

ECONOMIC NEWS

Canada: October home sales were a treat but maybe also a trick

By Randall Bartlett, Senior Director of Canadian Economics

HIGHLIGHTS

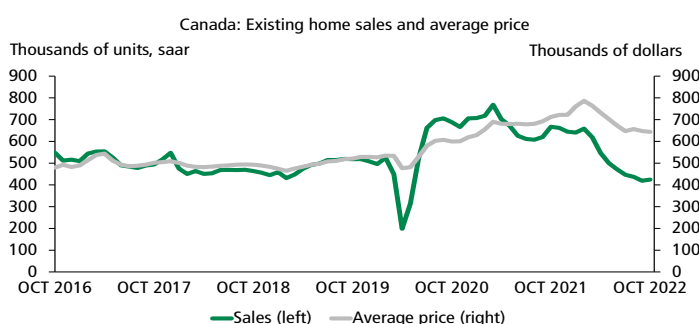
- Existing homes sales rose 1.3% in October on a seasonally-adjusted basis – the first increase since February 2022. Sales were 36% below the year-ago level, down from a 32% year-over-year drop in September.
- Meanwhile, the average sale price of an existing home fell by 0.6% to \$644K in October – the seventh decline in the past eight months. The average sale price was down over 18% from the peak reached in February and fell 5% from the October 2021 level.
- Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.2% from September 2022 and 0.8% from a year ago.
- The number of new listings rose 2.2% following three consecutive monthly declines. When paired with the rise in sales, the sales-to-new listings ratio held relatively steady at 51.6% – keeping the national housing market firmly in what's considered to be balanced territory.

COMMENTS

As expected, existing home sales picked up modestly in October. While one month doesn't make a trend, this is just the latest sign that the pace of the housing market correction in Canada is slowing. New listings rose at the same time, suggesting homeowners may also be coming off the sidelines. But this is more of a mixed signal as it may also reflect the need for households to list given pressure from rising interest rates as opposed to it being a good time to sell. All this to say, the October housing data leaves us cautiously optimistic that the worst may be behind us but the correction still has a way to go.

GRAPH

The Canadian existing home sales edged higher in October



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

IMPLICATIONS

Today was a good day in Canadian economic data. The positive move in existing home sales and better-than-expected outturns in manufacturing shipments and wholesale trade solidified our 1.5% tracking for Q3 real GDP growth. This is in line with the Bank of Canada's forecast for Q3 real GDP growth in the October 2022 Monetary Policy Report (MPR). Where we differ from the Bank is in our tracking for Q4 real GDP growth, which has edged even further past 1% after today's releases. In contrast, the Bank had pencilled in 0.5% real GDP growth for Q4, which was in line with our tracking at the time but was subsequently revised higher due to the outsized October 2022 employment print. This will complicate the Bank's job as we approach the December interest rate announcement. But it's still early in the quarter, so we'll reserve judgment on what it means for monetary policy until we see more data.