

Dear Clients,

The Canadian economy took a record setting hit in the second quarter. Gross Domestic Product for April, May and June shrank by nearly 40%, on an annualized basis.

The plunge was not a surprise for analysts. Forecasts had Q2 being the worst for the pandemic lock-down economy, and the projections were for an even bigger decline.

Taking a look at the actual numbers (not the annualized extrapolation) softens the blow a bit. The second quarter saw GDP contract by 11.5%. Statistics Canada had forecast a 12% contraction. StatsCan is calling for a return to growth in the third quarter, and we saw some signs of that in June.

Compared to May, June GDP recovered by 6.5% – the biggest monthly bounce-back on record. The trend appears to have continued into July with another 3% improvement.

Most of the improvement comes from the retail sector with consumers returning to stores and restaurants as the COVID-19 restrictions are loosened. Housing is also showing itself to be a significant contributor with the market roaring back by 26% in July, compared to June.

There are, of course, factors beyond Canada's control that will affect our economy. Chief among them is what happens in the United States. The trade war with China and the disruptive nature of the current administration could drag out a long and uneven recovery.

On [Wednesday](#), the Bank of Canada made its eighth interest rate decision of the year and the news is generally positive.

The Bank is keeping its overnight rate at a mere 0.25 percent and as a result, the cost to borrow will remain extraordinarily low for home buyers.



Of equal importance, the Bank of Canada suggested that economic activity is “bouncing back” faster than it had anticipated in July. In particular, the Bank of Canada noted that household spending rebounded sharply over the summer, with stronger-than-expected housing activity “largely reflecting pent-up demand.”

I hope everyone had a great summer and I am here for all your questions.

Sincerely,

Felice Corcione B.MGT
Mortgage Specialist
403-973-6849
www.mortgagesbycorcione.com

