Article: " *Economists see housing near peak*" (Globe and Mail, Fri. Oct 21-05)

U.S. MARKET

Economists see housing near peak

Rebuilding after Hurricane Katrina should boost an already hot U.S. housing market, but it will only delay an eventual cooling that could bring a significant slowdown in the rate of home price appreciation and dent consumer spending, economists said this week.

"The housing market is peaking," said Mark Zandi, economist at Economy.com. "We haven't seen it yet but I do think the market is peaking."

Mr. Zandi and other economists at a National Association of Home Builders conference said the five-year run in the housing sector should start to taper off as long-term interest rates rise and homes in the priciest areas become more unaffordable.

Already, affordability is at its lowest since 1991, said David Berson, Fannie Mae's chief economist. In fact, recent data showing weeks of declining mortgage applications could indicate a housing slowdown has begun, Mr. Berson said.

"The basic problem is you have huge bubbles, great big bubbles, on the coasts," said David Wyss, chief economist for Standard & Poor's.

Homes in California, Florida and along the East Coast are overvalued, Mr. Zandi said. Prices there have climbed annually by double-digit percentages, according to government data. Almost one-third of the top 100 metro areas posted price appreciation of more than 20 per cent over the 12 months to June.

Such rapid appreciation, according to some of the economists, has allowed homeowners to use their houses as cash machines — extracting equity and using the funds to make purchases elsewhere.

But as long-term interest rates climb and home buyer demand wanes, prices will cease to soar at such historically high rates, economists said.

Reuters News Agency

Fri Oct 21 '05 Globe

Article: "*Vehicle Sales forecast to stall on gas costs*"
(Toronto Star, Oct. 6-05 , C-4)

Vehicle sales forecast to stall on gas costs

Economists also cite hurricanes' impact

Rising energy prices scaring consumers

North American vehicle sales will likely tail off in coming months because of higher fuel costs and the economic impact of recent U.S. hurricanes, Scotia Economics says.

At the same time, however, current low inventories and the start of a new model year point to a boost in production.

Sales probably peaked in July for the current business cycle at an annualized 23.5 million units, the second-highest level on record, the Scotiabank division said yesterday.

"In particular, the surge in gasoline prices to more than $1.20 (Canadian) per litre in Canada and in excess of $3 (U.S.) per gallon (94 Canadian cents per litre) south of the border has significantly dampened consumer confidence," Scotia Economics said.

In addition, other energy costs have surged, it noted.

"The U.S. Department of Energy expects U.S. households to pay an additional 71 per cent more for natural gas this winter," said Carlos Gomes, Scotiabank's auto industry specialist.

"Heating oil bills are also projected to surge by 31 per cent, while electricity users may see their costs rise by 17 per cent.

"We estimate that these increases have pushed overall energy costs (for transportation, electricity and home heating) to roughly 8 per cent of U.S. household disposable income – the highest level since 1981."

As a result, Gomes said, consumers are likely to postpone some discretionary purchases to pay for higher heating and gasoline bills.

Gomes said North American vehicle assemblies should climb to an annualized 16.8 million units in the final three months of 2005, up from an average of 16 million so far this year.

"The pickup in production will be greater in Canada, where several popular new domestically made models will boost output to a five-year high," he said.

Current challenges in Canada arise from a slowing labour market – especially in the manufacturing sector, which has already lost 108,000 jobs over the past year.

As for recent trends, U.S. passenger vehicle sales surged to an annualized 20.7 million units in July, one of the highest levels ever. But, purchases fell to only 16.3 million rate in September from an average of 17.3 million during the previous eight months, alongside a 47 per cent plunge in sales of large gas-guzzling sport-utility vehicles.

The loss of "employee discount" incentives is also expected to slow sales.

Canadian new-vehicle purchases slumped to an annualized 1.5 million units in September, from an average of 1.62 million during the previous eight months and a peak of 1.81 million in July, when employee discounts were introduced.

CANADIAN PRESS

Article: "*Prime rate drops to 6.25%*"
(Globe and Mail, July 23, 1996)

GLOBE AND MAIL, JULY 23, 1996

Prime rate drops to 6.25%

BY GREG IP

The major lenders cut their prime rate a quarter of a percentage point yesterday in a move that, along with almost a dozen cuts over the past year, could fuel a surge in consumer confidence and spending, economists said.

The major banks cut the interest rate on loans to their most creditworthy customers to 6.25 per cent from 6.5, effective today. Some mortgage rates based on the prime also fell.

The cut in the prime rate, the first since April, followed the Bank of Canada's reduction of its bank rate to 4.75 per cent from 5 last Friday.

The prime has fallen steadily from a peak of 9.75 per cent in early 1995, yet the economy has remained painfully weak, with unemployment rising to a two-year high of 10 per cent in June.

"The rate relief is important psychologically, as well as the fact that every 25-basis-point cut pushes that many more people who are on the sidelines into the housing market," said David Rosenberg, a senior economist at Nesbitt Burns. A basis point is one-hundredth of a percentage point.

He estimated that the cumulative interest-rate cuts of the past year could save consumers $3-billion in interest payments. That's as much as $2,500 a year for someone carrying $100,000 in debts.

"Put that in perspective: This year's annualized tax relief from the Ontario government is $1-billion," Mr. Rosenberg said. Indeed, the Bank of Canada's rate cuts have added as much to consumer spending power already as the Ontario government will have added once its entire 30-per-cent cut to personal income-tax rates is implemented in 1999, he said. Consumers account for about two-thirds of total spending in the economy.

There are early signs that the monetary stimulus has begun to bite, primarily in a smart pickup in housing sales and construction since the spring.

Mr. Rosenberg predicted that the interest-rate relief, combined with the low dollar and accelerating demand from the United States, could spur growth in Canada's gross domestic product to between 3.5 and 4 per cent, annualized, for the rest of this year.

Article:

How to fight global warming without destroying the economy? Use a little Econ 101

The Globe and Mail, November 7, 2014

Imagine there was something the world was producing a lot of, and you realized it was essential to the future of the planet to figure out how to produce less of it. Now imagine this something wasn't being created in just one place by just one ...

Imagine if there was something the world was producing a lot of, and it was essential for the future of the planet to figure out how to produce less of it. Now imagine this something wasn't being created in just one place by just one company, but instead was produced in individually tiny but collectively enormous quantities, by the independent, day-to-day decisions of billions of consumers and companies. Every time someone chose to drive a car to the store, they produced a little bit of that thing we collectively need to produce less of. The type of car they drove or chose not to drive, the distance driven or foregone, the fuel used, how they heated and cooled their home, how much they heated and cooled it, where they lived, the clothes they wore, the food they ate – all of these everyday decisions in some small but measurable way contributed to producing more or less of this problematic thing.

The thing in the story is of course carbon emissions, also known as greenhouse gases. The science appears to be beyond argument: The planet is warming, and human activity producing GHGs is behind that warming. So what can we do to reduce carbon emissions? And is there a way to save the planet without destroying the economy? Yes, there is. But right now, the most effective and efficient solution to the problem is getting the least political attention.

There are basically four sides in the debate. On the left, a growing and vocal group of people believe that the problem is capitalism, free markets and economic growth itself – and that the only way to save the planet is to undermine these, send the economy backward, and make us all poorer. Many people on the right are in fact saying the flip side of the same thing – that meaningful steps to reduce greenhouse gases can't be taken, because doing so would wreck the economy. The former want to sacrifice the economy for the environment. The latter want to sacrifice the environment for the economy. One side is selling repentance from the sin of economic prosperity as the way to save us from Armageddon; the other says we can save our prosperity only by willfully ignoring the visible consequences of our actions.

The far left and the far right are telling different versions of the same story. One says Change Everything. The other says Do Nothing. They are co-conspirators in a plot to make sure that the only options on the table are radical and extreme – and wrong.

Then there are the liberal meddlers. They think greenhouse-gas pollution can be addressed without destroying the economy – but only if government gets into the business they've always wanted government to be in: mega-projects! Create an industrial strategy, with taxpayer billions to invest in clean-tech research and green startups, directed by government. Block this pipeline here, order that windmill to be built there, and pick which solar-cell manufacturer to subsidize so they'll set up business in your province.

And then there's the fourth and best option: Use Economics 101. Want less of something? Put a price on it. Tax it. And use the revenues on the thing we want less of – pollution – to lower taxes on things we want more of – investment, income, savings and so on. This is straight out of the textbook. And in some places, it is already reality.

British Columbia has had a carbon tax since 2008. It isn't large or onerous; for example, the tax on gasoline is 6.67 cents per litre, and on higher-carbon diesel it's 7.67 cents. The tax, also covering coal, natural gas and other fuels, has had a big impact. Between 2008 and 2012, per capita consumption of the fuels subject to the carbon tax fell by more than 17 per cent in BC, while rising by 1.5 per cent in the rest of Canada, according to an analysis by Stewart Elgie of the University of Ottawa. Per capita greenhouse-gas emissions from sources subject to the BC carbon tax fell 10 per cent, while the rest of the country's per capita emissions from the same sources were down 1.1 per cent. And even as BC's path of carbon use was diverging from the rest of Canada, its economic performance was not. The best measure of economic growth – per capita gross domestic product – shows almost no difference between BC and the rest of Canada between 2008 and 2011. In fact, BC's economic growth, even with a carbon tax, slightly outperformed the rest of the country.

What's more, BC has used the carbon tax to reduce personal and business taxes. For middle-class and upper-middle income people, BC is now the province with the lowest income-tax burden – lower than Alberta.

In other words, BC has delivered big results, without taking radical steps. A tax on carbon nudged millions of British Columbians into making small decisions to figure out how to lower their carbon-tax burden. And all of those small steps have added up. There have been millions of tiny evolutions – not one giant revolution. The entire province didn't give up cars or capitalism.

This week, a group of prominent economists headed by Chris Ragan of McGill and backed by big names from across the political spectrum – including former Reform Party leader Preston Manning, former BC NDP premier Mike Harcourt, and former Quebec Liberal premier Jean Charest – launched what they are calling the Ecofiscal Commission. The idea is to bring economic logic – the power and science of markets – to bear on the pollution problems facing the country and the world. It's an approach that should appeal to all parties – particularly Conservatives. After all, conservatives and Conservatives are supposed to believe in markets. They are also supposed to believe in paying what's due, whether that's a debt or an environmental bill. Simply ignoring our greenhouse-gas problem, as a lot of conservatives do, is like eating at a restaurant and then refusing to pick up the tab. Free marketers, more than anyone else, should recognize that there's never a free lunch.