Weekly Updates Issue # 780

1. Weekly Markets Changes

[September 4, 2020]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
16,218.01 -487.8 -2.92%	3,426.96 -81.05 -2.31%	28,133.31 -520.6 -1.82%	11,313.14 -382.5 -3.27%	$0.7640 +0.05c +0.07%	$1,933.40 -30.63 -1.56%	$39.45 -3.49 -8.13%

2. Climate change is next public health threat: paper

[September 4, 2020] Once recovered from the Covid-19 outbreak, the world must turn its attention to the next great public health threat: climate change.
So says a new report from insurance industry trade group, the Global Federation of Insurance Associations (GFIA).
In a position paper, the GFIA calls on global policymakers to tackle the risks posed by global warming.
"As the world recovers from a health and economic crisis, decision-makers must take measures to address the climate crisis," it said.
The GFIA reported that weather-driven insurance events have tripled since the 1980s, and that severe events such as floods, heatwaves, and forest fires all pose risks to both physical and mental health.
"Climate change also presents a unique and long-term risk to public health," the paper said, adding that this "is a global issue that must be jointly addressed by policymakers and all sectors of the economy."
The insurance industry "plays a critical role in addressing climate risk" not only by managing the economic impacts but also through "identifying opportunities to enhance adaptation," the paper said.

"Insurers across the world are already integrating climate risk into their risk modelling and are developing innovative solutions to enhance adaptation and mitigation," it noted.

And, the paper suggested that insurers play a role in policy debates around designing adaptation and mitigation policies at the local, national and international levels.

The paper also advocated for open, global insurance markets as a way to help cover rising climate risks.

"By diversifying risks geographically through international reinsurance markets, insurers are able to cover local risks that may not be insurable locally," it said.

Additionally, the paper suggested that insurers can help raise clients' awareness of climate risks directly.

"Insurers are also committed to working closely with public authorities to improve public understanding of climate risks in order to foster more sustainable behaviour throughout societies as well as to steer adaptation and mitigation measures," it said.

3. Covid-19 altering Canadians' housing needs: RBC

[September 4, 2020] Amid a pandemic-driven shift in demand as well as a surge in new listings, the Canadian housing market remained strong in August, RBC Economics reports.

Citing preliminary data from local real estate boards, RBC said that markets in many areas of the country remained "red hot" in August.

"But the bigger story might be that Covid-19 is now prompting more people to sell," the report said, noting that new listings surged in urban centres such as Toronto, Ottawa and Vancouver.

"We think this in part reflects the pandemic altering the housing needs of many current owners — who are opting to move, something they might not have considered just a few months ago," it said.

RBC noted that the Toronto market saw new listings jump 57% year over year in August, powering a 40% increase in home sales.

Sales were up more than 20% from July's near-record levels, it said.

"Clearly, [that] market has fired on all cylinders this summer, making up for the major disruption caused by Covid-19 in the spring," RBC said.

The primary drivers of sales activity and higher prices were low-rise homes, including single-detached homes, RBC reported.

"Demand-supply conditions are very tight in these categories, with intense competition between buyers," it said.

Vancouver also saw heady growth, RBC noted, with resales up 37% year over year in August, amid a 55% increase in new listings.

In Calgary, resales were essentially flat in August compared with the same month a year ago, and down about 5% from July.

"A drop in available supply is partly to blame," the report noted, as new listings fell 8.6% year over year.

"The weakness was entirely concentrated in the condo segments where sales plummeted 20%," RBC said, adding that sales of single-detached homes rose 5.5%.

"Buyers nationwide are demonstrating a stronger preference for single-detached homes," the report said, noting that this is supporting stronger price growth in that category too.

"We expect single-detached and condo valuations to continue to diverge in the period ahead," the report added.

4. Canada added 246,000 jobs in August

[September 4, 2020] Statistics Canada says the economy added 246,000 in August as the pace of job gains slowed compared with July, when 419,000 jobs were added.

The figure marked the fourth consecutive month of gains from Covid-19 related lockdowns this spring, bringing the number to within 1.1 million of pre-pandemic levels.

Gains in August were largely concentrated in full-time work, which had been lagging behind gains in part-time employment.

Full-time work rose by 206,000 while the number of part-time workers rose by 40,000.

Full-time employment is now almost 6% away from pre-pandemic levels compared to the 3.9% shortfall in part-time work.

Employment also rose at a faster pace for women than men for the third straight month as Statistics Canada reported women gained about 150,000 positions in August compared with 96,000 for men.

As well, the number of Canadians working less than half their usual hours — likely due to Covid-19 — fell by 14.6%. That leaves some 713,000 workers still working fewer hours, down from the 2.5 million peak in April.

More Canadians headed into work instead of their home office, Statistics Canada says, noting that 300,000 fewer people worked from home while those working in other locations rose by almost 400,000.

The unemployment rate fell to 10.2% in August compared with 10.9% in July.

Economists were expecting a slightly higher gain of 275,000 jobs in August and an unemployment rate of 10.1%, according to financial data firm Refinitiv.

Statistics Canada says the unemployment rate in August would have been 13% had it included in calculations people who wanted a job, but didn't look for work.

The unemployment rate was higher for racialized workers than non-racialized workers.

Statistics Canada says the rate, not seasonally adjusted, for Arab workers was 17.9%, followed by 17.6% for Black workers, and then 16.6% for those who identify as Southeast Asian.

The agency also says that employment among Indigenous people living off-reserve fell by 1.8% from July, compared with gains of 1.3% for non-Indigenous Canadians.

That left Indigenous people with an employment rate at 91.4% of February levels, compared to 96.7% for non-Indigenous Canadians, Statistics Canada says.

5. Consumer debt rose in Q2, driven partly by strong housing market recovery

[September 3, 2020] Consumer debt was up in the second quarter, with the increase driven by mortgages, not debt on other loans or credit cards.

Total consumer debt in Canada was $1.99 trillion in the quarter — a 2.8% increase compared to the same quarter in 2019, Equifax Canada said in a release on Thursday.

The average debt per person was $73,532 in the quarter, up 2.2% compared to the second quarter of 2019, the consumer reporting agency said.

Equifax attributed the increase to a strong recovery in the housing market, as well as mortgage deferrals.

"Mortgages were supported by a bounce-back in home sales from the pandemic lows in March and April, alongside increased refinancing activity and higher average home prices," the release said.

Non-mortgage debt (credit cards, car loans, lines of credit) was down as a result of the economic shutdown. Excluding mortgages, the average debt per person was $23,035 in Q2, a decrease of 3% compared to the second quarter of 2019.

However, Equifax noted that credit card spending started to rise in June, and was back to pre-Covid-19 levels by the end of that month for those consumers not using payment deferrals on their cards.

Since February, more than three million Canadians had used Covid-19-related payment deferrals at some point, the agency said. Those age 35 to 44 were the biggest deferral users, at more than 15%, compared to less than 6% for seniors.
For weeks, payment deferrals have been dropping, the agency said.
Still, it warned of potential challenges ahead for some consumers as Covid-19 support measures wane.
The delinquency rate was up in the quarter: the percentage of non-mortgage debt for which consumers missed three or more payments was 1.24% — an increase of roughly 11% compared to Q2 2019.
Equifax said the increase continued a trend from 2019 and didn't measure the full weight of Covid-19.
"Delinquency rates held up relatively well and do not reflect the sharp rise in job losses thanks to the various support mechanisms," said Rebecca Oakes, assistant vice-president of advanced analytics at Equifax Canada, in the release.
"One in five people utilizing deferred payments were already financially stressed prior to the start of the pandemic," she said. "Some of these consumers may find it harder to recover as support mechanisms start to reduce."

6. Toronto home sales hit record for August

[September 3, 2020] Home sales in the Greater Toronto Area posted a record for August as they rose 40.3% compared with a year ago and prices shot higher, the Toronto Regional Real Estate Board said Thursday.
The real estate board reported 10,775 home sales through its MLS system for August, up from 7,682 in the same month a year ago. The average price of a home sold in the region was $951,404, up from $792,134 a year ago.
"Generally speaking, market conditions remained very tight in the GTA resale market in August. Competition between buyers was especially strong for low-rise home types, leading to robust annual rates of price growth," said Jason Mercer, the board's chief market analyst.
Home sales have been surging this summer after they came to a near halt in the spring due to the Covid-19 pandemic.
"[Fewer] households have chosen to go on vacation as a result of Covid-19 and instead have remained in the GTA and been active in the housing market, satisfying pent-up demand from the spring," board president Lisa Patel said.
Real estate agents had predicted increased buyer interest in leaving the city centres or expanding space at home amid the lockdown.

The board's August numbers indicated that at least some buyers are staying in the heart of Toronto — but are ditching high rises. The data showed stronger sales growth for detached and semi-detached homes in the City of Toronto compared with the rest of the GTA, although some areas outside of the city centre saw major price hikes, including a 18% price rise for homes in Orangeville, Ont.

Condos are increasingly hitting the market as people move toward low-rise communities. Sales of detached homes rose 50.6% and semi-detached houses climbed 66.8%; townhouse sales gained 45.8%.

However, condo apartment sales growth was slower, at 10.9%, "with growth in condominium apartment listings well-outstripping condo sales growth," said Mercer.

Patel attributed the market's overall sales growth to "improving economic conditions" and "very low borrowing costs," despite an 11.5% drop in employment growth in Toronto in July. The board noted, however, that five-year mortgage rates were down in August.

In spite of the record-setting sales in July and August, the board said year-to-date sales have not caught up to this time in 2019, after sales plunged during the spring lockdown. Only sales of detached homes have surpassed 2019 levels so far this year.

7. Lower-for-longer interest rates likely for Canada: TD

[September 2, 2020] The Bank of Canada will likely follow the U.S. Federal Reserve Board in shifting its approach to monetary policy, allowing for lower rates for longer, says TD Economics.

In a new report, TD said that the Fed's new policy framework, which includes a more flexible approach to inflation and a new focus on employment shortfalls, means the central bank will likely take longer to raise interest rates.

"The Federal Reserve's change to Flexible Average Inflation Targeting is an effort to fight the stubbornly low inflation that has persisted for the last decade," the report said. "It is trying to reset inflation expectations."

"A longer road ahead in meeting inflation and employment objectives equates to a more patient central bank and a policy rate that will be anchored lower for (even) longer," it said.

A similar shift is expected from the Bank of Canada, which is also reviewing its policy approach.

"Though it is debating a range of different options, the most likely outcome is a framework that will allow higher inflation to offset past misses," the report said.

The results of the Bank of Canada's review are due in 2021 when the government and the central bank will renew their agreement on an inflation-control target.

Canada's central bank "may choose not to follow the same direct objective of FAIT [flexible average inflation targeting], but the end result of lower for longer will be the likely outcome," TD said.

8. Business rent relief program to fall short: PBO

[August 31, 2020] A federal spending watchdog says a program aiming to providing rent relief to small and medium-sized businesses will cost just under $1 billion this fiscal year.

The report this morning from the parliamentary budget officer says the commercial rental-assistance program will now cost $931 million after it was extended through to August.

The updated spending projections from the parliamentary budget office still put the program on a track to provide less help than the nearly $3 billion the Liberals budgeted.

The program provides forgivable loans that cover half of the rent for eligible small businesses, and also requires landlords to waive a further one-quarter of what they'd otherwise be owed.

The Canadian Federation of Independent Business warned that too many small businesses still haven't been able to access the help because it relies on landlords to apply and sets a very high bar for revenue losses to qualify.

The association had asked the government to allow tenants to directly apply for help, or make changes to a small-business loan program so that more of the outstanding amount could be forgiven if paid back on time.

Aiming to help businesses in a different way, the Liberals on Monday announced an extension of the Canada Emergency Business Account until the end of October.

Finance Minister Chrystia Freeland also said that the government is working with financial institutions to expand eligibility to companies that have been shut out of the program, including those who use personal rather than business bank accounts.

The government had said in mid-May that it was working to address that particular issue.

Freeland said details about eligibility changes will be released in the coming days.

The government said that the business loan program has provided more than $29 billion in credit through more than 730,000 loans.

Eligible businesses can receive interest-free loans of up to $40,000 through the program, and have one-quarter of the outstanding amount forgiven if the balance is repaid by Dec. 31, 2022.

9. Banking regulator phasing out pandemic-related rules on mortgage deferrals

[August 31, 2020] Canada's federal banking regulator is phasing out requirements around mortgage deferrals for homeowners hard-hit financially by the Covid-19 pandemic.

The Office of the Superintendent of Financial Institutions says deferrals granted starting Monday and until the end of September will be able to get special capital treatments for loan and premium payments for up to three months, rather than six.

For banks, the rules mean they won't be subject to higher capital requirements because the deferred mortgages won't be considered past-due.

The majority of the mortgage deferrals banks faced were approved in March and April as the pandemic took an economic toll on the country with non-essential businesses shuttered and millions out of work or watching their incomes crash.

As of July 30, there were roughly $170 billion in outstanding residential mortgage deferrals for largest six banks, with the majority set to mature over the next two months.

Come October, the special rules implemented as a result of the pandemic will be removed.

OSFI officials briefing reporters Monday wouldn't speculate on what the regulator might do going forward, only to say that they will act as necessary if they see economic conditions deteriorate.

The officials briefed reporters on the condition that they not be identified.

Have a nice and fruitful week!