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# Standing Committee on Finance

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Chair: Mr. Peter Fonseca





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Monday, January 17, 2022

• (1435)

[English]

**The Chair (Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.)):** I call this meeting to order.

Welcome to meeting number 12 of the House of Commons Standing Committee on Finance. Pursuant to a motion adopted in committee on January 12, 2022, this committee meeting is on inflation in the current Canadian economy.

Today's meeting is taking place in a hybrid format, pursuant to the House order of November 25, 2021. Members are attending in person in the room and remotely using the Zoom application. The proceedings will be made available via the House of Commons website. So you are aware, the webcast will always show the person speaking, rather than the entirety of the committee.

Today's meeting is also taking place in a webinar format. Webinars are for public committee meetings and are available only to members, their staff and witnesses. Members enter immediately as active participants. All functionalities for active participants remain the same. Staff will be non-active participants and can therefore only view the meeting in gallery view.

I'd like to take this opportunity to remind all participants to this meeting that screenshots or taking photos of your screen is not permitted.

Given the ongoing pandemic situation and in light of the recommendations from health authorities, as well as the directive of the Board of Internal Economy of October 19, 2021, to remain healthy and safe, all those attending the meeting in person are to maintain a two-metre physical distancing and must wear a non-medical mask when circulating in the room. It is highly recommended that the mask be worn at all times, including when seated. Participants must maintain proper hand hygiene by using the provided hand sanitizer at the room entrance. As the chair, I'll be enforcing these measures—through the clerk, as he is in the room—for the duration of the meeting. I thank members in advance for their co-operation.

To ensure an orderly meeting, I'd like to outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice at the bottom of your screen of floor, English or French. If interpretation is lost, please inform me immediately, and we will ensure interpretation is properly restored before resuming the proceedings. The “raise hand” feature at the bottom of the

screen can be used at any time if you wish to speak or alert the chair.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in the committee room, keeping in mind the Board of Internal Economy's guidelines for mask use and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When speaking, please speak slowly and clearly. When you're not speaking, your mike should be on mute. I remind you that all comments by members and witnesses should be addressed through the chair.

With regard to a speaking list, the committee clerk and I will do our best to maintain a consolidated order of speaking for all members, whether they are participating virtually or in person.

The committee agreed that, during these hearings, the chair will enforce the rule that the witness's response to a question take no longer than the time taken to ask the question. That being said, I request that members and witnesses treat each other with mutual respect and decorum. If you think the witness has gone beyond the time, it is the member's prerogative to interrupt or ask the next question. To be mindful of other members' time allocation during the meeting, I also request that members stay within a half a minute or so for the duration of their allotted question time. Though we will not interrupt anyone during a member's allotted time, I'd like to keep you informed that our clerk has two clocks to time members and witnesses.

I'd now like to welcome the witnesses from Statistics Canada.

We have Mr. Anil Arora, the chief statistician of Canada. We have Mr. Greg Peterson, the assistant chief statistician from economic statistics. We have Ms. Heidi Ertl, director of the consumer prices division. Welcome.

You will have five minutes for your opening statement or remarks before we get into questions from members.

The floor is yours.

• (1440)

**Mr. Anil Arora (Chief Statistician of Canada, Statistics Canada):** Good afternoon, Mr. Chair and members of the finance committee. I'm pleased to be here with Mr. Peterson and Ms. Ertl today.

[Translation]

Canada and the world are continuing to respond to the COVID-19 pandemic, and the role of Statistics Canada and evidence-based information is more important than ever to support Canadians.

[English]

We take our responsibility of providing high-quality data and insights to policy-makers and decision-makers very seriously. Despite the challenges of direct collection with households and businesses, we have never provided more timely, detailed or integrated statistics.

The CPI, or consumer price index, one of the most important and impactful indicators, continues to be a reliable and robust mechanism to convey the impact of the pandemic on consumer inflation and our changing consumption patterns. We've all noticed that gas prices initially plunged and subsequently surged, rising 43.6% compared with November 2020. Our food costs are 4.4% higher. Every trip to the grocery store reminds us of the impacts of weather events and supply disruptions, as consumer prices adjust to higher shipping costs, higher input costs and, generally, people eating at home instead of at restaurants. New home prices and resale prices are both up significantly year over year.

Inflation, or the rate at which prices change over time, is not always easy to measure or interpret, but we all notice it and the CPI is key to understanding it. Employers use the CPI to make cost-of-living adjustments in wages and salaries, and governments use it to adjust income taxes and such social benefits as the CPP and old age security.

[Translation]

The CPI is an essential tool for setting and evaluating economic policies, particularly for the Bank of Canada. It has been used to monitor Canada's economy since it was created in 1914.

[English]

Aligning with the concepts and standards set by international bodies, the CPI is an extremely robust statistical indicator that's reviewed and enhanced regularly under the guidance of experts at Statistics Canada's prices division. From widespread global supply chain constraints to shifting and pent-up consumer demand and being able to shop, dine and travel more last year than in 2020—all of it impacted our inflation rate, which reached 4.7% in November of 2021.

As part of the broader trend during the pandemic, Canadian consumers sought to improve their immediate surroundings with such items as furniture, appliances and passenger vehicles, which were impacted by higher demand as well as global shortages of semiconductor chips. More living space and outdoor amenities also became popular, which, coupled with historically low interest rates and

higher building costs, pushed the costs of home ownership higher in Canada.

[Translation]

The CPI captures these changes from month to month to measure changes in the average prices for Canadian consumers based on the cost of a fixed basket of goods and services.

Imagine a shopping basket that is filled with the same quantity of the same products every month. The products in the basket include groceries, electricity and water rates, haircuts, and so on. Monitoring the cost of these products over time measures the pure price change.

Society and Canadians' purchasing patterns change over time and so does our basket. For example, instead of including the price of a record player or eight-track, today's basket includes items such as smart phones and computers.

[English]

In an effort to improve and identify changing spending patterns faster in response to the pandemic, we moved the annual updates to the basket weights. Grocery prices are now mostly collected using point-of-sale data, the data that are generated when the item is scanned, drawing directly on Canadians' transactions at the store. This is the highest-quality data available and ensures that the prices collected are what we actually pay in a given month, including sales and specials.

• (1445)

We've added such new tools as the personal inflation calculator, partnered to develop complementary products, conducted seminars and workshops, and enriched our outputs with greater analysis. We continue to experiment, enhance and support our collective understanding so that the CPI and other measures can stimulate good debate and ultimately allow good decisions, which impact us all.

[Translation]

My colleagues and I would be glad to take any questions.

Thank you very much.

[English]

**The Chair:** Thank you, Mr. Arora. You are right on time.

Thank you to your members for being with us today.

We will move to our first round of questions. Each party will have six minutes to ask questions of our chief statistician and his colleagues.

We will start with the Conservatives.

Mr. Poilievre, you are up for six minutes.

**Hon. Pierre Poilievre (Carleton, CPC):** Yes, Mr. Chief Statistician, the last time I saw you, you were having a CPI-adjusted breakfast over at the local diner in Manotick. It was great to see you in person then, and I hope that I will see you again in person soon. Thank you for being here today.

When Justin Trudeau took power, the typical home cost \$434,500. Now it's \$811,700, according to the MLS housing price index of the Canadian Real Estate Association. That's over 85% inflation in six years. Last year, home inflation hit over 25%, which the real estate association's chief economist called the "biggest gain of all time". That followed the \$400 billion of newly created cash that the government pumped into financial markets, much of it lent out in risky variable mortgages at interest rates well above inflation. These negative real rates literally pay people to borrow and bid up prices.

Housing inflation is homegrown, Mr. Chief Statistician. Bloomberg reports Canada has the second most inflated housing bubble in the world. The average family must spend two-thirds of their gross income on monthly payments for the average home in Toronto or Vancouver, which Demographia calculates are respectively the world's fifth and second most unaffordable markets. Banking rules, mortgage insurance, monetary policy, money laundering are all federal. So is housing inflation, here and now under this government. That is Justinflation.

How are you, over at Statistics Canada, including real estate costs in your CPI? Of course, you don't use real estate prices as part of the consumer price index basket. Rather, you use "shelter", which is itself a bundle of different measures, including interest costs—which, as I mentioned earlier, are artificially suppressed—energy costs, utilities, insurance and so on. How do you capture within that "shelter" subset the extraordinary rise in year over year house prices?

Anyone can take that question.

**Mr. Anil Arora:** Thank you very much, and it's a pleasure to see you again virtually.

First of all, there's no question that, in a number of our indicators, we're seeing the new housing price index showing us almost a 12% year-over-year gain. You're starting to [*Technical difficulty—Editor*] also show a 17.7% increase year over year, so there's no question that the house prices are, in fact, increasing. We take a set of comparable types of [*Technical difficulty—Editor*] areas and then adjust it for the size and so on, and then we measure the change over time.

As you mentioned, in the CPI itself, a dwelling—a shelter—is considered an asset. It is something that you purchase once, like a—

**Hon. Pierre Poilievre:** Where would the price be factored in? Which subcomponent is it? Is it in the homeowners' replacement cost?

• (1450)

**Mr. Anil Arora:** There is a shelter cost—

**Hon. Pierre Poilievre:** I got that, as I mentioned at the outset. What is the subcomponent?

**Mr. Anil Arora:** —of which homeowners' replacement cost makes up 5.6% of the weight, if you like, of that.

**Hon. Pierre Poilievre:** Is that what changed by 12% year over year?

**Mr. Anil Arora:** You're seeing home ownership change year over year by 13.5%. The homeowners' replacement cost would be a subcomponent of the housing cost—

**Hon. Pierre Poilievre:** That's right, but it's interesting, because the CREA calculates about twice the house inflation that you do. They have it around 25% or 26%. You have it at 12% or 13%. I've looked into why there's this discrepancy and who is right, and I have to say, with respect, that it doesn't look to me like Statistics Canada has this right.

Let me give you an example. According to the Statistics Canada housing price index, which is used for the homeowners' replacement cost, Vancouver has only seen a 25% increase in house prices since 2008. The MLS home price index and the Teranet home price index, two of the most respected in the world, say that it's closer to 120% in Vancouver. If you walk around the streets of Vancouver and tell people house prices are only up 25% in Vancouver since 2008, Mr. Chief Statistician, I think they would laugh you out of the city.

Can you explain why your measurement of house prices is so far off the other world-renowned measurements that are out there?

**Mr. Anil Arora:** Our methodology's been around for a few decades now. We take a set of types of dwellings—single, multi, etc.—in the various geographies in the country, and then we measure that over time. That's how we get at the new house pricing index.

Again, as I mentioned, in the CPI, we consider home ownership an asset that, if you like, you gain over time. You do factor in interest rate costs, utility costs, and maintenance and insurance costs. That's how we measure, in the CPI, a good that represents the overall shelter cost, of which homeowners' replacement is a subset that is weighted to what Canadians spend overall in a given basket.

**The Chair:** Thank you.

Now we'll move to the Liberals for six minutes.

Ms. Dzerowicz.

**Ms. Julie Dzerowicz (Davenport, Lib.):** Thank you so much, Mr. Chair.

I want to thank you, Mr. Arora, for your presentation. I want to thank your team for coming on such short notice. I want to thank you and your team for the important contribution and role that you play in our country, particularly right now, when we really need our data.

Because we're just starting this very important study on inflation, I want to provide some context about where we are right now. I'm going to quote a little bit of what I read in the *Globe* just two weeks ago. It was quoting Professor Adam Tooze from Columbia University, who wrote a book called *Shutdown*. He said that the first half of 2020 was historic. He said that 95% of the world's economies suffered a simultaneous contraction. That had never happened before. Three billion adults were furloughed from their jobs, or tried to work from home. That hadn't happened either. More than a billion and a half young people had their schooling interrupted. That's still happening. The sum of lost earnings, just in the first months of the pandemic, was \$10 trillion U.S., more than a 10th of the global GDP.

However, in Canada, and in many places in the world, the economy has come back. Unemployment is now at around 5.9% versus 13%, which was at the start of the pandemic. GDP is back to where it was. The S&P 500 index is twice as high as it was in March 2020. Household wealth in Canada has risen by a full quarter above prepandemic levels. The average Canadian household added \$5,000 to its savings account. The economy's recovering in many ways, much quicker than we thought.

I think the other point that's really important to make is that, in the U.S., only a small portion of its emergency dollars has actually gone to households. Professor Tooze has actually lauded Canada. He said our more generous payouts to the middle class have been an "underrated innovation in the history of the welfare state."

My first question to you, Mr. Arora, is the following. There's a narrative that the ultrarich are seeing their wealth grow and all other Canadians are facing increased hardship following the pandemic. In your year-end update, you noted lower-wealth households and young families have seen disproportionately large increases in their income and wealth. Can you tell us more about this?

• (1455)

**Mr. Anil Arora:** Thank you for your question.

We do a distributed household economic account. I think the reference there is to what has been the change by quintile. We do see a disproportionate increase in the disposable income and the overall wealth of lower-quintile households. We see about 85% of the wealth going to the two lowest quintiles.

One has to keep in mind the absolute numbers. The highest quintiles have a more significant overall number in the amount that they have. However, we did see, throughout the pandemic, largely through increased savings because they're not spending as much and of course transfers, a higher, disproportionate amount go to the lower two income quintiles.

**Ms. Julie Dzerowicz:** Thank you.

Do you have any data that shows what could have happened if the federal government had not taken strong action to combat the COVID crisis?

**Mr. Anil Arora:** No, not directly. I think we can discount the transfers to various income quintiles and the data show that, even without the payments, there would have been a slight increase, but clearly the payments that were made increased the overall wealth and the disposable income of the lower quintiles, more disproportionately than at other levels. We also saw a slight increase in the higher quintiles as well, but in percentage terms, it was much lower than what we saw in the lower two quintiles.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Arora.

I was shovelling my walk this morning—it took a really long time, just to let you know—and my neighbour asked me, "What do you do again?" I told him that I was going to be on the finance committee and we were going to talk about inflation. He said, "Make sure to talk about housing. The prices are too high." So on behalf of my neighbour and I think many Canadians, I will ask you about housing. I think Mr. Poilievre also started off on this.

We as the federal government, since we came in in late 2015, have been spending an exorbitant amount of money on really making housing a priority. We introduced a national housing strategy. Is it too soon to see the impact of our spending on home prices and the availability of housing? That's my first question.

Then there's the fact that many people use housing as an investment, or actually as a pension. Is that in any way somehow incorporated into or reflected in the numbers that you present in your year-end report?

**Mr. Anil Arora:** Thanks again.

With regard to your first question, I think I would let the policy-makers who are going to come after speculate as to whether or not it's too soon. At Statistics Canada we try not to get into that kind of forecasting.

In terms of a household, and the house itself as an investment, absolutely. There is no question about it. That's why you see some of the accounts we've put out, which show that the wealth actually has increased because the value of the house has obviously gone up. In many cases, the mortgage costs have come down overall, 8.5% year over year.

You are seeing...and of course, those that—

**The Chair:** Thank you, Mr. Arora.

**Mr. Anil Arora:** Of course. Thank you.

**The Chair:** We will move to the Bloc with Mr. Ste-Marie for six minutes.

[Translation]

**Mr. Gabriel Ste-Marie (Joliette, BQ):** Thank you, Mr. Chair.

It is my turn to say hello to you, Mr. Arora, Ms. Ertl and Mr. Peterson. Thank you very much for taking the time to come and answer our questions this afternoon and for the work that you do. I commend the entire Statistics Canada team. Having good quality data is the foundation for developing public policy.

I believe that Mr. Arora would be the best placed to answer my first question, but if not then anyone who is able to answer it can do so.

Can you confirm that next Wednesday is when you will be publishing the most recent statistics on inflation?

• (1500)

**Mr. Anil Arora:** Yes.

**Mr. Gabriel Ste-Marie:** Can you give us a sneak peek at that data this afternoon?

I can see by your reaction that the answer is no. I understand given the impact that it could have on the markets, but I had to try.

If I am not mistaken, at the beginning of the pandemic, there was a drop in the price of some goods, such as gasoline. Since then, those prices have returned to or even exceeded what they were before. Inflation is now higher than what we expected.

According to the most recent data, what is the approximate percentage of annual inflation and what portion of that is attributable to price recovery following the drop observed at the beginning of the pandemic?

**Mr. Anil Arora:** Unfortunately, we cannot share that data with you before it is officially published. You will have to wait until Wednesday morning like everyone else.

With regard to gasoline in particular, gas prices, which are set elsewhere as you know, dropped because of the restrictions that were being imposed throughout the world. Once the restrictions were lifted, gas prices went up. In April of last year, the Organization of the Petroleum Exporting Countries, or OPEC, also reduced its production, which caused gas prices to rise by 25% over the summer.

We estimate that gas has a weight of approximately 3.6% in the CPI basket and, over a period of one year, from November 2020 to November 2021, the price of gas increased by 43.6%. On a monthly basis, from October 2021 to November 2021, the price of gas dipped slightly by 0.1%. It still depends on the restrictions, the global situation and production.

**Mr. Gabriel Ste-Marie:** Okay. Thank you.

I used gasoline as an example because it is a striking one, but I will ask you that question again as it pertains to the economy as a whole.

We can use the example of the consumer price index or CPI. According to your most recent data, what percentage of inflation does that represent?

Also, what percentage is attributable to price recovery rather than to an inflation crisis per se?

**Mr. Anil Arora:** I will ask my colleagues, Ms. Ertl and Mr. Peterson, if they can provide more detailed answers to those questions.

**Ms. Heidi Ertl (Director, Consumer Prices Division, Statistics Canada):** Thank you very much.

I will answer in English because I will be using some rather technical vocabulary.

[*English*]

What we know, as the chief statistician described, is that many components experienced base effect. When you compare 2021 to the first year of the pandemic, 2020, we look at the impact of base effect, but it is really specific to various components and those components vary from month to month.

I should point out that gasoline has been the biggest driver of inflation in recent months. That was also one of the key components where we saw very large base effect as we came round to the first-year anniversary of the onset of the pandemic. I would also like to point out that as we are now beyond 12 months of the pandemic, we don't see base effect as a key contributing factor. The increases over the last several months have really been focused on pure price pressures.

• (1505)

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you.

Do I have any time left, Mr. Chair?

[*English*]

**The Chair:** You have about 15 seconds.

[*Translation*]

**Mr. Gabriel Ste-Marie:** I will stop there then. I still have a lot more questions to ask during the next round.

Thank you again.

[*English*]

**The Chair:** Thank you, Monsieur Ste-Marie.

We are now moving to the NDP and Mr. Blaikie for six minutes.

**Mr. Daniel Blaikie (Elmwood—Transcona, NDP):** Thank you very much to our witnesses for being here with us today.

I wanted to ask for a bit more historical context on the question of housing prices in Canada. We've seen extraordinary pressure just in the last couple of years. Anecdotally, in the Winnipeg market—just as the example that I know better—it seems that housing prices have been doubling about every five years or so for the last 20 years.

Have you compared the rate of housing price increases over the last couple of years to the trend line for the last 15 or 20 years? Could you give us a sense of the extent to which these are exceptional price increases in comparison to that trend? To what extent are those price increases following a trend that has been making housing more and more unaffordable for Canadians for some time now?

**Mr. Anil Arora:** It's fair to say that in the last two years we've seen a sharp acceleration in housing prices. As you mentioned, in some jurisdictions it's been a little bit more. Even within cities, we've seen a differentiation as people try to get out and get a bit more space in the suburbs and in single family homes, etc. However, our data are showing that these are very sharp increases overall.

Yes, we did see an increase over time, but the last period has been exceptional in terms of increasing. There are a number of factors, as we've discussed before.

**Mr. Daniel Blaikie:** Yes. Maybe you could list those factors and then I'll have a follow-up question for you.

**Mr. Anil Arora:** Sure. There has been increased saving. As I mentioned, people are working from home in some cases and they want to have a bit more space. [*Technical difficulty—Editor*] really resulted in that increased price that you see. Even in Winnipeg, you see those prices have gone up quite sharply in the last couple of years.

**Mr. Daniel Blaikie:** Beyond people wanting to upgrade their primary residence to have more space or a larger yard, or things that I think people have come to value greatly during the pandemic, one of the factors we hear a lot about is investment as being a real driver in the housing market and that there are at least two classes of investors.

One is more a commercial investor and with [*Technical difficulty—Editor*] corporate we've heard talked about sometimes. Then there is your typical Canadian homeowner who may have owned their home for a while now, has a bit of equity in their home and has decided to use that equity to purchase a second property that they then rent out, whether it's a vacation property and they're doing that on Airbnb, or they're providing [*Technical difficulty—Editor*] can't afford to buy their own home or who would rather rent.

When we talk about the increased pressures in the housing market and this investor presence, does your data allow one to kind of weight these factors at all in terms of how much of the pressure is from Canadian households looking to upgrade their primary residence versus different classes of investors that are entering the housing market for a source of passive income?

**Mr. Anil Arora:** I think there are multiple questions there. I'll ask Greg to maybe talk a bit about some of the data on [*Technical difficulty—Editor*], but specifically to the last part of your question, for sure we saw lumber prices increase, as you've seen, just about 12% year over year. We saw, in the summer, renovation and garden shops and the lumber stores see significant [*Technical difficulty—Editor*] products. Yes, we do see a big difference in the overall wealth of somebody who's gotten into the housing market and has built that equity over time, maybe even saving for their retirement versus somebody who has rented over the course of their life. Yes, that certainly does provide incentives to invest in secondary properties and so on.

Maybe I'll ask my colleagues to see if they have a little more detail on that breakdown of how many people are in that investment space.

• (1510)

**Mr. Greg Peterson (Assistant Chief Statistician, Economic Statistics, Statistics Canada):** Thank you.

I don't have that data immediately available, but we can pull an extract from our housing statistics program for the clerk.

For the past few years, we have been taking a look at home ownership, that is, who owns homes. We started this exercise for the purpose of trying to identify and confirm ownership of Canadian properties. A lot of that work is still in progress, so again I'd be happy to provide the clerk with whatever information we can on the class of owner, if you will.

**Mr. Daniel Blaikie:** Thank you very much. That would be helpful.

**The Chair:** You have 15 seconds, Daniel.

**Mr. Daniel Blaikie:** Okay. Following Mr. Ste-Marie's lead, I'll cede the 15 seconds.

**The Chair:** Thank you.

Now we're moving into our second round, members and witnesses. This will be a five-minute round.

We're starting with the Conservatives, and I have Mr. McLean up for five minutes.

**Mr. Greg McLean (Calgary Centre, CPC):** Thank you, Mr. Chair.

Welcome, everybody.

Mr. Arora, thanks very much for appearing here today. It's a pleasure to meet you this way.

When Justin Trudeau took power six years ago, the typical home price was \$434,500 in Canada. Now that price of that typical family home in Canada is \$811,700. That's 85% inflation in six years. Last year, home inflation hit 25%, which an economist from the Canadian Real Estate Association called the "biggest gain of all time".

That followed \$400 billion of newly created cash the government pumped into financial markets, much of it lent out for risky variable mortgages and interest rates well below both expected inflation and actual inflation, as you're seeing now. These negative rates literally paid people to borrow and to bid up prices, but banks look at the cost of home ownership by looking at total home ownership costs as a percentage of income, which are usually between 25% and 40%. With taxes on housing rising and inflation on the required repairs rising, the percentage of median family income dedicated to housing is obviously rising. At the end of 2021, the National Bank of Canada calculated that percentage as being 60%. Remember, banks usually look at the median being around 25% to 40%, where they can lend.

Is that 60% of median family income that is now required for housing considered in StatsCan's inflation calculations?

**Mr. Anil Arora:** Thank you for that question.



The way we come at [*Technical difficulty—Editor*] is we do an annual survey of the typical consumption of the Canadian household. That is then used to weight components of the CPI. We do this now on an annual basis. The last one showed without a question that shelter costs make up about 30%, if you like, of the weight of that basket, and as I mentioned earlier, that has various subcomponents—household operations, furnishings and equipment—which are just about under 15%. We talked earlier about the replacement component, and so on.

Then, of course, we do have other measures that we look at. When we compare it to the median income of a particular household, at what point do those basic costs then put them in core housing need? When those costs increase above that rate, then we deem that household and every member within that household to be in core housing need. The last figure we had was that about 10% of Canadian households were in that position where it was felt they were spending a disproportionately high portion of their income on shelter costs, compared to the income—

• (1515)

**Mr. Greg McLean:** My takeaway from the response so far is that the National Bank says 60% of median income is required for shelter in Canada right now, while you have it calculated in your inflation calculation at 30%. Is that the difference between what the banks are seeing as the cost of shelter and what you are calculating as the cost of shelter?

**Mr. Anil Arora:** Again, I can speak to how we do it. Ours is a very stable, rigorous approach over time. We survey tens of thousands of households and find out what they are spending their income on in a typical month, down to a very small differential between what they take in and what they spend, and then that forms the basis, if you like, of the weight within the CPI. Then we measure the change in that expenditure over time to come at the index—

**Mr. Greg McLean:** So in arriving at the current inflation rate, you're still minimizing the amount of household income that would be allocated toward shelter, because it's part of a long-term trend and you're not going to pay attention to the blips that are happening that may be short term, much like transitory inflation might be short term. Is that correct?

**Mr. Anil Arora:** There are two concepts here. One is how you measure the change in that basket as exemplified by that typical expenditure. It just says that in terms of shelter costs, we're talking about an average household spending about 30%. That serves as the weight in the basket, and then you see that change over time. Year over year, it has gone up 4.8%. I think I talked earlier about the different components of what that means.

This whole notion of a percentage of the income of a household is a separate measure, and that's where I was going in terms of the core housing needs. We do measure that as well.

**The Chair:** Thank you, Mr. Arora.

Just before we move to the Liberals and Mr. Baker, Ms. Ertl, you have your hand up.

**Ms. Heidi Ertl:** It's only if there would be time to take this—

**The Chair:** Okay, I thought it was maybe for something... No, not at this time.

**Ms. Heidi Ertl:** That's fine.

**The Chair:** We're now moving to the Liberals and Mr. Baker.

**Mr. Yvan Baker (Etobicoke Centre, Lib.):** Thanks very much.

Mr. Arora, and to your team, thank you very much for being here and for all the work you do in collecting the data at Statistics Canada and providing the insights that helps policy-makers and Canadians make important decisions that touch us all. Thank you on behalf of our team and our caucus for that.

My first question is this: Is the current rate of inflation experienced in Canada unique to Canada, or is this a global problem?

**Mr. Anil Arora:** I won't judge whether it's a problem or not, but certainly our rate was 4.7% year over year in the last release that we put out. When you compare that to, let's say, the OECD average, which is at 5.8% or 5.9%, you can see that there are many countries that are higher. The U.S., of course, has a rate quite a bit higher than ours, and then there are other countries—Switzerland, for example—that have a much lower rate than ours. By and large, we are in the middle of the pack with other G7 European countries, which have about the same rate as ours or are maybe even a little bit higher than we are.

**Mr. Yvan Baker:** Okay. That's great. Thank you for that.

The economists I have read on the topic of inflation recently have indicated that the current rate of inflation in Canada is caused by a number of key factors. They cite things like supply chain bottlenecks and shortages of key materials; labour shortages, which have caused increases in the cost of labour in certain sectors in particular; changes or increases in the price of gas or energy over time; and stronger consumer demand. When economies reopened, consumer demand picked up, so demand for those goods increased.

Do you agree that those are the primary causes of the inflation we're seeing right now?

**Mr. Anil Arora:** Yes, I think our figures show that.

The only thing I would add is a shift in the nature of that demand now as well, as we've discussed before as it pertains to eating at home and cooking at home as opposed to in a restaurant. Also, even in a restaurant, as you know, many restaurant owners had to invest in patios and so on with lumber prices that were quite high, so even in going out to eat you're seeing higher costs.

We talked about housing. The nature of that demand has obviously resulted in a shift in production and where it's coming from. A higher savings rate has resulted in people wanting to renovate and upgrade their houses and so on.

I wouldn't discount the nature of the change, in addition to the points you have raised, as being components of what we see in that increased CPI.

• (1520)

**Mr. Yvan Baker:** [*Technical difficulty—Editor*] just said that we know inflation is a global phenomenon and that it's faced by countries around the globe. We know the factors that it's driven by. You and I have just talked about those. You've just cited those or agreed to the ones that I cited. There are some who are arguing that somehow government spending has caused what we're seeing in Canada, that it has caused this global inflation problem.

Mr. Poloz, the former Bank of Canada governor, recently was interviewed. He was asked about this. He said:

I think that's not right... In fact, what the stimulus did was to keep the economy from going into a deep hole in which we would have experienced persistent deflation.

Do you agree with what Mr. Poloz is saying?

**Mr. Anil Arora:** I'm going to reserve judgment on the different aspects.

All I can say is, has there been a net transfer from government to households? Yes. Has that resulted in an increased savings rate? The answer is yes. Has it had a disproportionate impact, as we discussed earlier, on regions and parts, on different households and so on? The answer is yes. Does that factor—in addition to all those other aspects that we just talked about—in an increased demand and potentially, in some cases, a diminished supply? The answer is yes.

All those factors are important to take into account when you see what the figures are showing us in the various elements and in various parts of this country.

**Mr. Yvan Baker:** Okay, but based on.... I'm thinking back to your prior answer to my prior question. What I heard you say—and I'm just asking to make sure I understand—is that the primary drivers of inflation today are those other things we talked about: supply chain bottlenecks, labour shortages, the shifts in the nature of demand that you spoke to, and stronger consumer demand after the reopening. Are those still the primary drivers? I appreciate that there are many drivers, but are those the primary ones?

**The Chair:** We'll have a short answer, please.

**Mr. Anil Arora:** The ability to consume is the biggest driver, and these are actual costs that people are paying. The source of where that ability to consume is coming from has various aspects to it and, of course, what we're measuring in the CPI is what that change by those components we talked about is. It is a combination of those things.

**The Chair:** Thank you.

Now we'll move to the Bloc and Monsieur Ste-Marie for two and a half minutes.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Mr. Arora, if I understand Statistics Canada's approach correctly, the statistics that you publish, for example those on inflation, get reviewed later.

Can you explain to the committee the process that is followed when preliminary data is published? How many times will it be reviewed? What kind of changes could be made?

**Mr. Anil Arora:** Thank you very much for your question.

No, we do not review the CPI data. Of course, we adjust the seasonal measures after consulting with experts, but the results are the results and we usually do not adjust them.

There are several reasons for that. The first has to do with quality. The second is that the results are used in many different ways, such as to establish pensions and wage agreements, among other things. It would cause problems if we were to continually adjust the data.

If there is a problem with the quality of the data, we correct it immediately, but we are not in the habit of systematically reviewing the data, so the answer to your question is no.

• (1525)

**Mr. Gabriel Ste-Marie:** Your answer was very clear. Thank you.

Many of my colleagues talked about what is happening in other countries.

To what extent can the inflation-related measures published by Statistics Canada be compared to the statistical data of the United States, other G7 countries or Europe? Do we all use the same method? Can comparisons be made?

**Mr. Anil Arora:** Other organizations establish the standards and we follow them.

However, in a situation like ours, we have to personalize some of the CPI subcomponents. For example, obviously, the records, the level or quality of data, the data sources available, and the burden on and resources available to Statistics Canada determine the priorities, methods and data sources that will give us the best numbers. We are among the best in the world in terms of data quality.

**The Chair:** Thank you.

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Arora.

Mr. Chair, I would like to rise on a point of order.

A few minutes ago, the interpreters indicated that they were having a hard time doing their job because Mr. Blaikie and Mr. Arora were speaking too quickly.

[*English*]

**The Chair:** Thank you, Monsieur Ste-Marie.

On that note, if everybody could just slow down a little bit in terms of the pace of their speaking and could be very clear, that would help our great interpreters. They do a fabulous job and we thank them very much.

We are now moving to the NDP. We have Mr. Blaikie up for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

My question has to do with the increase in the price of groceries. I'm curious to know whether the Statistics Canada information, the information that you collect and have access to, helps us understand where the cost pressures are when it comes to grocery pricing.

There's the primary production. There's processing and packing. There's transportation, and then there's retailing. Could you talk a little bit about where costs are going up in particular within that supply chain and what some of the factors [*Technical difficulty—Editor*] increase?

**Mr. Anil Arora:** Certainly. I'll try to address both parts of your question and maybe even ask my colleagues to jump in.

The first thing we do is to get a couple of hundred food items from each of the major grocery chains out there. We get millions and millions of actual prices and quantities of what people are buying sent to us at Statistics Canada. When that can of beans or that pot roast or whatever it is goes across the scanner, we get a copy of that. Then, as I mentioned earlier, based on the weights of what people are consuming, we determine the price change for the same quantity adjusted for that quality difference, and then we come up with the price of that.

We look at food, non-alcoholic beverages and meat specifically. We have breakdowns of those. For example, meat makes up about 2.3% of the weight of that basket, and we know that's gone up 9% year over year. Month to month, it actually dropped 0.4%. Some things have gone up but fresh vegetables, for example, have actually gone down.

The second part of your question was what the determinants are. Weather, no surprise, is a major determinant of what's going on. When we've seen droughts, the slaughter prices have gone up, and of course we saw a big shift there as nobody could feed their livestock, so we saw increases. Weather is a major factor.

The input costs—fertilizers and so on—are based on the price of fuel and so on. As we see changes in those, we'll see changes creeping up into the food costs. You mentioned supply chains, and, of course, we know that a certain portion of our goods are from the States, for example, or are imported. Those are the factors there.

• (1530)

**The Chair:** Thank you.

We'll move on now to the Conservatives. We have Mr. Chambers for five minutes.

**Mr. Adam Chambers (Simcoe North, CPC):** Thank you very much, Mr. Chair.

Thank you very much to our witnesses, who have, on short notice, come to help our committee with this study. Thank you for the work you do to give government and policy-makers some timely information.

One of my colleagues was asking about some changes in restating or maybe going back and looking at previous CPI measures, but I'd like to just ask a question about some of the methodology changes we've seen. I note that we've changed the basket weighting and referenced the year 2020, which to me seems a little bit of an interesting choice given that it was quite a different year in terms of some consumption habits.

Aren't we doing two things here? Aren't we kind of understating inflation by shifting weights away from some of these items that have seen significant increases—you mentioned gasoline with 43%—but then also when prices for some of these items, which we've overweighted in terms of consumption because of this weird 2020 year, come down in future years, aren't we going to actually pull down the CPI to a greater degree?

I wonder if you could respond to that. Thank you.

**Mr. Anil Arora:** Thank you for that.

In fact, every year we take stock of how consumption is changing, and we make sure that it's reflective of the weights in the basket so that when we measure that price change, that pure price change, it's reflective of the most current consumption.

In addition to that, we also did an alternate CPI by working with the bank and some of the sources of data it has to see if there was any correspondence between real-time shifts even more frequent than yearly to see if there was any big change. In fact, the numbers are not all that different from the CPI. The official measure is the CPI that we put, but, as I said, we do experiment and we do some complementary work, and our data show that the CPI is a very robust indicator and the shifts are 0.1% or 0.2% from what we see.

As you said, some of these patterns will change in the future, but of course that annual basket update will pick those up and then we will adjust the weights to make sure that the CPI remains reflective.

**Mr. Adam Chambers:** Thank you.

You mentioned looking at it annually. My understanding was that it was an “every two years” cycle. Is that not the case anymore?

**Mr. Anil Arora:** It used to be ad hoc. Then it went to three. Then it went to two. Now it's one and, as I said, even in parallel we're doing more frequent updates.

**Mr. Adam Chambers:** It seems to me, though, at least from the consumption of a lot of economists writing about this or what we would read from south of the border, that a lot of the changes in the methodology of CPI seem to have this effect of dampening the real inflation or CPI rate. For example, you hear a lot about this in the U.S. If we measured CPI like we did in the eighties, we would be in double-digit percentage points.

Is that a similar experience here? Over time, we've actually seen CPI and the way it's been measured to be quite different from it once was. We seem to be understating it to some degree.

**Mr. Anil Arora:** Our research doesn't show that. In fact, we're getting better at reflecting the price change with consumption. As I said, previously we used to take a price at a certain point in a month, for example. Now we're getting the movie instead of the one time.... As I mentioned, the scanner data we're getting is real-time consumption, so I think we're getting better at reflecting true change.

**Mr. Adam Chambers:** Okay. Thank you.

I have a question on regional differences. How do you measure the regionality of some of our...? If you look at, say, B.C. and Ontario representing 60% of the population, how do we factor that in? For housing costs, as an example, are we spreading it across the whole country when a lot of people are experiencing something significantly higher?

**Mr. Anil Arora:** Yes, and that's the reason we actually put out the CPI for different parts of this country. Again, that basket that I talked about earlier is benchmarked to that consumption weight as well. For example, we know that B.C. had a 3.6% year-over-year change as compared to 4.7% in [*Technical difficulty—Editor*]. Those numbers are available on our website.

• (1535)

**The Chair:** You have about 15 seconds, Mr. Chambers.

**Mr. Adam Chambers:** Thank you, Mr. Chair. I'll cede my time.

**The Chair:** Thank you, Mr. Chambers.

We'll now move to the Liberals and Madame Chatel for five minutes.

[*Translation*]

**Mrs. Sophie Chatel (Pontiac, Lib.):** Thank you very much, Mr. Chair.

I would like to welcome the Statistics Canada officials and commend them for their hard work and the excellent service they continue to provide during the pandemic. I spent the last four years at the OECD, and I can say that our economists and those from the other OECD countries really appreciate the quality of service offered by Statistics Canada. You are an excellent source for them.

That being said, I have a few questions about the difficulties that you mentioned earlier regarding the effect of inflation on food prices. I am particularly concerned about the effects of climate change.

We have put forward a very ambitious plan. All levels of government and other countries will have to invest a great deal of energy if we want to make a difference on a global scale.

You saw the data, which is what we used at the OECD. Climate change and extreme weather events, such as droughts, floods, the tornadoes in the U.S., and forest fires have a major impact on our farm products. Our farmers are well aware of that.

Can you tell us what method you use to assess the impact of climate change on food prices?

**Mr. Anil Arora:** Thank you very much for your question and comments.

I am very proud of our colleagues from all over. Like many other public servants, they worked to meet the needs during this rather difficult period.

As you mentioned, Statistics Canada has an excellent reputation on the world stage, and I am proud to chair the OECD's Statistics Committee. We work closely with our colleagues from all over the world.

Of course, the climate change situation is always evolving, which will have an impact on all sectors of our economy. We already have statistics on the economic impacts. We are working with our government partners, and we launched the first environmental census initiative in the world, which will help us to better understand the value of the ecosystem and its impact on resource development and agriculture. It will also enable us to measure that impact going forward.

I will ask my colleague Mr. Peterson to give some more details on that.

Thank you.

**Mr. Greg Peterson:** Thank you.

As the chief statistician said, we are currently implementing an environmental census.

• (1540)

[*English*]

That will measure the extent of ecosystems, the condition of ecosystems and the value of the goods and services derived from those ecosystems.

[*Translation*]

It will help us to better understand the connection between the economy and the environment.

I will now come back to your question. We have a large number of price indexes, not only for consumer prices but for every step in the production chain.

[*English*]

We aren't drawing direct links between the environmental change and those price indexes, but if we take a look at raw material prices for grains, we do see the impacts of weather, of what's happened out west. There are links all along the supply chain. Earlier in the pandemic we were seeing the impacts of African swine fever in China, which drove up global prices for pork, which had an impact on our raw material price index.

**The Chair:** Thank you, Mr. Peterson.

Thank you, Madame Chatel.

Members and witnesses, we are moving into our third round. We have gone just a little past our first hour. This is a three-hour meeting. In our third round we'll start with the Conservatives and Mr. Stewart for five minutes.

**Mr. Jake Stewart (Miramichi—Grand Lake, CPC):** Thank you, Mr. Chair.

When Justin Trudeau took power, a typical home cost \$434,500. Now it's \$811,700. That's over 85% inflation in six years. Last year alone home inflation hit 25%, which the Real Estate Association chief economist called the "biggest gain of all time". That followed the \$400 billion of newly created cash that the government pumped into financial markets, much of it lent out in risky variable mortgages at interest rates well below inflation. These negative rates literally paid people to borrow and bid up prices. Housing inflation is homegrown.

Bloomberg reports that Canada has the second most inflated housing bubble in the world. The average family must spend two-thirds of their gross income on monthly payments for the average home in Toronto or Vancouver, cities which Demographia calculates are respectively the world's fifth and second most unaffordable markets.

Banking rules, mortgage insurance, monetary policy, money laundering—these are all federal. So is housing inflation. Here now under this government, that's just inflation, so my question is this. For my home province, I'm fielding high volumes of calls about concerns with home prices. In the first 11 months of 2021, in Moncton, New Brunswick, the multiple listing service's home price index had gone up almost 60%. New Brunswick as a whole has outpaced the national average by over 1.5%. This is extremely concerning to me as I'm not seeing this reflected in your shelter inflation analysis.

Why isn't this represented in your shelter inflation analysis?

**Mr. Anil Arora:** Thank you for that question.

First of all, in the CPI, unlike going to buy groceries that are consumed almost instantaneously, a house is something that one obtains and then gets the value of over time. The second thing one needs to be aware of is that, as I said, there's no question that our housing prices index and resale prices index, on a constant basis in the year after year that we've been measuring, are showing some dramatic increases year over year. There's no.... Some calculate average prices and some calculate on a fixed basis, so I won't argue why you see some numbers a little higher and some numbers a little lower. Ours is based on a very transparent methodology. You can see it. It's available for everybody to see.

Remember, not everybody is constantly remortgaging. Many people have mortgages and many people have paid off their mortgages. About 63% of the households in this country are owned. The rest are rented. You see as well a significant number of those who own those houses have actually paid them off. Nobody's arguing that the price of entry into the housing market is [*Technical difficulty—Editor*].

When you look at the CPI, which is the basket that looks at how those shelter costs are changing from month to month and year to year, it comes from that concept of what is the cost that is incurred

to maintain that house, from the interest to the utilities to the insurance and to a portion of the replacement cost as well. That is benchmarked to what tens of thousands of households spend on those costs from month to month. That's how our numbers are calculated.

Like I said, many of our complementary measures are also showing the price increases, but in the CPI, that's the concept. That's how it measures the shelter cost.

• (1545)

**Mr. Jake Stewart:** Thank you for that.

I think it needs to reflect how much Canadians are actually paying for shelter. In Saint John, New Brunswick, there was an article highlighting a senior citizen whose rent went up by 75%. If rents are going up, we know that interest rates are going up.

I don't understand why "shelter" wouldn't show what Canadians are actually going to pay. It was in the paper last week. I have to ask the question again: What's the real benefit to not including this in the shelter analysis?

**The Chair:** If you could, do that in about 20 seconds, Mr. Arora.

**Mr. Anil Arora:** Rental costs are included, so that particular situation is there. As I said, this is a price change, and then we do have complementary measures that start to get at different parts of our country as well as different subsections of our population and how they fare. I'd encourage you to look at those complementary measures.

**The Chair:** Thank you.

Now we're moving to the Liberals and Mr. MacDonald for five minutes.

Go ahead.

**Mr. Heath MacDonald (Malpeque, Lib.):** Thank you, Chair.

First of all, thank you. As a former provincial politician, I'll say that policy was ever so important and Statistics Canada was extremely important. Kudos for all the work you've done, and kudos for all the work you've done in the past two years.

I want to go back a little ways. We know that, prior to COVID-19, the rates of inflation usually met the formal target of 1.5% to 2%. Can you talk a bit about when you actually started to see the changes in inflation and about the effects that COVID-19 had on our society?

**Mr. Anil Arora:** I think that immediately, as we all went into lockdown post-March, we saw, in fact, deflation first. We saw those numbers go below zero. Then, as we've been discussing, as the economies opened and the restrictions have lifted, we've seen the inflation come back.

As was mentioned earlier, the CPI is a year-over-year measure, so you also started to see those base effects starting to come in as you watched that number over the course of the last two years, but as Heidi mentioned, I think we're starting to see those base effects starting to diminish. Now you're starting to see more and more of the true price change over time.

Yes, you saw an immediate drop, because everybody stopped doing anything for a period of time, and then you slowly started to see gradual shifts. Then you saw this period of increased inflation above that 2%, for all the factors that we've outlined earlier in the conversation today.

**Mr. Heath MacDonald:** Thank you.

Basically, if the government hadn't made investments, that deflationary...that downward spin you were talking about would have lasted longer, would have kept going longer, which would have had major effects on our GDP and our economy. Is that correct?

**Mr. Anil Arora:** I'm not going to speculate, because it's not a "one dimension" reason. There are multiple reasons, as we've discussed before, of which transfers are certainly one of the stimulants, if you like, of consumption. I'm not going to speculate because I don't have that, and maybe others are better positioned to do the what-if scenario than we are.

• (1550)

**Mr. Heath MacDonald:** Thank you.

I'll go back to Mr. Peterson, if I can. He was talking earlier, and I don't think he had an opportunity to finish the question on goods.

Can you provide any insight as to why, for the past 20 years, our goods inflation rate was at about 2.1%, but in 2021 went to 4.4%? I think it relates to the question that maybe you haven't answered, Mr. Peterson.

**Mr. Greg Peterson:** I think that if you take a look over the course of the pandemic, over the course of the past two years there has been a range of factors that have led to changes in prices in a range of different commodities.

As Mr. Arora mentioned earlier, in May of 2020, crude oil prices went negative for a period. If we follow the supply chain through, this of course had an impact on our raw material prices index and our industrial product price index, through to the price we're seeing at the pump. As Saudi Arabia and Russia cut back on oil production, demand for oil shot up. Prices go up, and ultimately that leads to an increase in prices at the pump.

Through a range of different commodities, we've been seeing a larger number of sharp price movements. Lumber has had an impact on the price of residential construction. It's had an impact on sales in hardware stores, with factors driven not only by demand for lumber in Canada but also a demand for lumber in the United States. It's almost like every commodity has a story.

**Mr. Heath MacDonald:** Thank you.

I have another question. I know that it's going to be a quick one, but on demographics—basically, aging in place—what effects do aging in place and national migration have on our housing supply?

**The Chair:** You have about 20 seconds, Mr. Arora.

**Mr. Anil Arora:** It does have a factor, for sure. More people come in and they want to have places to live, and home ownership in Canada is a desired effect.... Just to give you one example, in eastern Canada, we've seen a disproportionate increase, as was mentioned earlier as well, because of the higher demand and people moving out. Migration, immigration and growth are all factors in this story.

**Mr. Heath MacDonald:** Thank you.

**The Chair:** Thank you.

Now we're moving to the Bloc.

We have Monsieur Ste-Marie for two and a half minutes.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Since we are beginning a new round of questions, I think I have about two and a half minutes.

[*English*]

**The Chair:** I apologize. I have two and a half minutes here as our third round. Is this...?

[*Translation*]

**Mr. Gabriel Ste-Marie:** Okay, Mr. Chair. I just wanted to make sure.

Mr. Arora, I want to come back to the issue of inequalities.

This issue was addressed a little earlier. The pandemic is creating greater inequalities. You presented the data by income distribution quintile.

What about the impact of inflation, which is currently higher than expected? Does that have an impact on the inequalities for each quintile, depending on the household or category of people? I am thinking of retirees, students and small business owners, for example.

What about the inequalities caused by a higher rate of inflation than expected?

**Mr. Anil Arora:** Thank you for your question.

The short answer is yes. If a person has a certain amount of money to spend and prices have gone up in one category or another, it is definitely going to affect that person's purchasing power. However, the formula contains several elements. More transfers were made to households, which increased their purchasing power. That also increased demand.

However, as has been mentioned several times, when prices go up, in theory, that increases the value for households, so there are two ways of looking at this.

Finally, in many cases, substitutions are possible, so if something costs too much, a household will have to find an alternative, for example.

There are many factors to consider, but you are basically right.

• (1555)

**Mr. Gabriel Ste-Marie:** Thank you.

[English]

**The Chair:** Thank you. We're moving now to the NDP.

Mr. Blaikie, you have two and a half minutes.

**Mr. Daniel Blaikie:** If the government were to set the objective that no Canadian household would find itself in core housing need, do you think, at Statistics Canada, the information you currently are able to collect and analyze and report on would be sufficient in order for the government to build a plan like that, or are there certain important datasets on the housing market, both the rental and the owner markets, that Statistics Canada would like to collect, either from industry or from government, to make it possible for the government to produce a better plan for meeting the needs in the housing market?

**Mr. Anil Arora:** We're always looking for new sources of data to make the indicators even stronger. As I said, it's a bit of a team sport. We work with our colleagues at CMHC. We work with organizations like CREA. We work with the MPACs.

Yes, sometimes it can be a little bit challenging to get good sources of quality data that we can count on month to month on a comparable basis, so that we can turn it into statistics. The volume of data does not automatically convert itself to good quality statistics that one can then count on.

**Mr. Daniel Blaikie:** I'm just wondering for this committee, which may well be able to make some recommendations, are there particular datasets you think we should be recommending Statistics Canada have access to in order to produce better information on the housing market and better housing policy?

**Mr. Anil Arora:** I'll just get Greg to give you a very quick summation of a couple of those points, because there are a couple of points where it could be helpful.

**Mr. Daniel Blaikie:** Thank you.

**Mr. Greg Peterson:** What we would find really helpful is the ability to draw stronger linkages between the indebtedness of households and other financial characteristics of households and home ownership. Essentially, having that better linkage would be good—

**Mr. Daniel Blaikie:** Does that data tend to live in the private sector, with banks and other financial institutions, or does it already reside somewhere in government?

**The Chair:** Give a very short answer, please.

**Mr. Greg Peterson:** Largely it resides in financial institutions.

**Mr. Daniel Blaikie:** Thank you.

**The Chair:** Thank you, Mr. Blaikie.

We're moving now to the Conservatives for five minutes.

Mr. Poilievre, you have the floor.

**Hon. Pierre Poilievre:** Thank you very much.

Can you please tell us what the benchmark housing price is that you are using to arrive at your year-over-year calculated change?

**Mr. Anil Arora:** Greg, do you want to talk a little bit about—

**Hon. Pierre Poilievre:** No, we don't want to talk a little bit about anything. I just want to get the number.

**Mr. Anil Arora:** As I mentioned earlier, the new housing price index, which shows—

**Hon. Pierre Poilievre:** Yes, do we have the number?

**Mr. Anil Arora:** Yes, I believe it's 11.9% year over year—

**Hon. Pierre Poilievre:** No, I'm sorry. It's the price. It should have a dollar sign beside it.

**Mr. Anil Arora:** We'll have to dig that out if you want the actual—

**Hon. Pierre Poilievre:** Yes, because your numbers are way off compared to—

**Mr. Anil Arora:** It's an index that we use to show the difference.

**Hon. Pierre Poilievre:** I realize that. So does CREA. They have a world renowned methodology, and they are able to publish the price. They have it at \$811,700 right now, versus \$641,300. Those are verified numbers. They just published them today showing a 26% increase, which is double what you're reporting. Frankly, I'm not aware of anybody who believes that we're only up 13% year over year on house prices. I'd be very curious to see what benchmark price you have for this year and last.

I want to move on to the weighting issue. You weight homeowners' replacement cost as 5.6% of the CPI. According to data also published by your agency, there were about \$450 billion of real estate transactions from Q3 2020 to Q3 2021. That works out to 18% of the GDP.

Why is it that the homeowners' replacement cost [*Technical difficulty—Editor*] 5.6% of CPI, when in fact home purchases in dollar volume are 18% of the entire economy, three times higher in relative terms?

• (1600)

**Mr. Anil Arora:** The homeowners' replacement cost is for the times that somebody's house gets burned down and has to be completely built from the ground up. It's the increased cost of labour, the increased cost of lumber and services—

**Hon. Pierre Poilievre:** No, I'm not—

**Mr. Anil Arora:** That's what that component is.

**Hon. Pierre Poilievre:** I'm sorry. I didn't ask what it is. I asked why it is such a small share of the CPI when it's such a massive share of the economy.

**Mr. Anil Arora:** It's because not everybody's house gets burned down and has to be rebuilt every month, so—

**Hon. Pierre Poilievre:** Right, but I wasn't asking about the number of people who had a house burn down. What I'm saying is that these are raw numbers from your agency showing that the dollar value of home purchases equals about 18% of GDP. How can it only then comprise 5.6% of CPI? It doesn't make sense.

**Mr. Anil Arora:** Shelter is the number one cost of—

**Hon. Pierre Poilievre:** No, I'm not asking about shelter. I'm sorry. I'm not asking—

**The Chair:** Mr. Poilievre, please allow the witness to respond and give him equal time, as you've asked for. Allow the witness equal time, please.

Thank you.

**Mr. Anil Arora:** They are two different concepts. One is what the householder spends in terms of the weight of that basket that I talked about and what that change is month over month. There's no question that buying houses is a significant component of our GDP, so that number is absolutely correct. The percentage that a household expends in that basket of their overall income is about 30% for shelter, and of that, as we measure right across the country at any given time—

**Hon. Pierre Poilievre:** Okay, that's about equal time. You are venturing off again from what I'm getting at. I realize that shelter is considered 30% of the basket. However, I'm not asking about that.

I'm asking about the homeowners' replacement cost, which is the actual cost of buying a house. It's the closest thing to buying a house that you crack in this CPI, and that only counts for 5.6% of the basket when it's equal to 18% of our economy. It seems that not only is your agency vastly underestimating housing inflation, but it is vastly underestimating the share of that inflation in the overall CPI calculation. That might be why the CPI is artificially low.

Do you want to comment, Ms. Ertl?

**The Chair:** You have 30 seconds.

**Ms. Heidi Ertl:** If I may, in addition to the house replacement cost, which is the key piece where new housing prices come in—only new, not resale—the owned accommodation also includes many other components of running a household. That is all the property taxes, the insurance, the total weight of owned—

**Hon. Pierre Poilievre:** Right, but that's not what I'm asking about.

**The Chair:** Allow the witness to finish, please, Mr. Poilievre.

**Ms. Heidi Ertl:** The total weight of owned accommodation is actually 19.7% as of the last basket update, and homeowners' replacement is only a part of that.

**Hon. Pierre Poilievre:** Yes, but again—

**The Chair:** It's time, Mr. Poilievre. We're moving on now.

**Hon. Pierre Poilievre:** Thank you.

**The Chair:** We have the Liberals for five minutes, with Ms. Dzerowicz.

**Ms. Julie Dzerowicz:** Mr. Chair, given the fact that we're at the one and a half hour mark, shall we allow our witnesses maybe a five-minute health break?

**Hon. Pierre Poilievre:** No, there's no unanimous consent. We have work to do here.

**The Chair:** Ms. Dzerowicz, you have five minutes for your time. It doesn't look like we have unanimous consent. Mr. Poilievre is not in agreement with a health break.

**Ms. Julie Dzerowicz:** Okay, but I don't think unanimous consent is required, Mr. Chair.

• (1605)

**The Chair:** I think we do need a five-minute health break to let people get up and stretch their legs and for those who may need to use the washroom.

Mr. Clerk, is it correct that UC is not required? It's not.

Okay. We'll suspend for five minutes.

• (1605)

(Pause)

• (1610)

**The Chair:** I call the meeting back to order.

I hope our witnesses and members got an opportunity to do a little health break, a little stretching, to use the washroom if you needed to or to get a drink of water.

We are commencing again. We have the Liberals and Ms. Dzerowicz for five minutes.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair.

Mr. Arora, can you talk to me about the impacts of labour shortages and the mismatch between labour supply and demand on inflation?

**Mr. Anil Arora:** Clearly, where there is a shortage, you see that organizations will have to compete to ensure that they get [*Technical difficulty—Editor*] responses. Some of it is automation and substitution. Others are increased benefits, for example, and in some cases increased wages, to be able to respond to those shortages.

I say that because we measure the components of that at various frequencies over time to see what is happening. We of course look at the overall labour component on a monthly basis for our labour force survey. From the survey of employment, payroll and hours, we look at the weekly wages and how they are shifting over time. In this last little bit of time, in comparison to the 4.7% inflation year over year, what we've seen is a corresponding wage rate change of some 2.78% in that period of time.

**Ms. Julie Dzerowicz:** Thank you, Mr. Arora.

I think you're starting to get into the wages, which is important but I think it's a whole other conversation. I want to stick with the labour side, because you do allocate a slide or two or three around labour shortages and labour, as well as input costs, labour being a key one. That, I do believe, has an impact on inflation.



One of the things I've been curious about is whether or not Stats Canada collects data at the regional and local levels around labour needs or skills needs. Could you talk to me about that? When I see a mismatch, particularly when we have such fairly low unemployment numbers and such great needs across the country in terms of labour shortages, we know that a lot of it has to do with immigration. That's part of it, but there's also a mismatch out there. Can you talk to me about how detailed a dataset you actually collect at the regional and local levels from the labour perspective and, if you can, from a skills perspective?

**Mr. Anil Arora:** Our labour force survey has a sample of about 60,000 households. That is spread out right across this country. We get the employment regions to get at what the labour market situation is: the number of people who are employed, the number of people who are unemployed and those who are still looking but can't find something. We break it down. In the last year or so, we've gone much deeper in terms of looking at it by employment equity groups and so on. That's on your question of what level of detail we get to. Of course, the lower the level of detail, the lesser the confidence in all those cross products that I just mentioned.

In terms of this mismatch, there are a couple of components. One is that we will actually do the job vacancy survey, which says, "Okay, what are the numbers of vacancies?" We get a sense of where—in which areas—we're seeing those vacancies. Then we start to put together that labour market picture, if you like, of supply and demand, which gets at your question.

My last point, very quickly, is on how business then translates that labour cost into the price of their goods and services. That's what the CPI measures. They may or may not transfer those increased costs, which may or may not be reflected in the CPI.

I hope that gives you a fulsome picture.

• (1615)

**The Chair:** You have about 30 seconds.

**Ms. Julie Dzerowicz:** I have a quick question on long-term employment.

There's a certain group of Canadians who are the long-term unemployed. They're core-aged men. Can you give me any other...? I don't know what "core-aged" men are, by the way. Could you explain that—and maybe a few others—to give me a better understanding of who they are?

**Mr. Anil Arora:** That's the core of the market, that 15-to-64 age group. You're starting to see anybody who has been unemployed [*Technical difficulty—Editor*]. That gets into that group. We've been tracking that number. That was up as high as 350,000 and has come down quite considerably in the last number of months, with many of them returning to work. We actually track that long-term unemployed group and what progress they're making or their lack of progress.

**The Chair:** Thank you, Mr. Arora.

Now we're moving into our fourth round. We have the Conservatives and Mr. McLean for five minutes.

**Mr. Greg McLean:** Thank you, Mr. Chair. It's much appreciated.

Housing inflation is homegrown in Canada. We have the second most inflated housing bubble in the world. The average family [*Technical difficulty—Editor*] their gross income on monthly payments for the average home in Toronto or Vancouver, which Demographia calculates are respectively the world's fifth and second [*Technical difficulty—Editor*]. Banking rules, mortgage insurance, monetary policy and money laundering are all federal matters. So is housing inflation here and now under this government. That's Justinflation.

Recently, a group out of Vancouver calling itself Generation Squeeze was contracted by the Canada Mortgage and Housing Corporation to look at the effects of taxing homeowners on the value of their properties. This is a narrative that the Liberal government and its various publicly funded supporters continue to advance to add more taxes onto the backs of Canadian homeowners. For most Canadians, their home is their largest investment, their pride of ownership, in which they invest funds to upgrade, repair and hold value in relation to all the other inflationary factors they will face in retirement.

What data do you have at StatsCan that shows how much more the average Canadian household will be paying with this additional Liberal tax on housing?

**Ms. Julie Dzerowicz:** There is no tax. I'm sorry.

**Mr. Anil Arora:** We don't have any data on that, nor would we speculate on that. I think others would be better to do—

**Mr. Greg McLean:** The study is there, Mr. Arora. Obviously, this information comes from somewhere. This speculation isn't just speculation when there's study after study about how to do it, how to tax Canadians on the value of their properties.

**Mr. Anil Arora:** We deal in facts and that's—

**Mr. Greg McLean:** We do, too, sir. With all due respect, this is a report put out by an organization that was contracted by the Canada Mortgage and Housing Corporation. Surely you've seen that report. Surely you can comment on the data about how much more Canadians are going to have to spend on housing because of an additional tax put forward by a group funded by the Canada Mortgage and Housing Corporation.

**Mr. Anil Arora:** I haven't actually seen that report. That question is probably better put to them to find out what they're using to arrive at it. When and if that ever becomes material, of course it will be part of our system of national accounts.

• (1620)

**Mr. Greg McLean:** Thank you. I'll move on, but “material” to Canadians means more money to be expected from this government for the ownership of their homes going forward.

One of my colleagues talked earlier about the mortgage interest cost and the homeowners' replacement cost. We know the mortgage interest cost is going down, because of this government's monetary policy. It is more than made up for by the actual increase in the homeowners' replacement cost. I'm sure you've seen that in your data.

The data I have says that you can take the mortgage interest cost down by about 6% for Canadians over the last couple of years, but that's caused an increase of about 15% in the homeowners' replacement cost. One does not balance the other. We always say that mortgagors don't buy houses; they buy payments. Their actual replacement cost is going up.

How is that reflected in your calculations? We're not seeing it. It's so different from everything else we're seeing compared to our neighbour, the U.S., for instance.

**Mr. Anil Arora:** Thank you for that question. I'll also ask my colleagues to jump in.

I'll say that you're absolutely right. What we've seen is the market interest cost year over year has gone down by 8.3%. I keep trying to clarify that the homeowners' replacement cost is not the cost to replace the entire home as you buy new ones and so on. It's actually a component of the shelter cost as consumers would feel it in the CPI.

Perhaps I could ask Greg or Heidi if they want to add to that answer.

**Mr. Greg Peterson:** Sure. Essentially in the CPI—

**The Chair:** We've lost Mr. Peterson. Are you there?

**Mr. Greg Peterson:** I've lost my camera.

**The Chair:** Okay. We can hear you.

**Mr. Greg Peterson:** Okay.

What we do in housing with the CPI is that we're measuring the price of consumption. CREA does excellent work. They're experts in their field. They do a super job, but they're measuring the value of the house as an asset. Like most other OECD countries, we don't include the entire value of that asset in the CPI because the CPI is an index of consumption, not of the growth of that asset. That is why we break down the cost of housing the way that we do.

There's no question that for people to get into the housing market, they're facing much higher costs than they have in the past. If I were to take the counterfactual and take a look at a house—

**The Chair:** Thank you. We're already at five and a half minutes.

We're going to move to Mr. Baker and the Liberals for five minutes.

**Mr. Yvan Baker:** Mr. Peterson, did you want to finish your answer before I go to my first question?

**Mr. Greg Peterson:** Sure. Thank you.

If you think about the counterfactual, for sure somebody entering the housing market is going to pay a lot for a house. The value of that asset is quite large. If you think about a senior who is, perhaps, downsizing and moving out of that house, who is selling their asset, their cost of living isn't going to decline as a result of that. They're still facing the same costs of consumption that they were prior to the sale of the house. Their wealth, the cash assets change a lot, but the cost of living doesn't. The CPI really focuses on that cost of living, the cost of owning that asset, not of the value of the asset itself.

**Mr. Yvan Baker:** Thanks very much, Mr. Peterson.

What I've heard from you and Mr. Arora in your responses to the last couple of questions are a couple of things. One is that, Mr. Peterson, you talked about the fact that when you're measuring inflation, you're measuring the increase in what Canadians are actually spending. Am I right in saying that?

**Mr. Greg Peterson:** That's what it represents, yes.

**Mr. Yvan Baker:** Okay. In other words, you're not measuring the increase in asset values, but you're measuring the increase in the costs that people are incurring on the ground, that Canadians are incurring if they spend money.

**Mr. Greg Peterson:** Conceptually that's what the CPI is measuring, yes.

**Mr. Yvan Baker:** I think that's an important clarification. We've had a number of members from the Conservative caucus who have tried to suggest...or have questioned the approach and the credibility of Statistics Canada and its approach in how it measures CPI, particularly around housing. I think it's important, therefore, to distinguish that what we have here—

**Mr. Greg McLean:** I have a point of order, Mr. Chair.

My colleague on the other side is impugning motive. We are questioning Stats Canada—

**The Chair:** That's not a point of order.

**Mr. Yvan Baker:** This is a debate, Mr. McLean. It's not the time to—

**The Chair:** It's not a point of order, Mr. McLean.

Mr. Baker, you have the floor.

• (1625)

**Mr. Yvan Baker:** Thank you, Mr. Chair.

What I hear from those members as they ask those questions is that they're citing increases in asset prices of houses. What you're measuring is the increase in the costs that Canadians are actually facing. Am I correct, Mr. Peterson?

**Mr. Greg Peterson:** Conceptually that's where we're at with the CPI.

**Mr. Yvan Baker:** Thank you.

What I want to do, also on the housing front, is to speak about that report that Mr. Poilievre, Mr. McLean and others have referenced. The Canadian Real Estate Association report actually says that the actual, not seasonally adjusted, national average sales price posted a 17.7% year over year gain in December, which to me is very consistent with the kinds of figures we've been talking about here and not consistent with some of the high figures that have been cited by some of the members as they've been talking. I think it's important. Even on the CREA report, which is looking at asset price increases—as we've just clarified—it's actually 17.7% year over year. That's what [*Technical difficulty—Editor*].

I'll come back to you to clarify. You've spoken about this a few times, but I think it would be helpful to summarize this for us because one of the important aspects of the discussion we're having is about housing. Could you just speak to what the primary causes are right now, this year, for the increase in the price of housing?

**Mr. Anil Arora:** Certainly. First and foremost, it's the demand. We are seeing, because of COVID, a desire for people to have more open space, the kinds of facilities that allow them to combine a little bit of their leisure activities along with work and child care, and so on. Second, what we see are the interest rates. The mortgage rates are still at historic lows. I think that also gets people to.... All the components of our surveys are telling us this. Then we see the demand, in a sense, driving up a little bit of that price. Those are the main causes.

Again, I don't want to leave you with the fact that we don't capture asset price changes. We do. I think we've talked about the new housing price index and the resale price index. We calculate them on a slightly different basis from our colleagues in CREA and others. It's important to know that what we're talking about is an average price. What we're saying is that for a basket, if you like, of houses—single, multi-units, etc.—year over year, through the construction, the builders who are actually building them give us the information, and that's what the numbers are telling us.

It's slightly different, and it does feed into the CPI and the components that my colleagues have talked about. Again, you are shifting the concept, as has been mentioned, in terms of the asset or its replacement cost versus the cost to the consumer month over month. We do include the increased real estate prices, land transfers and insurance, and so on. They are included, but just from a consumption perspective.

**The Chair:** Thank you.

**Mr. Yvan Baker:** I think it's important just to flag that the government has committed numerous times to not taxing the sale of primary residences. I wanted to emphasize that in response to the discussion earlier.

Thank you, Chair.

**The Chair:** Thank you, Mr. Baker.

We're moving to the Bloc.

Monsieur Ste-Marie, you have two and a half minutes.

[*Translation*]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

Mr. Baker spoke once again about the main causes of inflation, this time in reference to the housing sector and earlier in reference to the economy as a whole.

When we look at the effect of inflation is having on the economy, we are concerned that society as a whole may come to expect higher rates of inflation. That would mean that the various economic agents would no longer expect inflation of 2% but a much higher rate of inflation. It could have a snowball effect and become a matter of concern.

Mr. Arora, do you currently see any signs of such a phenomenon in the measures of various prices in the economy? For example, could businesses increase their prices to safeguard against future inflation? The same thing could happen with some wages. I am not judging those people or businesses. I just want to try to figure out whether there could be a snowball effect if people expect inflation to be higher than 2%.

Do your statistics currently give you any indications in that regard?

• (1630)

**Mr. Anil Arora:** The Bank of Canada conducts surveys on consumer confidence so it might be better to ask our Bank of Canada colleagues that question. I think you actually have the results of those surveys.

To my knowledge, we have not conducted any surveys because there is already a way of collecting that type of data.

**Mr. Gabriel Ste-Marie:** In other words, when you measure increases in wages or the price of goods and services in the economy, you do not break down the results in terms of the possible causes for those price increases. Is that correct?

**Mr. Anil Arora:** We, of course, cannot see what the components are. However, it is a retroactive not a speculative perspective. I hope that helps.

**Mr. Gabriel Ste-Marie:** That was very clear.

Thank you.

[*English*]

**The Chair:** Thank you, Mr. Ste-Marie and Mr. Arora.

If everybody could slow down the pace of speaking for the interpreters, that would be appreciated.

We have the NDP now.

Mr. Blaikie, you are up for two and a half minutes.

**Mr. Daniel Blaikie:** Sure.

There is an issue on which I'm hoping to get a little bit of clarity for the record. There's been conversation about how government spending, in one way, shape or form, has had an impact on the housing market. In the pandemic, of course, when many people think of public spending, I think they think of pandemic income benefits, such as either the wage subsidy or the CERB and its successor programs. But the experience for many Canadians when they went on CERB was a revenue reduction. In many cases, they were making over \$2,000 a month, and it meant less income. In the cases of those Canadians for whom it was an increase in income, it seems unlikely—but I'm looking maybe for some comment—that banks would give someone a mortgage based on their having a temporary \$2,000-a-month benefit.

I just want to be clear on this. When we talk about government spending that has the ability to impact the housing market, is there any evidence that the spend in pandemic income support on the CERB and the wage subsidy and like programs was the kind of spending that may have made an impact in the housing market from the point of view of driving prices up, or are we talking largely about the liquidity that was granted to financial institutions in the first days of the initial lockdown?

**Mr. Anil Arora:** We have no data to triangulate the specific transfer from the government to a business with the intentions of that amount and potentially increased savings from a lack of or reduced expenditures that relate directly to jumping into the housing market. We don't have that.

As I mentioned earlier, we have looked retrospectively at those data for transfers—who got it, how much and what it did to their overall fiscal situation—on both the business side, through our business conditions survey, as well as on the household side. There was nothing that said that resulted in their wanting to get into a particular market.

**Mr. Daniel Blaikie:** Who do you think the committee could invite to try to get an answer with respect to what kinds of pandemic spending by the government might be driving inflationary pressure in the housing market and what kinds likely aren't?

**The Chair:** Answer in 20 seconds, please.

**Mr. Anil Arora:** I'm not aware of exactly who or if anybody, frankly, is going to be able to say, "This dollar went here and this dollar went here". In general, you can see what the basket is and what the result is, but to associate one with the other... Everybody would struggle quite a bit to be able to say this is causality on this part.

**The Chair:** Thank you.

Now we're moving to the Conservatives, and we have Mr. Chambers up for five minutes.

• (1635)

**Mr. Adam Chambers:** Thank you, Mr. Chair.

I would like to go back to some of the methodology and talk about used cars for a moment. The Globe and Mail reported that the CPI uses new cars as a proxy for used car prices. In the U.S., there has been a 40% increase, which has significantly increased their reading of inflation.

In Canada, Auto Trader has used car inflation at about 9%. An online platform, CarGurus, has it at 15%. I understand that it represents a reasonable portion of the basket, so I want to confirm whether we are using new car sales as a proxy, or if we have a good measure for used car sales in the CPI.

**Mr. Anil Arora:** First of all, used cars are included in the CPI, so it's in that basket. It makes up a relatively small weight of 1.43%, give or take. Because there is no real quality data in Canada just yet—we haven't stopped looking and we are doing some work on that front, by the way—in the absence of that, we use the Canadian new market change, which is about half the percentage. It's 6.6%, as opposed to double that amount in the States.

I want to make sure that it's put into perspective that it's not a massive determinant of the overall CPI. It's not something that we dismiss. We just don't have the kind of ecosystem they do in the States to try to get a really good sense.... Even in the States, by the way, they use one specific private sector source that contains dealer-bought used cars.

**Mr. Adam Chambers:** Okay, so it is understated. Anecdotally, we see significant increases in used car sales. Used cars that are just two years old are selling now for 95% of the cost of a new car. That's a huge jump up from what would normally be 60% of the total value. I totally recognize that.

I'd like to shift to money laundering for a moment and some of its effects. Many of my colleagues have talked about an 85% increase in housing prices since 2015. This follows \$400 billion of new cash being pumped into financial markets and liquidity granted to financial institutions to continue underwriting record numbers of mortgages. Bloomberg says we have the second-highest housing bubble. It's eating up two-thirds of gross income.

We absolutely care about the housing market and affordability, as well as the effect that money laundering and non-resident purchases and activities have on housing prices overall. There has been a journey to gather some data on non-resident participation in the housing market. Your most recent study had an improvement, but there's still a bit left to be desired in terms of data quality there.

What have you asked the government for, or is there an outstanding list of things you need to do a better job on or to get better information on how much non-resident activity there is in the housing market?

**Mr. Anil Arora:** Given the importance of the housing sector in the country, we have indeed put a fair amount of effort into various elements of it. We're the statistical agency, so we're not going to be able to say if there's a transaction. There are other agencies that go into that. Our job is to be able to show what the different components are of who is buying those houses. As my colleague mentioned earlier, we put a lot of effort into understanding non-resident owners and their impact on price changes.

I encourage you, in the interest of brevity, to have a look at some of the work that we've done in Vancouver and in Toronto [*Technical difficulty—Editor*], but they're very small numbers.

**Mr. Adam Chambers:** Thank you very much.

I have one final quick question. This should be a yes or no. In 2018 there was some discussion about StatsCan requesting personal financial data from banks. We heard that in 2018 you were pausing that request. Can you confirm for the committee and for Canadians whether that's still on pause or whether you're seeking that information from financial institutions today?

**Mr. Anil Arora:** It's still on pause. We continue to work with the Privacy Commissioner to make sure we can provide the kind of detail that you're referring to while protecting the privacy and confidentiality of Canadians, which they deserve.

• (1640)

**Mr. Adam Chambers:** Thank you very much.

**The Chair:** Thank you, Mr. Chambers. You're right on time.

We're moving to the Liberals.

Madame Chatel, you have five minutes.

[*Translation*]

**Mrs. Sophie Chatel:** Thank you, Mr. Chair.

I have been following the increase in the price of housing units, that is houses and other accommodations.

Since the end of 2014, all of the OECD countries have seen an increase in housing prices. That increase has been more pronounced recently, during the pandemic years. We are worried about that and we really want to find solutions.

I read an article by Jean-François Perrault from Scotiabank that indicated that this is basically a supply and demand issue. The problem is that there is not enough housing to meet the demand. All of the OECD countries have experienced population growth. How can we increase the housing supply?

People in my riding have talked to me about the problems they have had and the obstacles they have faced in trying to get permits to build new housing in the community.

I would like to mention that I am proud of our government's announcement of a \$35-million investment to help small municipalities welcome new refugees. That is a good investment in housing in rural areas. What is more, we announced that we will be holding a summit in partnership with the Federation of Canadian Municipalities.

Do you think that the solutions designed to boost supply and encourage urban intensification will work?

**Mr. Anil Arora:** Quite frankly, that does not fall within our purview. You would have to ask that question to our colleagues who are involved in solution finding and policy development. They are the ones who could talk about working with other levels of government and the distribution of public funds. That is an important question that you would be better off asking our colleagues.

**Mrs. Sophie Chatel:** I would like to talk about the pressure caused by supply and demand.

In your opinion, do the statistics show that the cost of housing decreases when there is a greater supply of housing on the market?

**Mr. Anil Arora:** It depends on the location. Is it a rural or urban area? What is the current situation? What is the demographic population component?

Of course we can provide assistance when it comes to components in order to find a solution that fits local demand.

This is not a Canada-wide situation. It affects some suburbs in a more local way.

We could provide assistance in terms of demographic data, among other things, to figure out the ideal proportion of supply and demand. As I said, we are well positioned to provide assistance but not to answer that question in particular.

**Mrs. Sophie Chatel:** Do you have any statistics regarding the number of housing units available per 1,000 inhabitants by municipality?

**Mr. Anil Arora:** Yes, of course. We have data from the census and other sources. We can send it to you or you can find it on our website. We have a centre for housing statistics that could be useful to you. Also, if you have a specific community in mind, we can help you find that kind of information.

**Mrs. Sophie Chatel:** All of the OECD countries are experiencing the same thing as we are, namely, an increase in the cost of rent since the end of 2014.

Is there a reason why all countries are experiencing the same crisis?

**Mr. Anil Arora:** I, personally, am not actually involved in these studies, but we can do some research with our OECD colleagues if that subject is of interest to you. It could answer your question.

Once again, the statistical agencies are not really interested in policies per se. However, they are obviously interested in their components.

• (1645)

**Mrs. Sophie Chatel:** I would like to ask one last question.

Did you notice—

[English]

**The Chair:** Thank you, Madame Chatel.

[Translation]

**Mrs. Sophie Chatel:** I will ask it next time.

Thank you, Mr. Chair.

[English]

**The Chair:** Yes, that's the time. I know it goes quickly.

We are moving into our fifth round here, members. We have the Conservatives up for five minutes. I believe it's Mr. Stewart.

**Mr. Jake Stewart:** Thank you, Mr. Chair.

Rural Canadians don't have an option to take public transportation to work or to the grocery store. We depend on owning our own transportation. Most of the people I know buy a used vehicle. I'm bringing this up because the cost of a used car has gone up significantly in the last year, or last year and a half potentially. I think a lot of people were refraining from buying new vehicles because the cost of a used car was more affordable.

In my constituency of Miramichi—Grand Lake, the median household income is a little over \$34,000. Buying a used car was a method that many constituents, and I, over the years were using to keep costs down. At this point in time, the cost of a used car has gone through the roof.

Obviously there was some discussion earlier about the fact that we don't include this within our CPI, but the United States does include it in theirs. I think it's a little unfair for elected officials to continue.... Some are telling Canadians that we're doing better than the United States when it comes to inflation, but we aren't actually playing by the same rules. In particular, the case of the used car is one of the most significant examples of that.

When will the used car market be better reflected in the CPI to get a true, all-encompassing inflation rate?

**Mr. Anil Arora:** First, just let me make it as clear as clear can be. The purchase of used cars is included in the CPI. Not everybody buys a used car, of course. I've bought used cars. Not everybody buys a used car every month, or for that matter, every year. When you look at that basket overall, the weight of purchasing a used car is about 1.43% in the CPI. Used cars, along with new cars, are included in the CPI in Canada. I just want to make that very clear.

What we are differing on in the case of that change.... Once you adjust for quality—does it have airbags, does it have the rear-view camera and so on—once you adjust for that, then for each year you have to look at the price change as it gets older. What factor do you use to do that comparison, from one year to the other, for a used car?

In Canada, of course if we had a ready-made data source that would tell us that, where everybody would report what they paid, what the features were, the year and so on, then we'd have a perfect way to account for that change in time. In the absence of that, we use what we do have, which is the change for that controlled quality—the new car—and we use that as a change.

Like I said, we don't just dismiss it. We are, in fact, doing some work with registrations and other private sector providers of that data to see how we can get at a good number. Just keep in mind it would still only be cars that are sold at dealerships. It does not include what you might put up on—I don't want to promote any one platform—whatever one may use to sell their car.

**Mr. Jake Stewart:** Okay. Thank you for that answer.

I think what I'm trying to say here is that, you know, 99% of Canadians are not buying brand new vehicles. Can we expect the weight to be greater in future CPI? Will you make the weight greater in future CPI analysis, knowing that new cars are now harder to get? With these chips that aren't coming in from the Asian markets, a lot of new cars can't be manufactured. People are waiting months and months and months to buy a new car, and the cost of a used car is going through the roof.

Why is it costing so much, and when will it be included in the CPI analysis?

• (1650)

**Mr. Anil Arora:** The answer is an absolute yes. As I mentioned earlier, every single year we take stock of what Canadians spend on what as a percentage of their overall picture of expenditures, and the weight is dependent upon what those data tell us. At the moment, that number is 1.43%. If in fact more people are buying more used cars, you're going to see a relative higher proportion. The data will tell us what that weight should be. We don't arbitrarily put that number together.

As I said, it's that basket and its relative weight compared with other expenditures. If we see that proportion go up, the weight of the basket will reflect it. We will show that change. As I said, as we get more and more sources of data, we'll start to refine even the measure by which we show that used-car price change over time.

**The Chair:** Thank you. That's time.

Mr. MacDonald, you're up for the Liberals for five minutes.

**Mr. Heath MacDonald:** Thanks, Chair.

In the middle of the pandemic, the first three quarters of 2021, residential construction accounted for a larger share of the GDP than did business investment. Supposedly this never happened before. It's usually twice as large as the residential. How does that contribute to CPI?

**Mr. Anil Arora:** You're absolutely right that the residential investment in real estate as a proportion of the overall [Technical difficulty—Editor] quite a bit. Unfortunately, the other factor that you talked about, the business investment, in general overall has gone down. So you see one going up and the other coming down.

The net worth of Canadians, as those real estate assets have gone up, has also gone up. I think we showed that it went up by about \$2.3 trillion as well. Those are all stats we put out that talk about the change and so on. They talk about that asset and how it's in proportion to the overall economy going up or down over time. That's assets. CPI is consumption. *[Technical difficulty—Editor]* an average household in a particular area would now incur to maintain that asset, if you like.

That's what the CPI does. It takes a basket and it shows you, okay, when you purchase that home, and you pay the real estate fees and the costs, that's included. It includes all those elements that are the one-time costs, but then it says, quickly, what are the costs to maintain that particular dwelling?

The CPI is a consumption-based measure and the other is an asset-based measure. They both exist. We track them both.

**Mr. Heath MacDonald:** Okay.

The discussion that we've had here today has been very interesting, obviously. We're under the understanding that years prior to COVID-19, we had a stable CPI. All of a sudden, COVID hit and CPI increased. We know it's because of global supply chains. We know it's because of environmental challenges and climate change. We know it's because of demographics, the aging in place that we talked about earlier. We know there's turmoil in the labour markets worldwide because of the pandemic. Our supply chains are affected by that, and interprovincial migration.

Would you consider the past two years the perfect storm for the CPI difficulties that we're dealing with today?

**Mr. Anil Arora:** *[Technical difficulty—Editor]* on it, as we see. I think that even in my own lifetime we have seen higher CPI costs. The numbers we show are benchmarked to the same kind of number back in 2003, so it's not unprecedented. In fact, in some of our past, we've seen inflation rates much higher than what we see here today. *[Technical difficulty—Editor]* one could get into the analysis of, but what we do see in these last two years is a series of factors, as you've articulated them, and that has been the context around many of our releases, which point to why we are seeing what we're seeing, not only at the macro level. We can actually break it down by different components.

*[Technical difficulty—Editor]* better, as mentioned earlier, because we're updating that basket every year. We're getting better because we now have real-time data, as I mentioned, with the scanners and so on. We're getting better at understanding not just what's happening at the macro level, but what's happening in different provinces and what the different components are of CPI as they relate to the consumption pattern of a fixed basket over time.

I hope that helps.

• (1655)

**The Chair:** Thank you.

You have 15 seconds, Mr. MacDonald.

**Mr. Heath MacDonald:** That's fine, Chair. Thank you. I'll cede my time.

**The Chair:** Thank you.

Now we're moving to the Bloc and Monsieur Ste-Marie for two and a half minutes, please.

*[Translation]*

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

With regard to household spending on housing, were you able to establish what category of household was experiencing the biggest price hikes in this sector? Was it households that own a house and pay a mortgage or households that rent? Were you able to measure what category of household is being hardest hit by the inflation we are experiencing right now?

**Mr. Anil Arora:** To my knowledge, we did not do it, but I will ask Ms. Ertl to clarify the relationship between the increase in consumer goods and the increase in household spending.

**Ms. Heidi Ertl:** Thank you very much.

The CPI measures the increase in spending by home owners and renters. I can confirm that the spending of home owners increased by 5.3%.

*[English]*

For rented accommodation, it's an increase of 1.8%, so we have certainly seen that owned accommodation, owned housing, has increased at a faster pace, but there are certain dynamics at the regional and local levels that can go beyond those headline numbers.

*[Translation]*

**Mr. Gabriel Ste-Marie:** I would like to ask you a question on the same subject. What are the highlights when that data is broken down?

*[English]*

**The Chair:** Could we have a very short answer, please? Thank you.

*[Translation]*

**Ms. Heidi Ertl:** Renters are harder hit in the western provinces than in other provinces, but the effects are the same for home owners across the country.

**Mr. Gabriel Ste-Marie:** Thank you very much.

*[English]*

**The Chair:** Thank you.

Now we will move to the NDP and Mr. Blaikie again, for two and a half minutes.

**Mr. Daniel Blaikie:** Thank you very much.

A big component of the committee's study is taking a look at the housing market and trying to get a better handle on what these rapidly acting cost drivers are that are making housing so unaffordable. We're also trying to think about cost of living increases generally for Canadians.

We've talked a bit about housing. We've talked a bit about grocery prices. In the opinion of Statistics Canada, can you tell us what some of the other sectors are that are driving the cost of living increases for Canadians? If there are many that you think the committee should be looking at, which ones do you think are better targets for government policy action in order to try to moderate or diminish those cost pressures?

• (1700)

**Mr. Anil Arora:** First, there's a bit of a conceptual difference here. I think it's important. We don't measure specifically the cost of living, per se. We have other measures that I've talked about, such as market basket measure and poverty, and we talked about household expenditures by quintiles and so on. However, the CPI is not a true measure of the cost of living per se, because you see decisions that are delayed, substitutions that happen and all sorts of different decisions that [*Technical difficulty—Editor*] when faced with fiscal challenges.

The CPI is a measure of consumption and how it's changing on a consistent basis over time. It's not that we don't care about the cost of living—of course we do—but as I said, that is not built into the CPI as a constant measure of looking at both the price change and the changes that Canadians make in order to adjust to those kinds of changes, such as delaying or accelerating certain things.

From a consumption perspective, the basket is a very good representation of what it is that everybody.... Why do I say that? It's because the survey of household spending takes every single dollar that a household is spending and reconciles it. All of the categories in the CPI account for pretty close to 100% of the expenditure of that household.

We talked earlier about assets and the amortization of those assets and investments. There's a whole set of decisions about RESPs and RRSPs and all of those aspects, not to mention the asset valuation over time and the difference if you're a renter or if you're an owner. Over the course of a lifetime, you have to look at all of those aspects as well. We do measure those, but they're not as frequent. We will look at those kinds of patterns and see what changes there are.

I hope that helps.

**The Chair:** Thank you, Mr. Arora.

We're moving to the Conservatives, and we have Mr. Poilievre for five minutes.

**Hon. Pierre Poilievre:** In what category of CPI are the principal payments on a house covered? I just want the category.

**Mr. Anil Arora:** We have them in the shelter, and then there's a breakdown from furnishings to—

**Hon. Pierre Poilievre:** No. Is it under owner accommodation? Is it under replacement cost? Where would that be baked into the overall CPI?

**Mr. Anil Arora:** It's owner accommodation, as well as the rental index, depending on age.

**Hon. Pierre Poilievre:** Owner accommodation is up 5% year over year. Nobody in Canada believes home prices are up 5%. I re-

alize there's a difference between an asset and consumption, but you actually do have to pay for the asset. It's not free.

**Mr. Anil Arora:** It's over time.

**Hon. Pierre Poilievre:** Yes, it's over time, but you still have to pay for it. Nobody believes that it's up 5%. Where is the 25% or 26% increase actually captured here?

**Mr. Anil Arora:** It is amortized over the period of time that you pay your mortgage and you pay your insurance—

**Hon. Pierre Poilievre:** Fair enough. What percentage of the CPI does it comprise, then?

**Mr. Anil Arora:** Shelter comprises 30%—

**Hon. Pierre Poilievre:** No, not the shelter. I'm sorry. We have very limited time. I'm asking about the principal payments.

• (1705)

**Mr. Anil Arora:** It's included in the—

**Hon. Pierre Poilievre:** I know that, but what share of the overall CPI do principal payments on housing represent? Now I'm just looking for a number.

**The Chair:** I see Ms. Ertl's hand is up. She may have an answer.

Ms. Ertl.

**Hon. Pierre Poilievre:** Just a number....

**Mr. Anil Arora:** Please, go ahead.

**Ms. Heidi Ertl:** I'm sorry. I don't have that number.

**Hon. Pierre Poilievre:** Okay, fair enough. Thank you.

**Ms. Heidi Ertl:** The principal payment is not included.

**Hon. Pierre Poilievre:** It is not included. A moment ago the chief statistician said it was included.

**Ms. Heidi Ertl:** There is a mortgage interest cost formula that amortizes mortgages over 20 to 30 years.

**Hon. Pierre Poilievre:** We don't know what share of the CPI that comprises.

**Ms. Heidi Ertl:** That is 3.4%. The principal itself, because the house is an asset and not paid for as a consumption good, is not included.

**Hon. Pierre Poilievre:** That is incredible. As I pointed out earlier, it was equal to one-fifth of the entire economy in 2021. The fact that you're not even really including it demonstrates that we're not really judging the change in the cost of living in the CPI.

You mentioned that there's been an increased demand for housing. Where did the money come from?

**Mr. Anil Arora:** We don't get into that. As I mentioned earlier, we don't do that.

If I may—

**Hon. Pierre Poilievre:** Fair enough. I just want to stay on the question.

**Mr. Anil Arora:** If you'll allow me, I'll just make one point.

**Hon. Pierre Poilievre:** No, I'm running out of time.



**The Chair:** Mr. Poilievre, would you just allow the witness, please?

**Hon. Pierre Poilievre:** I have a point of order.

**The Chair:** No, Mr. Poilievre, your time was 37 seconds. You gave the witness five seconds and then cut him off. Allow the witness to answer.

**Hon. Pierre Poilievre:** I didn't ask him a question.

**The Chair:** There was a question. He was answering a question.

**Hon. Pierre Poilievre:** Okay. Go ahead.

**Mr. Anil Arora:** I think your question is bang-on. On the conceptual part, when you purchase a home, where's that principal component? It's an important question.

**Hon. Pierre Poilievre:** I'm sorry. On a point of order, Mr. Chair, I asked a different question. The question was where the money came from. Now we're back to an earlier part of the conversation.

We're very limited on time, so I'd just like to go back. My clock is now paused, but I'd like to get back to my questioning.

**The Chair:** Continue.

**Hon. Pierre Poilievre:** Thank you.

The next question, then, is this: The money supply increased by about \$400 billion during the pandemic. Did any of that money end up in the mortgage system?

**Mr. Anil Arora:** I don't have any answer to that question.

**Hon. Pierre Poilievre:** Okay.

Professor Charlebois from Dalhousie University indicated that "shrinkflation", which is when products include less actual food in the packaging but the price does not change, is one way prices are, in real terms, actually going up, but that is not being tracked by Statistics Canada. As such, food inflation is not being properly captured.

Do you have a comment on that?

**Mr. Anil Arora:** We do, in fact, account for any kind of change. It is standardized to a certain quantity and then the price, whether that's per gram, per half kilogram, per pound, per litre or whatever it is. We do, in fact, absolutely account for changes in the quantity.

**The Chair:** Thank you for that. That's your time, Mr. Poilievre.

**Hon. Pierre Poilievre:** Thank you.

**The Chair:** We're moving on to the Liberals and Ms. Dzerowicz for five minutes.

**Ms. Julie Dzerowicz:** Thank you so much, Mr. Chair.

I just want to clarify one thing because I think it's important. Sometimes there are interjections and people who might be listening from home might not get some context. I know that Mr. McLean had mentioned something about a tax on principal residences being recommended, and I just want to be clear that there's no such recommendation by our government.

To provide testimony to the standing committee on May 4, 2021, the CMHC and Generation Squeeze came before the committee. Canada Mortgage and Housing Corporation, as represented by Mr. Michel Tremblay, a senior vice-president, indicated that CMHC is

funding 47 solution labs whose purpose is to find housing solutions focused on vulnerable groups who often fall through the cracks of the Canadian housing system. If you go through the testimony, both Mr. Tremblay and Mr. Kershaw, who heads up Generation Squeeze, indicated very clearly that they do not provide tax policy advice to the government and have not been asked by any cabinet minister to provide that information or tax policy recommendations to the federal government. I further want to indicate that what happens to the reports is that they're actually posted, according to Mr. Tremblay, and they are for anybody to use, for public consumption.

I want to make sure that, in addition to the fact that numerous ministers lately have come out very clearly to indicate that there is no proposed tax on principal residences, people will know that it's also covered very clearly in the May 4, 2020, Standing Committee on Finance meeting, and if people want to read that in depth I encourage them to do so.

Mr. Arora, we've asked you a number of questions about so many different things. You've done such a wonderful job that I just want to say thanks to you and your team for your patience and excellent responses.

Housing is treated differently in various countries. How do you or the team at Stats Canada assure yourselves that the way you're measuring housing costs is actually the right one for Canada? You know that in Canada we have a higher than average number of people who own houses. Therefore, how do you assure yourselves every single year that, yes, this is the right measurement for us to continue to use?

• (1710)

**Mr. Anil Arora:** There are different measures. I think we align very nicely with international standards and, where needed, we customize for our particular situation. I think most countries look at housing as an asset and then in inflation look at it as a consumption over time. You have to start to look at things like the valuation of the asset, the opportunity cost of what you would do. Not everybody has a full mortgage or the same size of mortgage. It isn't that you couldn't apply other measures to come at some of the questions that have been asked. It's just not the way that we, I would say, generally look at an asset that has a shelf life and that then has to be depreciated, and you have to look at what the opportunity cost is that one may forgo. We're pretty confident that we remain among the avant-garde in how we keep these concepts pure and make sure that these things are working.

The second reason we feel confident in the numbers is that we confront these data sources with others. When you break down that somebody is looking at an average cost price and we look at an index of certain things, it gives you a good sense that, yes, the measure that we have withstands that kind of scrutiny. Then we look at the comparability of the macro level or the aggregate component, as well as the different subcomponents over time.

All three of those areas give us the confidence that we're able to provide policy-makers with the information they need to have a good debate and to make sure that they're making decisions based on good quality data.

**Ms. Julie Dzerowicz:** Thank you.

I know Ms. Ertl would like to add here, if she could, please.

**Ms. Heidi Ertl:** Very quickly, I would only add that there are several different methods to approaching housing measurement in CPIs, and there is no consensus on that. It's the one area that is quite complex. The U.K. and the U.S. both use what's called the "rental equivalence" method; hence, they are not also including housing prices directly in their CPI measure. They view it as if the homeowner were renting the property. We are taking the approach where all of the costs of living and use of the home are included in addition to housing prices in some of the components. There's also an acquisition approach, which I believe is the one you're referring to, where you would actually include the house price. To my knowledge that approach is only used by one other country.

**Ms. Julie Dzerowicz:** Thank you very much.

**The Chair:** Thank you, Ms. Dzerowicz.

Members and witnesses, we are moving into our sixth round. I am cognizant of the time. We're looking at about 15 minutes. I understand that in the past when it has come to a final round and time didn't allow for a full round, we've had the Liberals and Conservatives for five minutes and the Bloc and NDP for two and a half minutes each. We'll continue in that vein.

We'll have the Conservatives up now.

Mr. McLean, you have five minutes.

• (1715)

**Mr. Greg McLean:** Thank you, Mr. Chair. I appreciate the opportunity of one last time, and I appreciate Ms. Dzerowicz's comments as well in defending why a commissioned study has been brought forward by CMHC, which is not attached to a cabinet minister. Nevertheless, if the Liberals weren't thinking about taxing home ownership, they'd stop commissioning studies on how to tax home ownership, so please stop the studies. Stop putting trial balloons out there.

Our job is to defend Canadians when they tell us that they don't want to have a tax on their principal residence. That has been the actual Canadian norm for a long time. We don't need to dive deeper into taxing Canadians in order to pay bills that have gone through the roof under this government's mandate.

I'll go back to the questions that we're asking of our witnesses here today.

Mr. Arora, thank you for all you've given us today. I hope you recognize that our intent here is to make sure that we're looking forward and avoiding what we've seen from other government agencies when they say, "Well, inflation is just transitory and we don't have to worry about it." We do have to worry about it. The things that we have to look forward on for housing include the fact that, as we've pointed out, the cost of the mortgage interest payment has gone down, but the cost of the actual principal on the house has gone up significantly, including in your data.

When interest rates go up, those mortgage rates are going to go up, and the other part of that pendulum is not going to come down. That will lead to mayhem in the housing markets in Canada. We're trying to make sure that we're ahead of that and make sure that

we're spelling out what the actual inflation is in housing here in Canada.

Can you comment on that, please? What's going to happen to the housing market when interest rates normalize in Canada?

**Mr. Anil Arora:** Obviously, we will continue to measure both the weight of that consumption...the mortgage payment as it goes up, with the interest, let's say. It will form a certain percentage of that basket, and we will continue to measure it over time. That's our role. It's to make sure that you know, both in relative terms of that basket and then in terms of the price change over time that's going to have. If interest rates go up, people are going to pay higher mortgage interest payments, and that will have a corresponding effect on the inflation rate.

**Mr. Greg McLean:** I appreciated your earlier comments that some of these costs are landing on new homeowners and not on regular homeowners. The issue is that the new homeowners and those who now can't afford new homes because of the rocketing prices for housing in Canada are going to be hugely affected by any change in interest rates going forward. A correction is going to be on the horizon.

By measuring inflation and actually putting a proper inflation number on the table, a more indicative inflation number, much like they do in the United States.... In the United States, housing prices have not gone up nearly much as Canada's housing prices, yet their actual inflation rate, their CPI rate, is at 7%. Somehow the way we're measuring in Canada has us at 4.7%, significantly lower than in the U.S., yet it is not indicative of what our shelter costs are in Canada. We're still trying to come to grips with that. I haven't heard yet how you are reconciling that. Can you provide more illumination?

**Mr. Anil Arora:** Ms. Ertl mentioned earlier that the U.S., in a sense, takes the equivalent of a rental cost for a particular dwelling and substitutes that. Yes, that potentially has some benefits, but it also equally has some things to take into account, because depending upon how much mortgage is left, that may not essentially be an exact or a good enough proxy for some households as it would be for others. All of these methodologies come with a price.

The second thing is the availability of that kind of data. We have to be conscious that you have to have good quality data to be able to put those—

**Mr. Greg McLean:** Okay. Let me ask one last question,

The issue with inflation is that measuring it properly leads to making sure that wages are reflective of what people are paying in the economy. If what we're trying to do is tamp down the expectation of inflation, we're not passing on what Canadians are experiencing in the market and, therefore, what their representation of wages versus expenses should be in the economy.

Is there any indication of that?

• (1720)

**Mr. Anil Arora:** We rely on real experts. We have an advisory committee. We rely on international experts, and all the information that comes back says that we have a measure that is second to none.

**The Chair:** Thank you, Mr. Arora.

Now we're moving to the Liberals and Mr. Baker for five minutes.

**Mr. Yvan Baker:** Thanks, Mr. Chair.

Mr. Arora, something you said earlier sums up a lesson that is important to be heeded. It was when you were responding to one of the members. To one of his questions, you said, "We deal in facts". I think we should focus on that as we wrap up. Some of the questions I'm hearing you answer over and over again from some of the committee members on the Conservative side reflect the fact that they're refusing to operate or deal in facts.

For example, they're refusing to accept the fact that the cost of housing is properly accounted for in the consumer price index. You've explained why that is, because you've explained the consumer price index is a measure of how the cost of living, including housing, affects Canadians.

They refuse to accept the fact that the government has said countless times—whether it's in committee forums like this, in question period or in the media—that it is not considering a tax on public residence. They refuse to face that fact.

They refuse to accept the fact—we just heard it from one of the members—that the government is not commissioning studies like they've alleged. I want to refer to that quote from an article where Paul Kershaw, the University of British Columbia professor who led the research that Mr. McLean was referring to, said he wanted to be clear that "This was not a government-commissioned report", as the Conservatives are spinning it.

All this is to say that if we go back and focus.... It's very important that we remember that we really do, as you have advised us, Mr. Arora, deal in the facts. That's what Statistics Canada and you present to us to the best of your abilities, and you do it in an excellent, credible and objective way. I want to thank you and your team for being here today and for doing that every single day.

I probably have three minutes left, so I want to ask you a few more questions with the remaining time, Mr. Arora.

One of them is how we're currently recovering from a very difficult economic time as a result of the pandemic. I have another few questions, so if you can be brief I'd be grateful. How does the current recovery, in your view and based on the data you've collected and assessed, compare to past recessions?

**Mr. Anil Arora:** First of all, we've served for 100 years, and I look forward to serving as an agency for the next hundred.

I would say with this recovery, when we look at it in comparison, say, to the 2008-09 recovery, there are some fundamental differences between the situation back in 2008-09 compared to what we're going through now. Obviously, this one is a public health crisis to which policy responses have had a fairly significant impact on what we're seeing. We don't see the kind of housing crisis that

we saw back then, where we saw the exact opposite trends of what we're seeing now.

However, there are some parallels as well, in terms of supply chains and the impact of a particular issue in one country having an impact on another because of the integrated nature of our economies and our societies these days. Those are some of the areas where we can start to look at comparing and contrasting the uniqueness of this particular situation as opposed to in the past.

From a data perspective, our aim is always how we can provide more timely data, more granular data and more integrated data, so that we can better understand what's going on and you as decision-makers can make the right difficult choices so that we're all working together.

**Mr. Yvan Baker:** I appreciate that.

Mr. Arora, my last question to you is about when we think about the government response to the pandemic that you just spoke to. Canadians would think of the CERB, the wage subsidy or some of those other programs. There are a number of them, for example, the programs supporting businesses.

Can you speak to how those initiatives have impacted the things that you measure? I'm thinking of wages, unemployment and other data and the economic indicators you measure.

• (1725)

**Mr. Anil Arora:** We put out literally a hundred small analytic papers over the course of the last year and a half that go into all those different nooks and crannies and aspects. I would encourage you to look at the social, housing, economic and even some of the environmental aspects of this very unique—in our lifetime, anyway—experience. I think what we're seeing is the integrated nature of where the problem is and the response. We have tried to show, in our data, all of those aspects.

**Mr. Yvan Baker:** Thank you.

**The Chair:** Thank you, Mr. Arora.

We'll now move to the Bloc.

Monsieur Ste-Marie, you have two and a half minutes.

[Translation]

**Mr. Gabriel Ste-Marie:** Thank you, Mr. Chair.

First, I would like to thank you, Mr. Arora, Ms. Ertl and Mr. Peterson, for being with us this afternoon. You answered our questions non-stop. It has been a busy afternoon for you, and we sincerely thank you.

My next question has to do with the statistics that you have on business and personal bankruptcy.

Have you calculated the number of bankruptcies since the beginning of the pandemic?

If so, could you tell us what they are? What have the trends been in that regard since the beginning of the pandemic?

**Mr. Anil Arora:** Yes, we calculated the number of businesses that went bankrupt. However, I am not sure if we can provide you with any statistics on personal bankruptcy.

Mr. Peterson, do you have anything to say about business openings and closures or bankruptcy?

[English]

**Mr. Greg Peterson:** I don't have those data available at my fingertips, but we do have a number of reports on business openings and closings. We can make that available to the clerk.

[Translation]

**Mr. Gabriel Ste-Marie:** Okay. That would be great.

If you have any statistics on personal bankruptcy, we would really appreciate it if you could send them to the committee at the same time.

I will stop my questions here and leave the remaining time for Mr. Blaikie.

**The Chair:** Thank you, Mr. Ste-Marie.

[English]

Mr. Blaikie, you have three to three and a half minutes. Go ahead.

**Mr. Daniel Blaikie:** Thank you very much.

I'd like to use the time to come back to this larger question. The committee is talking a lot about housing, and rightly so. It's important, and I'm looking forward to our future discussions on the topic, but we're also trying to get to the bottom of...

I think all of us are out there talking to Canadians, some of whom have experienced some real financial difficulty on the income side. There's been a whole conversation during the pandemic about pandemic benefits and getting businesses back open so that people can go back to work. But we're also seeing that, income notwithstanding, just on the cost side of people's household budgets, they're facing some serious challenges. There are challenges in housing and challenges with respect to grocery bills and home heating.

Given your knowledge of the Canadian economy, I'm wondering if you have other areas where there are upward price pressures that you think the committee should be looking at in the context of the study we have embarked upon.

**Mr. Anil Arora:** I think maybe I'll just leave you with some of the work that we've done to go deeper. You can get a certain picture, which I don't want to discount, when you look at the average

of Canada or the provincial level, but when you start to disaggregate those data and you see how different portions of our society are doing.... The home ownership rate is very different for somebody from Asia than for a Black Canadian, for example. It's almost half for Black Canadians. You see that disparity in a very marked way.

I would just say, use some of those data to see how certain segments of our society are doing in comparison with the average, or in comparison with the provincial or national or overall population. Those data do exist. Those trends are very important to look at. I think the impacts of policies do have a disproportionate impact, depending on who they're targeted for. So—

• (1730)

**Mr. Daniel Blaikie:** With the last little bit of remaining time, are there any particular trends that you want to highlight briefly for us today, even if it's just directions you want to point us in with regard to particular trends you think are important for us to understand as we do this study?

**Mr. Anil Arora:** I mentioned one, of course, which is occupations and wages and who is occupying them. Women are disproportionately in the care economy, and single parents.... I would just say use some of those data available and you will be able to see not just the average but also who is working in a particular sector or who's impacted because of payments or other concerns they may have related to housing and their interaction with inflation.

I would just urge the committee to look at some of those aspects as well.

**Mr. Daniel Blaikie:** Thank you.

**The Chair:** Thank you, Mr. Blaikie.

That is the time we have for today in this marathon session.

I want to thank Mr. Arora, Ms. Ertl, Mr. Peterson, on behalf [Technical difficulty—Editor] staff, the interpreters and this entire committee.

We did ask for these witnesses to come in on very short order late last week. Thank you for honouring our request and coming forward and being able to go through these three hours—it was a long session—to provide us with so much information. On behalf of the committee, thank you.

I look to the members, and we are going to adjourn at this time.







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