

# Housing Market Digest

Canada, February 2022

## The Great Trade-Off?

Some of my favourite music is from Elvis Costello's first three albums. One of the songs ("Senior Service") has been popping into my head a lot lately, especially this lyric:

*They took me in the office and they told me  
very carefully  
The way that I could benefit from death and  
disability*

Elvis wasn't saying he's in favour of death and disability – it has always seemed to me that he was saying that he tried a regular job and decided that wasn't what he wanted, and I'm glad he did.

These days, I hear that lyric when someone says that we need to learn to live with Covid for the sake of the economy.

What I hear those people saying is that there's a trade-off between jobs versus death and disability. I wonder if they have an opinion about what is the optimal trade-off (what are the acceptable amounts of death and disability).

What follows here is my very simplistic look at the trade-off: I know this is not an academic-quality piece of research, but it is enough to give me this conclusion: *there isn't a trade-off - being aggressive in preventing the spread of Covid is, in the end, the best way to support the economy.*

We often compare the Canadian and US economies. It's also really interesting to compare Canada and Australia, because there are so many similarities (economic structure, housing markets, geography, history...).

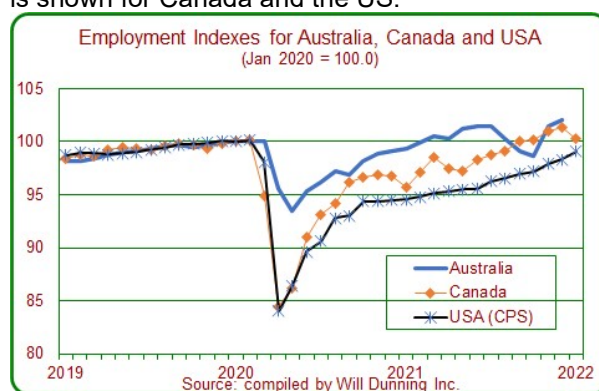
When people talk about the economy, they often focus on GDP. I actually don't care about GDP, and my understanding of economic conditions is all about the employment situation.

Here are two charts that look at how employment has changed since the start of Covid-19 (January 2020). Both of these charts lead to the same conclusions.

In the first chart, I converted the monthly estimates of total employment into indexes, with January 2020 having a value of 100.0. Each of the three countries had rapid, very large job losses, followed by recoveries to varying degrees.

The drop in Australia was smaller than in Canada and the US. Australia returned to the January 2020 level in March 2021, six months before Canada (September 2021). The US still has not recovered all of its job losses.

Note: the US has two surveys of employment that are released on the same day. In these charts, I am using the data from the Current Population Survey, because its structure is similar to our Labour Force Survey. The other survey ("Establishments") shows a larger shortfall in the US, at 1.6% as of this January. For Australia, the last available data is for December; January data is shown for Canada and the US.



I like to look at the employment situation using the "employment-to-population ratio" (the percentage of adults who have jobs). This data also shows that Australia has the highest employment rate during the pandemic period, and its rate is now higher than pre-Covid. The US lags far behind and Canada is in the middle.



A table on the next page summarizes some data, showing the averages for the employment indexes and the employment rates, for the period from February 2020 to December 2021. In this summary data, it is very clear that Australia has experienced a better employment situation than Canada, and vastly better than the US. During this period, it has been less affected by Covid (the lower half of the table).

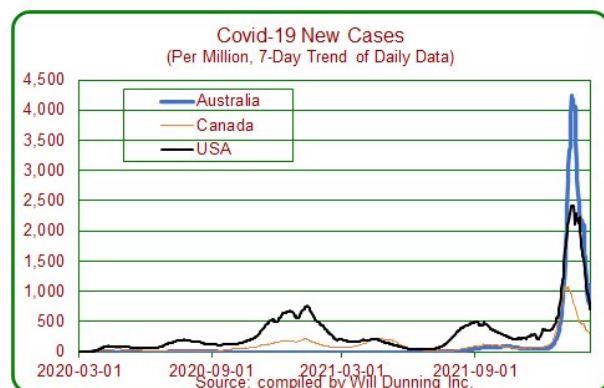
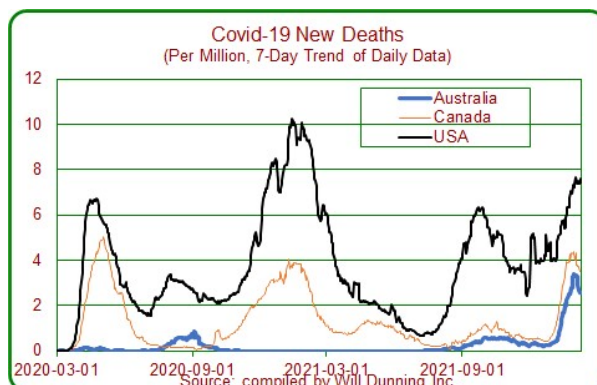
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<b>Indicators for Three Countries</b>			
	Australia	Canada	USA (CPS)
<i>Employment (averages for February 2020 to December 2021)</i>			
Employment Index	99.0	96.3	94.4
Employment Rate	61.6	59.0	57.4
<i>Covid Indicators (1)</i>			
Total Covid Cases per million people	109,018	82,705	231,445
Total Covid Deaths per million people	170	919	2,730
Source: calculations by Will Dunning Inc. Note: (1) data up to February 8, obtained from <a href="https://ourworldindata.org/covid-deaths">https://ourworldindata.org/covid-deaths</a>			

One of these countries had been very aggressive (and very successful) about suppressing the spread of Covid-19, until very recently, but the disease has now blown up, as the charts show (some leaders decided it was time to “live with the virus” – the all-time total number of cases in that country has doubled in the last 27 days, the total number of deaths has doubled in 47 days). In one of the other countries, there has consistently been a great deal of stupidity. In one of them, honest efforts have been made by governments and by the people, to make (mostly, so far) reasonably good decisions in the face of incredible uncertainty and enormous stakes.

We don't have systematized data on the disability impacts of Covid-19. It sounds like Long Covid is a big deal, that we really need to avoid as much as possible.



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