

OTTAWA UPDATE

Canadian Home Builders' Association

Baird appointment key to fall session of Parliament

When Members of Parliament return to the House of Commons on September 20, they will find a new Conservative House Leader in John Baird speaking for a government that is determined to advance its legislative agenda.

Prime Minister Stephan Harper surprised observers during the summer when he tapped the feisty Baird to replace Jay Hill who has announced he is not running for re-election. NDP House Leader Libby Davies commented that the appointment was not exactly an olive-branch for the opposition.

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While there was speculation that the appointment of the highly partisan Baird could hasten a fall election, Prime Minister Harper said repeatedly that Canadians do not want an election. A more likely explanation is that Harper wants to get legislation through the House and trusts Baird to get the job done.

The Globe and Mail columnist Jane Taber reported Conservative sources as saying that Harper does indeed have a plan to carry the government through until the spring of 2011. According to her report, Finance Minister Flaherty will deliver a substantive economic update later in the fall that will show that the government is a year ahead of schedule in fighting the deficit and portray the Conservatives as effective economic managers. There will also be some conditioning for tough medicine that is expected in the 2011 budget. The sources said the government will be more aggressive than ever in pushing through legislation, including changes to copyright law and the wireless industry.



Government House Leader
John Baird

July job losses sign of slowing economy



The pace of the economic recovery showed signs of slowing down during the summer. Statistics Canada reported a net loss of 9,300 jobs in July and the unemployment rate nudged up from 7.9 to eight per cent.

“In July, employment decreased in educational services, finance, insurance, real estate and leasing,” the agency said. “At the same time, there were increases in manufacturing and public administration.” In all, 139,000 full-time jobs were lost while 129,700 part-time jobs were created.

The loss follows six months of job growth, including surges of 92,300 added jobs in June and 108,700 in April. “We don’t expect this to be the beginning of a trend,” said Millan Mulraine, senior strategist at TD Securities. “When seen in the context of the recent strength, the modest decline should not be entirely shocking.”

The main changes in July were in Quebec which posted losses and in Alberta and British Columbia which recorded gains.

McGuinty wants more stimulus money for training programs



Ontario Premier
Dalton McGuinty

Ontario Premier Dalton McGuinty warned that his province could lose \$600 million for skills training if Ottawa cuts stimulus funding, as planned on March 31, 2011.

At the annual premiers meetings in Winnipeg, Premiers Brad Wall of Saskatchewan and host Greg Selinger of Manitoba joined McGuinty in calling for a long-term national infrastructure strategy. But the premiers declined to endorse McGuinty’s call for more funding in the current stimulus package.

McGuinty said the popular Second Career training program, along with Ontario Works, welfare retraining initiatives and the apprenticeship tax credit program will suffer if funding allotted under the federal stimulus package is not maintained after March 31.

“What Canadians want is to be reasonable in these circumstances,” McGuinty said. “You are not going to put up the walls and say, ‘sorry folks, we’ve run out of time so you are on your own in terms of putting the roof’. That would be a mistake.”

Wall said the recovery is happening faster in some provinces than others and the federal government must be sensitive to that. “My province has an infrastructure deficit that will not end on March 31.”

B.C. Premier Gordon Campbell said governments have done a lot. “Now it’s time for the private sector to step up and governments to take down unnecessary burdens and barriers for the private sector to invest.”

The Federation of Canadian Municipalities (FCM) praised the Harper government and the outgoing transport minister, John Baird, for cutting red tape and eliminating delays in all of the government’s infrastructure programs that have provided funding for 13,000 projects across the country. However, the FCM said a continuing partnership among governments on infrastructure will be essential.

Strong loonie “makes sense” to Flaherty



Finance Minister Jim Flaherty

Finance Minister Jim Flaherty told Reuters news agency that he has no concerns about a strong Canadian dollar, hovering just below parity with the United States dollar. “There’s more demand for Canadian investments, so the upward pressure on the dollar to me makes sense.”

He said it’s a different world from 2007 when the dollar went well above parity because of speculators. This time he credits a strong economy. “It would have to go significantly above parity. And that would be a concern for Canadian business, and therefore a concern of mine.”

Flaherty is cautiously optimistic about the United States economy. “My two significant worries...are the relative weakness of the job recovery...and weak U.S. consumer confidence,” adding that there is a modest risk of sliding back into recession. “The more likely course is a modest, gradual recovery.”

Starts dip slightly, prices up slightly

The seasonally adjusted annual rate of housing starts was 189,200 units in July, according to Canada Mortgage and Housing Corporation (CMHC). The seasonally adjusted annual rate estimate of housing starts activity was revised up in June from 189,300 units to 192,300 units. This results in a month-over-month decrease of 1.6 per cent in July.

“Housing starts moved lower in July, largely due to a decrease in urban single starts and a reduction in rural starts,” said Bob Dugan, Chief Economist at CMHC’s Market Analysis Centre. “Multiple starts partially offset this moderation.”

The seasonally adjusted annual rate of urban starts increased by 1.9 per cent to 169,300 units in July. Urban multiple starts increased by 13.4 per cent to 101,400 units, while single urban starts moved lower by 11.3 per cent to 67,900 units.

July’s seasonally adjusted annual rate of urban starts decreased 14.8 per cent in British Columbia, 2.6 per cent in Ontario, and 0.4 per cent in Quebec. Urban starts increased 37.7 per cent in the Atlantic Region and 14.4 per cent in the Prairie Region.

Meanwhile, the New Housing Price Index, released by Statistics Canada in August, rose 0.1 per cent, following a 0.3 per cent increase in May. Builders in Saint John, Fredericton, Moncton and Winnipeg reported that they increased prices, due to higher material and labour costs and increased land development fees. Builders in Toronto, Oshawa, and Ottawa-Gatineau reported strong market conditions, StatsCan said, while in Vancouver some builders reduced prices to generate sales.

Ottawa on track to meet deficit reduction targets

Canada’s stronger economy during the first half of this year is helping the federal government to reduce the deficit, numbers released by the Department of Finance show. Through April and May, the first two months of the current fiscal year, the deficit came in at \$4.4 billion, compared with \$7.5 billion for the same period of 2009 when the economy was in recession.

Economists said the numbers show the government is on track to cut the deficit by two-thirds over three years, as outlined in Finance Minister Jim Flaherty’s March budget. The budget predicted the \$54 billion deficit would shrink to just over \$49 billion this year.

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Ottawa on track to meet deficit reduction targets (cont'd)

(Cont'd from page 3)

"These medium-term targets appear to be well within reach, especially in light of the better-than-expected economic and job performance so far this year," said Pascal Gauthier, senior economist with TD Economics.

The government took in \$2.4 billion more in taxes during April and May, compared with the same months in 2009, the report said, including a 2.4 per cent increase in personal income tax. However, corporate income tax fell by 13.5 per cent.

Lower interest rates and overseas demand for relatively safe Canadian government bonds are helping the government to fund its deficit spending without being burdened with interest payments.

In a published analysis, TD Bank economists Pascal Gauthier and Derek Burleton said the government is off to a flying start but the tough deficit-cutting work will begin next year when the impact of stimulus programs begins to fade. The government will have to limit program spending to two per cent per year to meet its target, they said.

Slow U.S. recovery worry for Canada



CFIB VP Ted Mallett

Optimism among small and medium-size business owners declined in June for the third month out of four, according to a survey by the Canadian Federation of Independent Business (CFIB).

The CFIB's Business Barometer index fell to 65.7 in July from 66.4 in June. The CFIB says index levels usually range between 65 and 75 when the economy is growing. It reached its lowest point, falling to 40 in the fourth quarter of 2008. Measured on a scale between zero and 100, a reading above 50 means that a majority of owners expect their businesses to perform better in the future.

"We have found historically that the Business Barometer moves in proximity with the GDP and can really give us a sense of where the GDP is going months before the official numbers come out," said Ted Mallett, CFIB vice-president and chief economist. "Business owners are likely betting on higher interest rates and slower growth in the future."



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