

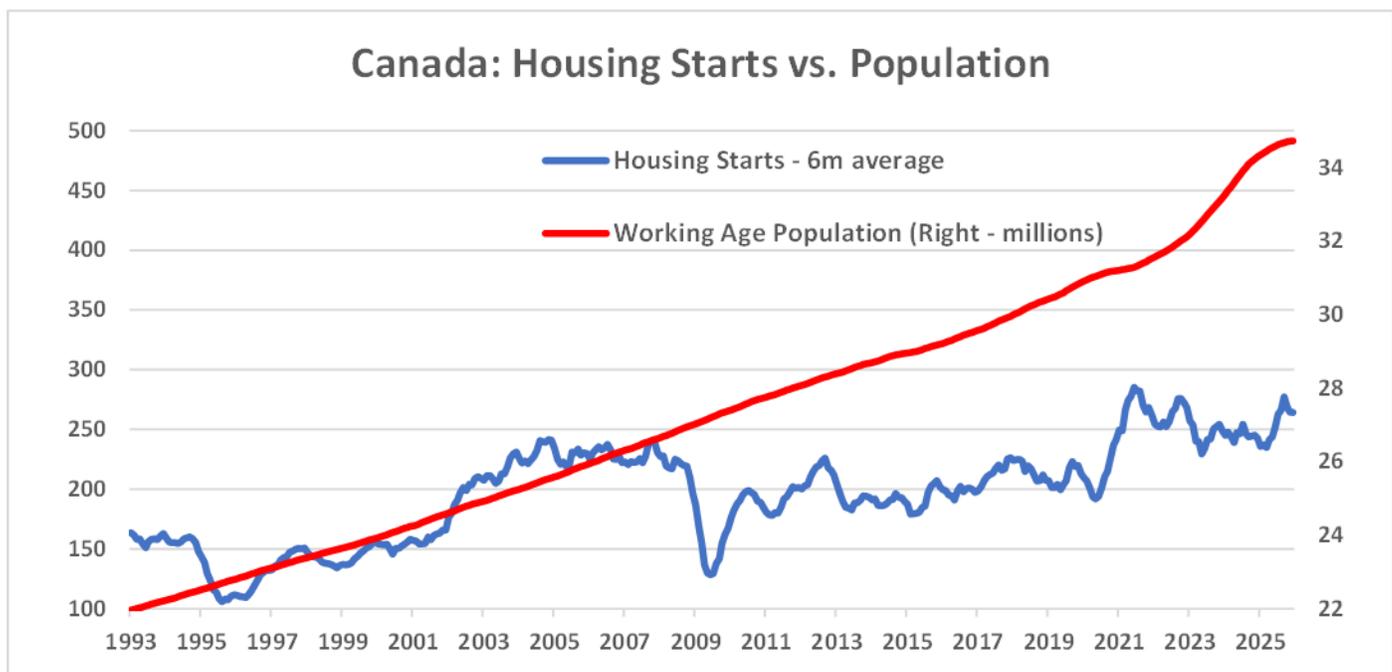
MONTHLY COMMENTARY

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Canadian housing issues remain.



Source: CMHC; Statistics Canada

MARKET FOCUS

Affordability requires sustained gains in housing starts.

The Canada Mortgage and Housing Corporation announced that housing starts jumped 10.9% to 282,439 units (seasonally adjusted annual rate - SAAR) in December. This is up from November's revised 254,625-unit level (originally reported as 254,058). The overall move during the month was led by a 14.4% advance in multi-unit starts. Single-detached starts actually reported a modest 1.9% decline. These figures have recently seen considerable volatility, and the overall December level is the highest since July 2025. As can be seen in the accompanying graph, however, CMHC's six-month trend level (which tends to smooth the results) edged **lower** to 264,428 in the December report. The move down from the revised November trend level (264,716) came despite the remarkable one-month advance. As well, Canada's population growth (working age individuals shown) had surged from 0.8%



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(year-over-year) in March 2021 to a recent peak of 3.6% in October 2024. This was the most rapid population growth on records dating back to 1977. Still, a modest slowdown in this growth has now been seen. Regardless, while the interest rate cuts from the Bank of Canada seen in 2024 and 2025 have had some influence on affordability, the persistent shortfall in housing availability remains.

U.S. productivity gains continue.

The U.S. Bureau of Labor Statistics announced that non-farm labour productivity expanded by 4.9% (annualized) during the third quarter of 2025. This move up comes on the back of a similar 4.1% gain in the second quarter. Output per hour for all non-farm workers recorded a new record high during the third quarter and stood with a gain of 1.9% compared to the same period in 2024. Productivity growth is important for longer-term economic stability as it reflects a country's competitiveness, allows for higher wages, faster economic growth without inflationary pressures, and a higher standard of living. The U.S. figures, which continue to show steady gains, paint a stark contrast when compared to Canada. Since the fourth quarter of 2014, U.S. productivity has achieved a cumulative 21.5% improvement. Over the same period Canadian productivity has increased by 4.5%.

LONGER VIEW

Hundreds of billions of dollars have been invested in artificial intelligence with the goal of boosting productivity, enhancing quality of life, and improving health outcomes. These investments are poised to yield tangible benefits beginning in 2026, with positive impacts expected to unfold over the next decade.

As with any transformative shift, the early stages may bring discomfort and disruption. However, through thoughtful adaptation and strategic modifications, the advantages of AI integration will become increasingly clear. AI has the potential to reshape industries and daily life alike.

Crucially, the productivity gains driven by AI should help ease labour inflation pressures and support stronger earnings growth. As businesses become more efficient and individuals more empowered, the long-term economic and societal benefits could be profound.

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