CANADA

Home sales slow in July

HIGHLIGHTS

- Across Canada, sales of existing homes ticked up by a mere 0.2% from June to July 2013.
- In fact, Quebec (-1.5%), Ontario (-0.1%), Manitoba (-5.5%), Saskatchewan (-3.6%), New Brunswick (-3.1%) and Newfoundland and Labrador (-0.8%) reported a drop in sales during the month.
- On the flip side, British Columbia (+3.7%), Alberta (+0.7%), Nova Scotia (+2.7%) and Prince Edward Island (+0.8%) saw increases during the month.
- The average price of existing homes for Canada as a whole rose by 1.9% in July. It now stands at $384,453, its highest level since these statistics started being kept (in 1988). Over a period of one year, the average price is up by 8.4%.
- The annual price increases in Ontario and British Columbia are still among the highest in the country.

COMMENTS

A bit of relief this morning: the upwards trend in sales of existing properties, which has held sway since last spring, ran out of steam in July. Keep in mind that sales had increased by an average of 2.6% per month since last March. Obviously, one month does not a trend make, so it is far too early to claim victory. Therefore, the concerns about an overheating housing market, which intensified with the resumption of an upwards trend since the beginning of this year, continue unabated for the time being. That said, the July data may be considered a step in the right direction.

It remains to be seen to what extent the nearing of the limit on the mortgage-backed securities program for 2013 will throw cold water on the housing market between now and the end of the year. The federal government has imposed a cap of $85B on the mortgage-backed securities program for the year as a whole, and 78% of that amount had already been used as of July 31. Therefore, the amounts granted between now and the end of the year will be much smaller, which will mean less easy access to liquidity for the financial institutions, and consequently a possible tightening of credit conditions.

Implications: The housing market is still being closely watched in this country. The most likely scenario remains a gradual slowdown over the coming months, as the CMHC in fact confirmed this morning with the release of its quarterly outlooks.

Benoit P. Durocher
Senior Economist