by the recent advance by housing starts."
The two provinces are expected to see real GDP decline less than the national average.
Newfoundland and Labrador was "especially hard hit by the decline in hours worked," but other parts of Atlantic Canada have been less affected, and the daily number of new Covid-19 cases "has almost fallen to zero in Nova Scotia and Prince Edward Island," the report noted.
In anticipating Canada's eventual rebound, Desjardins cautioned that a second wave of Covid-19 "would further hobble economic growth."
"The adverse effects on corporate earnings and the stock markets would be more severe as a result and the risk of a financial crisis would increase," the report warned.

5. PBO sees federal deficit ballooning to $256 billion

[June 18, 2020] The parliamentary budget officer says in a new report that this year's federal deficit could hit $256 billion due to the COVID-19 pandemic.

The result, posted this morning, is the combination of an estimated total of $169 billion in federal spending on emergency aid and a historic drop in economic output.

The budget office estimates the economy could shrink by 6.8 per cent in 2020, the weakest showing since 1981 and double the record of 3.2 per cent shrinkage in 1982.

The overall deficit figure is only $3.8 billion higher than budget officer Yves Giroux's previous predictions, which his report says is due to a better economic outlook in the second half of the year that offsets some new spending.

Previously, Giroux estimated the economy could shrink by 12 per cent in 2020.

Giroux stresses that the figures are the outcome of one of many possible scenarios and not a certain forecast.

The report comes one day after Prime Minister Justin Trudeau promised to deliver a "snapshot" of federal finances on July 8 that will provide short-term spending estimates.

Trudeau warned the document won't provide a longer-term outlook because of what the government says is the uncertainty about where the economy will go in the coming months and years – all of which rests on the path of the pandemic.

The Liberals have been under pressure from opposition parties to release a fiscal update or a budget that was shelved due to the pandemic. The government had originally planned to release a budget in late March.

Since then, MPs have approved emergency spending to provide aid to Canadians who have lost their jobs or had their hours slashed, and financing to businesses shuttered due to public health restrictions.

Giroux is also releasing updated cost estimates for two of the cornerstone programs the Liberals rolled out and are now revamping _ the Canada Emergency Response Benefit, and the federal wage-subsidy program.

The budget office now estimates the $2,000-a-month CERB will cost the government $61.1 billion, but pull in $7.7 billion when recipients are taxed on the income next year.

The Liberals have promised to extend the benefits so recipients can receive 24 weeks instead of the current 16, and previously revised the budget for the program to $60 billion.
When the Finance Department increased the cost of the CERB, it also lowered the cost for the wage-subsidy program from to $45 billion from $73 billion based on the take-up rate among businesses.
Giroux's office estimates the wage subsidy to cost the treasury $55.6 billion.

6. Covid-19 presents demographic challenges: StatsCan

[June 18, 2020] New data from Statistics Canada sheds highlights the impact of the Covid-19 outbreak on Canada's demographic trends.
The national statistical agency released its population estimates for the first quarter, which reflect the early impact of the pandemic and the travel restrictions that were imposed in mid-March.
The first recorded death in Canada due to the pandemic was on March 9, and there were 96 total deaths attributed to Covid-19 during Q1, according to StatsCan.
In total, almost 80,000 deaths were recorded in Q1, which is a quarterly record, StatsCan noted.
Conversely, population growth had its weakest quarter since 2015 in Q1 2020, rising by 0.2% to slightly less than 38 million.
From an economic point of view, the biggest concern about the demographic impact of Covid-19 is its effect on immigration.
In a recent report, economists at Toronto-Dominion Bank said, "Population growth is likely to have gone to near zero in recent months as borders have been closed.
"This captures a key risk — Canada's reliance on immigration to fuel economic growth."
TD estimates that dropping Canada's current immigration rate in half would shave around 30 basis points from the economy's long-term growth potential, leaving it to grow at just 1.3%–1.4%.
As it stands, immigration continued to account for the bulk of Canada's population growth (82.3%) in the first quarter.
StatsCan reported that the number of permanent immigrants that came to Canada in Q1 was up from the same quarter last year, with most arriving before travel restrictions were imposed.
The bigger effect of those restrictions came among so-called "temporary immigrants." While the absolute number continued to increase, the net increase was down 80% from the same period last year.

This decrease was mostly due to the effect of travel curbs on international students during Q1.
This trend may have a significant impact on Canadian universities and colleges, which have become increasingly reliant on international students.
According to recent data from StatsCan, international students currently account for almost 25% of new university enrolments and 16.3% of new college enrolments.
Certain programs are even more reliant on international students.
For example, almost one-third of enrolments in math and computer sciences programs are coming form overseas at both the university and college level.
"International students pay substantially higher tuition fees than their Canadian-born counterparts, and these fees have helped reduce some of the gap between rising operating expenses and stagnant provincial grants over the past decade," StatsCan noted.
Looking ahead, StatsCan is bracing for a more significant impact on demographic indicators in the Q2.
"By the end of the first quarter, Covid-19 was beginning to have an impact on Canada's population growth, but it is likely that a larger impact will be felt in the second quarter of 2020," StatsCan said.
With that in mind, it's making adjustments to some of the traditional methods for compiling population estimates due to the distorting effects of Covid-19 on typical birth, death and immigration trends.
"In the context of the COVID-19 pandemic, the resulting crisis may have invalidated some of the assumptions of the models used in the production of population estimates," it said.
As a result, StatsCan is making adjustments to the usual data collection methods, which will show up in future data releases.

7. CERB extended by eight weeks

[June 18, 2020] The federal Liberal government avoided defeat with help from the NDP on Wednesday as the two joined forces to pass a multibillion-dollar spending bill in the House of Commons and avert a summer election.
The result had been considered a foregone conclusion after the Liberals assured the New Democrats' support — and their own survival — by extending Tuesday the $2,000-a-month Canada Emergency Response Benefit another eight weeks.
In return, the NDP supported the government in passing the supplementary spending estimates — some $87 billion in planned government spending,

most of which is aimed at pandemic-related support for Canadians and businesses.

Only about $6 billion actually involves new spending; the other $81 billion had already been approved by Parliament.

Because the Liberals hold only a minority of seats in the House of Commons, they needed the support of at least one party to pass the spending bill or risk plunging the country into an election.

Any bill involving government spending is typically considered a confidence matter. A government that fails to win a vote of confidence in the Commons is deemed defeated.

"The prime minister says he has heard us and is extending support through CERB through the summer," NDP Leader Jagmeet Singh said in a statement prior to the estimates being approved.

"This is what we were calling for in the short term. We'll keep working to make sure help is there for Canadians who need it in the long term."

Trudeau announced Tuesday that the CERB would be extended to a maximum of 24 weeks instead of 16 weeks for people who lost their jobs or saw their hours slashed due to the pandemic.

The extension means the first cohort of applicants who signed up in April and were set to max out their payment periods in early July won't have to worry if they have no jobs to go back to over the summer or are unable to work because of health reasons.

Yet while the supplementary estimates were approved — on division, which means with some opposition but no recorded vote — there was still no resolution to an emergency aid bill that stalled last week as the government butted heads with opposition parties.

That bill included measures to deliver a one-time, tax-free benefit of up to $600 to Canadians with disabilities, an expansion to the wage subsidy program and fines or jail time for Canadians who deliberately defraud the CERB program.

The government needed unanimous consent to quickly pass the bill in a matter of hours last week but none of the opposition parties would support it.

It then offered to deal with the disability benefit separately, which was supported by the NDP and the Bloc but the Conservatives blocked that idea.

The bill remained on the order paper Wednesday, meaning the government could have theoretically tried again, but that wasn't in the cards.

The government will instead try to work out other ways to deliver the disability benefit and other measures without needing legislation.

The approval of the supplementary estimates followed almost five hours of parliamentary debate that was preceded by Singh being kicked out of the

House of Commons for calling a Bloc Quebecois MP racist over an NDP motion on systemic racism in the RCMP.

The debate coincided with news that Canada had lost its bid to win a temporary seat at the United Nations' Security Council, which prompted several sharp exchanges between the Conservatives and Liberals over the cost of the campaign.

The prime minister was not present for the proceedings, which mark the end of an unprecedented parliamentary sitting that saw the House of Commons — like much of the rest of the country — all but shut down because of COVID-19.

Trudeau instead left it to his ministers to respond to opposition questions and concerns, including Conservative complaints about a lack of transparency and accountability over the government's response to the pandemic.

The Conservatives and Bloc had been calling for the resumption of Parliament rather than the special COVID-19 committee that has been holding hybrid hearings for the past few weeks with some MPs attending in person and others virtually.

The Liberals announced Wednesday that they will provide a "snapshot" of the country's economy on July 8.

8. Inflation hit negative territory for second straight month in May

[June 17, 2020] The annual pace of inflation pulled back even further in May due to a drop in gasoline prices compared with a year ago as businesses shut due to the Covid-19 pandemic began to reopen slowly.

Statistics Canada said Wednesday the consumer price index fell 0.4% compared with a year ago, making it the second month in a row for negative inflation after a 0.2% drop for April.

Economists on average expected the consumer price index to remain unchanged compared with a year ago — meaning an annual inflation rate of zero.

Scotiabank deputy chief economist Brett House said April and May were likely the bottom for the Canadian economy.

"We're not likely to see price pressures decline further going into June, largely because of the stimulus measures or the bridge financing measures that are in place for households and for businesses and the reopening that has begun in the course of the matter part of May and into the month of June," House said.

Prices rose in four of the eight major components on a year-over-year basis.

Transportation prices contributed the most to the overall decline, mainly because of lower gas prices compared with May last year, though gas prices were up from April. Gasoline prices were down 29.8% compared with a year ago, but up 16.9% from April.

Statistics Canada said that excluding gasoline, the consumer price index rose 0.7% compared with a year ago, the smallest increase since January 2013.

Other contributors to the drop in inflation was a 21.3% drop in traveller accommodation and a 9.5% decline in telephone services.

Meanwhile, prices for passenger vehicle insurance premiums were up 6.4% compared with a year ago, while meat prices were up 7.8%.

The average of the three measures of core inflation, which are considered better gauges of underlying price pressures and closely tracked by the Bank of Canada, was 1.7% compared with 1.8% in April.

The central bank targets inflation when setting its trend-setting interest rate which is 0.25%.

Bank of Canada governor Tiff Macklem told the House of Commons finance committee this week that rates would only go up once Canada is well into an economic recovery, which he suggests is still a long way off.

"But we're in a deep hole, and it's going to be a long way out of this hole," Macklem said Tuesday in his first public appearance since taking the top job at the central bank on June 3.

TD Bank senior economist James Marple said there are promising signals in recent economic data and as economies open up, the bank expects to see some modest lift to consumer prices.

"Still, it will be a long road ahead and downside risks will remain elevated until a vaccine is broadly available," Marple said.

Going forward, House said economists are going to be watching how the pandemic situation evolves with the number of new cases as well as how the pace of the reopening of businesses unfolds.

"We're also going to be looking at the pace and progress on reopening and the sequencing of that because there are whole sections of the consumer price basket that are not back to anything close to full activity yet and may not be until well into the end of the year," he said.

9. The rich may be richer than the PBO thought

[June 17, 2020] The concentration of wealth among Canada's richest 1% is deeper than previously believed, according to a federal government report based on a new modelling approach.

The top 1% of Canada's families hold about 25.6% of the wealth — roughly $3 trillion — up from 13.7% estimated under previous methodology, says the report from the Office of the Parliamentary Budget Officer.

"The distribution of wealth among households is heavily skewed toward the wealthiest families," the report notes.

"In Canada, a small proportion of families at the top of the distribution possess net worth that is orders of magnitude higher than the country's median net worth."

The amount of money held by Canadian families would total $11.7 trillion if they liquidated all assets and paid off all liabilities, about five times larger than Canada's annual gross domestic product, the report notes.

Real estate at $5.8 trillion and mortgages at $1.5 trillion are the single largest asset and liabilities categories.

The report adds that the top 0.5% of Canadian families hold 20.5% or $2.4 trillion of the wealth, up from the previous estimate of 9.2%.

It was expected that the numbers would rise because the previous estimates were clearly too low, but the magnitude of the increase was surprising, said Parliamentary Budget Officer Yves Giroux in an interview.

"When we looked at the number from StatsCan in their survey, the wealthiest person had self-declared wealth of $27 million and we know that there are people in Canada that are richer than that," he said.

"We were not surprised there would be upward revisions but to that extent, I was personally surprised to see it was that much."

The new database calculation incorporates information from Canadian Business magazine's 2017 Richest People List, with figures from Statistics Canada's 2016 net worth survey and its fourth-quarter 2016 National Balance Sheet Accounts report.

Giroux said his office investigated new ways to estimate wealth in Canada following requests during last year's federal election to provide an estimate of the revenues that could be raised by a tax on wealthy families, as well as ongoing interest in tax reform by legislators.

Last September, the federal NDP proposed a 1% annual wealth tax on fortunes worth more than $20 million, claiming it could raise nearly $70 billion over the next 10 years.

Unlike a tax on income, a wealth tax would apply to all assets, including real estate, with the aim of reducing financial inequality among Canadians.

At the time, the PBO released figures suggesting the measure could raise $5.6 billion in the 2020-21 fiscal year and rise to nearly $9.5 billion in 2028-29.

That number was arrived at by using certain assumptions and, while it's likely it would be higher using the updated database, it's difficult to say what it would be without extensive re-calculations, said PBO lead analyst Nigel Wodrich.

The PBO says it's not yet known if the wealth database will be updated on a regular basis.

10. Report warns of 'permanent' economic damage wrought by Covid-19

[June 17, 2020] The economic shock generated by the Covid-19 outbreak has likely done permanent damage to the Canadian economy. The hard-hit service sector will never recover the output lost during the imposition of widespread lockdowns, says TD Economics.

In a new report, TD said economic downturn has been both sharp and swift. The downturn is also unusual in that the service sector has borne the brunt of the damage, the report said.

For instance, during the recession that followed the financial crisis, goods-producing sectors recorded about 70% of the job losses, TD said. This time around, those sectors have only seen about 20% of the losses, with the bulk of the impact falling on the services sectors.

"This makes the current shock more permanent in nature because there's no going back in time for pent-up demand for an 'extra' haircut or massage," the report said.

"Incomes and spending for service workers are unlikely to make up the ground lost from the months of social distancing measures," the report said, adding that this means some economic activity will be permanently lost as a result.

There's also a great deal of uncertainty about how well the economy will recover, aside from the permanent output loss.

TD noted that a long-running lack of business investment in Canada may undermine the economy's ability to recover quickly.

"The trend of falling capital investment relative to population may accelerate, further sapping economic growth," TD said.

Additionally, the pandemic's impact on immigration — which is a key driver of Canadian economic growth — may also stunt the recovery.

"Although the federal government has reiterated its medium term immigration targets, should Canada become less attractive as a destination, longer-term growth would be at risk," TD said.

"For instance, halving the pace of immigration would take Canada's long-run growth rate from around 1.6%-1.7% to a much more modest 1.3%-1.4%," the report said.

Additionally, job losses have hit younger workers disproportionately hard, which may have negative long-run effects too.
"The challenge is not just for those who have lost their jobs, but also younger Canadians graduating into a depressed labour market," TD said. "Relative to other cohorts, these individuals can experience persistently lower incomes, for up to a decade or more."
In the short term, there remains a great deal of uncertainty too, given that the recovery is largely dependent on the ability of economic activity to resume in the face of a persistent public health threat.
TD said that overall it expects the recovery to be "U-shaped," although GDP is not expected to re-gain its pre-pandemic level until early 2022, and the recovery trajectory will vary widely from sector to sector.
Interest rates are also forecast to remain at current levels into 2022 "at a minimum," TD said.

11. GDP to fall 6.2% this year, predicts CIBC

[June 16, 2020] The economy is starting to re-open, but the recovery likely won't be smooth sailing. On Tuesday, a CIBC Economics report forecasted the recovery to occur over several quarters and outlined the challenges ahead for Canada and the U.S.
CIBC forecasted Canada's GDP to fall 6.2% in 2020 but rise 7.6% in 2021. For the U.S., those figures were −5% and 7.6%.
A key challenge to the forecast will be continued social distancing measures. CIBC Economics said it expects such measures to be in effect well into next year because a potential vaccine likely wouldn't be widely distributed before late 2021.
"The need to limit crowds until then will leave some businesses shuttered, and others operating with reduced capacity," the report said.
As such, the jobless rate in Canada and the U.S. in 2021 could be about 3 percentage points higher than full employment — "a big improvement from where we stand, but akin to a typical recession level," the report said. Joblessness will weigh on a full recovery in consumer goods, exports and capital spending.
The report said the "long and potentially bumpy road" back to full employment isn't reflected in the markets, which have recently exhibited optimism. In Canada, for example, the economic output gap is expected to have slack through 2021, and no sustained upside pressure on inflation is expected. There will be no need for tighter monetary policy through next year, the report forecasted.

Further, equity markets are vulnerable to a stall or partial pullback, given the potential for a second wave of infections and an earnings recovery that will likely take many quarters. “That not only includes the time waiting for output to recover, but also reflects softer margins, and [earnings-per-share] dilutions during the downturn due to additional debt or share issuance, the absence of share buybacks, and insolvencies that transfer corporate assets to creditors,” the report said.

It also noted pre-existing conditions in Canada that will challenge its recovery, such as relatively high levels of household debt.

Also, immigration helps fuel consumer spending and the housing market, but has declined substantially since the pandemic began. As a result, Canadian GDP growth will “still be limping in 2021,” the report said.

Canada will also be affected by reduced global demand for energy and manufactured goods, especially with the U.S. recovery expected to take until the end of 2021. “[T]he long-awaited rotation towards non-energy exports and business investment won’t be the Canadian economy’s saving grace next year,” the report said.

12. Report paints bleak picture of Canadians’ ability to weather economic storm

[June 15, 2020] Recovering from the economic impacts of the Covid-19 outbreak at least partly depends on the resilience of household finances, says a new paper from the Bank for International Settlements (BIS). For Canada, that picture isn’t encouraging.

The paper argues that the financial resilience of households is important for both macroeconomic and financial stability.

“Consumption typically accounts for about 60% of GDP and banks’ claims on the household sector (mostly in the form of mortgages) represent 20–40% of their asset portfolio,” the paper said.

Against that backdrop, the pandemic-driven lockdowns “amount to a very large negative shock, forcing households around the world to grapple with reduced hours, furloughs and outright unemployment.”

“The depth of the recession, its duration and the pace of recovery hinge on how well households can weather this shock,” the paper said.

A significant share of households in countries with high debt loads, such as Canada, aren’t in any position to endure a long period of income disruption, the BIS found.

“In Australia, Canada, Finland, Germany, Italy, the United Kingdom and the United States, households in the bottom 20% of the wealth distribution could not cover more than three months of lost income by drawing down savings," the paper noted.

In other words, these households couldn't manage "subsistence consumption" — defined as staying above the poverty line (half the median income) — for even three months.

Conversely, in Japan, poor households could cover almost 20 months of lost income.

France and Korea are the only other countries where poor households could last over 12 months.

By contrast, the paper noted, households in the top 20% of the wealth distribution have savings that dwarf subsistence consumption levels.

In Canada, the top 20% should be able to last about 40 years on their savings.

Whereas the top 20% in the U.S. have well over 100 years' worth of savings.

These assessments of household resilience are impacted by debt repayment costs, the paper also found.

"The adequacy of household liquidity buffers drops once debt service costs are factored in together with consumption," the paper noted.

"The decline in the adequacy of buffers is especially severe for households in the middle 20% of the net wealth distribution," it said, adding that the resilience of these households is particularly important to financial stability, as they hold more mortgage debt than poor households.

Once debt service costs are factored in, "households in Canada, France and Spain lose almost a year of coverage and households in the United States and Australia drop to below one year of coverage," the paper said.

Indeed, for Canada, the paper indicates that the middle 20% of households have almost three years of subsistence level savings on hand, but that this drops to under two years when their debt service obligations are included.

13. May home sales down almost 40% year-over-year

[June 15, 2020] Sales of residential properties in May were up from a record low in April, but were still down 39.8% from the same month last year, the Canadian Real Estate Association reported Monday.

It was the weakest showing for the month of May since 1996, even after rising 56.9% from April, when sales volume was the lowest on record, CREA said.

Like most sectors of the economy, the real estate industry was affected by the lockdowns put into effect from mid-March to battle the spread of the Covid-19 pandemic.

"The big picture is things are moving in the right direction but still have a long way to go," CREA senior economist Shaun Cathcart said in a statement.

He added that the number of homes sold has been steadily rising from mid-April through the first week of June.

The month-over-month sales increase came as the number of newly listed homes rose by a record 69% in May compared with April.

Still, CREA said there were only 5.6 months of inventory for sale at the end of May, compared with nine months at the end of April.

The national average price for homes sold in May was $494,500, down 2.6% from the same month last year.

Sherry Cooper, chief economist for Dominion Lending Centres, wrote in a commentary that the national number obscures the fact that there's a wide variation of regional pricing and the trends "appear to be converging on moderate positive pressure on prices."

People who remain employed despite the Covid-19 pandemic will continue to make their regular housing decisions, Cooper predicted, but added that the bigger concern is for people who permanently lose their jobs.

TD economist Rishi Sondhi wrote in a commentary that pent-up demand is likely to fuel additional gains for "at least" another few months.

"The big question is what happens after this initial burst," Sondhi added.

TD's expectation is growth in sales and prices will "moderate" towards the latter part of 2020 and into 2021 as a result of slower population growth, a slow job recovery and tightening measures from Canada Mortgage and Housing Corp, Sondhi concluded.

Excluding the Greater Vancouver and the Greater Toronto Area, two of Canada's most active and expensive housing markets, the average price was about $401,000.

"Generally speaking, since the Covid crisis began small declines in prices have been seen in British Columbia while declining trends already in place in Alberta have accelerated," CREA said.

"Across the rest of the Prairies, where sales have been doing comparatively much better against history than in much of the country, price trends have actually been stabilizing."

In Ontario, the year-over-year average price was up nearly 9.5% in the Greater Toronto Area and the Hamilton-Burlington market, up 11.2% in the Niagara region, and up 15.67 in Ottawa.

Have a nice and fruitful week!

To Unsubscribe Click Here