

From: Farmer, Susan PREM:EX (Susan.Farmer@gov.bc.ca)
To: Smith, George PREM:EX (George.Smith@gov.bc.ca); Smith, Jimmy PREM:EX (Jimmy.Smith@gov.bc.ca); Sajan, Bhinder PREM:EX (Bhinder.Sajan@gov.bc.ca)
Cc: Machell, Aileen PREM:EX (Aileen.Machell@gov.bc.ca); Watson, Amanda PREM:EX (Amanda.Watson@gov.bc.ca); Milne, Gala PREM:EX (Gala.Milne@gov.bc.ca); Hrenyk, Alyssa PREM:EX (Alyssa.Hrenyk@gov.bc.ca); Bain, Don PREM:EX (Don.Bain@gov.bc.ca)
Subject: Economist & BoC Ltr
Sent: 09/01/2023 20:35:50
Attachments: FW: Wonderful letter to the Bank of Canada.msg
Message Body:

Hi ? pls see attached ? in case validators might be helpful.

I'm off next week, but Amanda currently has this incoming if there's anything you would like done with it.

Susan Farmer (She/Her)
Managing Director | Correspondence Branch | Office of the Premier
P: 250-387-3570 E: susan.farmer@gov.bc.ca

From: Eby.MLA, David LASS:EX (David.Eby.MLA@leg.bc.ca)
To: OfficeofthePremier, Office PREM:EX (Premier@gov.bc.ca)
Subject: FW: Wonderful letter to the Bank of canada
Sent: 09/01/2023 18:13:51
Message Body:

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

s.22
From:
Sent: Thursday, August 31, 2023 2:54 PM
To: Eby.MLA, David <David.Eby.MLA@leg.bc.ca>
Subject: Wonderful letter to the Bank of canada

Hello,

I read the story in the Canadian Press. If looking s.22
please don't hesitate to reach out. m s.22
s.22

who support your message,

s.22

I am hoping your assistant will reach out.

s.22

"One step at a time is all it takes to get you there" ~ Emily Dickinson

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"Credit is the pavement along which production travels and the bankers if they knew their duty, would provide the transport facilities to just the extent it is required in order that the productive powers of the community can be employed at full employment." (John Maynard Keynes - CW VI, page 197)

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August 31, 2023

Governor Tiff Macklem
Bank of Canada
234 Wellington Street
Ottawa, ON K1A 0G9
Sent via email: communications@bankofcanada.ca

Dear Governor Macklem:

Re: September interest rate decision

Helping lower global inflation and reduce some cost pressures on people and businesses has been a key focus of governments and central banks around the world. The Bank of Canada ("Bank") and our government are no exception.

Here in B.C., we have worked hard to reduce car insurance premiums, eliminate medical services premiums, eliminate student loan interest, cut childcare costs, provide free breakfast programs at schools, control rent increases, end bridge tolls, stabilize transportation costs like ferry and transit fares, and launch initiatives like free birth control and increased pharmacare coverage. We have also redoubled our efforts to build homes people can afford and protect renters.

The Bank has primarily relied on interest rate hikes in an attempt to wrestle down inflation across Canada. After ten rate increases since March of last year, the current key lending rate of 5% is the highest it has been in 22 years.

Disturbingly, I understand that the Bank is seriously considering yet another interest rate hike this September. This serious consideration comes despite cautions against such an approach from all quarters in Canada, including cautions from senior economists at banks like CIBC, made before the last rate hike.

While the role of the Bank of Canada is to make decisions about monetary policy, my role as Premier is to stand up for people in B.C. and ensure their voices are heard as decisions are made that impact them.

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People in B.C. are already hurting. In your role as Governor, I urge you to consider the full human impact of rate increases and not further increase rates at this time.

Rate impacts on British Columbians

The impacts of the rate hikes implemented by the Bank of Canada to date are at their earliest stages; many challenges are yet to come. It is no surprise to me that a recent report from the International Monetary Fund warns that Canada now runs the highest risk of mortgage defaults and foreclosures among advanced economies.

The danger of further unnecessary rate increases is not just to homeowners with mortgages as they renew or lock in at higher rates. Renters, young people, seniors, families, and small business owners burdened with car loan payments or lines of credit who were just starting to find their feet after COVID are being pushed to the brink. As fixed mortgages are renewed, residential and commercial landlords will be pressured to offset their costs with more rental income, with devastating results for tenants.

On the ground in our province, interest rate hikes are causing more and more people to report they could not afford to cover an unexpected \$500 expense, and who are moving from financial security into financial insecurity. The increased financial strain, poverty, and homelessness will lead to significant economic and social damage to our province and the country that will take years to repair.

Rate hikes and housing costs

Last month's update from Statistics Canada stated that the largest contributor to inflation in Canada is, and remains, mortgage rates. A rate increase in September is more likely than not to lead to higher mortgage rates again, directly causing further inflation.

In the absence of significant new housing, rents will keep getting bid up until incomes are exhausted, because the alternative for British Columbians to paying ever growing proportions of income to rent in such a scenario is homelessness. If housing is not built to meet our rapid and record-setting population growth, those who are fortunate enough to own might be able to sell, but then they'll still need to rent, driving rents even higher.

We need to build more housing to bring costs down. While our provincial government is removing barriers to new housing construction, opening vacant units for rent through policy changes, and heavily subsidizing affordable housing construction, our efforts to increase supply and bring down costs are being overshadowed by these historic interest rate increases.

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Because of the impacts of rate increases from the Bank on homebuilder lines of credit used by builders to finance new housing construction, new private rental housing projects, and new home construction that could help take pressure off of rents are being put on pause. This quiet but devastating impact of rate increases will result in even higher housing costs, feeding inflation further.

Our government urges the Bank to recognize these impacts of rate increases. There are alternatives. We will communicate with the federal government regarding coordinated measures they and we can undertake together that will help achieve cost stability through a targeted approach and will have long term deflationary benefits.

Sincerely,

A handwritten signature in dark ink, appearing to read "David Eby", with a long, sweeping horizontal line extending to the right.

David Eby, KC
Premier



August 31, 2023

The Right Honourable Justin Trudeau, PC, MP
Prime Minister of Canada
House of Commons
Ottawa, ON K1A 0A6
Sent via email: pm@pm.gc.ca

Dear Prime Minister:

Attached you'll find a letter to the Bank of Canada, urging Governor Macklem to consider the full impacts of rate increases on people in British Columbia and choose not to increase them further at this time.

There are other ways for us to achieve cost stability, but they do require diligence and coordination. The time is overdue for such an effort. Ahead of September's rate decision, I suggest a robust and targeted approach focused on the largest contributors to inflation. Rather than a scorched earth approach to fighting inflation with so many unintended but plainly apparent and growing consequences, a targeted approach on key sectors will have long term deflationary benefit while growing our country's economy and improving productivity.

More homes people can afford, faster

To fight housing cost inflation by delivering more homes for people, faster, we need all-hands-on-deck. We must work together at all levels of government and in partnership with builders, developers, non-profits, community organizations, and the financial sector to get the job done. The roots of today's housing crisis can be traced back to when successive federal governments in the 1980s and 1990s, and then British Columbia's provincial government in the 2000s pulled back on funding for affordable housing – leading to a housing market that worked well for speculators and investors, but not for people.

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We are doing the work at the provincial level to get more homes built for more people, faster. This includes badly needed middle-income housing. The federal government must also take a leadership role; a comprehensive approach is needed that leaves no stone unturned. This includes tax incentives for construction of target housing, using public land to build affordable middle-income housing, municipal zoning changes to deliver small scale multi-unit housing, incentives for homeowners to create new suites, cracking down on speculation, and substantial investments from all levels of government, among other initiatives.

Strengthening supply chains and strategic infrastructure

We've all seen the meteoric rise in the costs of everyday goods over the last few years – from food prices at the grocery checkout to the price of gas at the pump. A major contributor to this part of the inflation crisis has been issues with our supply chains, as we have seen through the pandemic, the war in Ukraine, and extreme weather events here in British Columbia.

When global supply chains are disrupted, we all pay the price. Alternatively, when goods travel faster and more efficiently, retailers avoid the upward pressure on goods that have become all too commonplace these days. Our government is taking steps to diversify B.C.'s economy and strengthen ties with global markets. But we need the accompanying infrastructure – roads, rail, clean electricity transmission, and shipping ports – to keep the economy, people, and goods moving.

I encourage the federal government to improve the strategic infrastructure that will enhance supply chains and trade corridors across the country, making us more competitive and reducing the costs of goods for people in the process.

We stand ready to work with you on these and other solutions that will lower inflation and strengthen our economy – without placing the burden on the people and small businesses who have already endured so much over these challenging few years.

Sincerely,



David Eby, KC
Premier

Attachment

cc: Honourable Chrystia Freeland
Deputy Prime Minister and Minister of Finance

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