

Commentary-Dave Pasolli-Western Wood Truss Association of Alberta

"Many people want the government to protect the consumer. A much more urgent problem is to protect the consumer from the government."-**Milton Friedman**

Finance Minister Chrystia Freeland issued a warning to Canadians October 19th — the coming months won't be pretty as rising interest rates slow a once red-hot economy and force some people out of their jobs.

The Bank of Canada's recent rate hikes to tame sky-high inflation will increase borrowing costs for businesses and consumers alike, which will send shockwaves throughout the economy, Freeland said.

Speaking at an auto industry conference in Windsor, Ont., Freeland said she would be honest with Canadians about the roadblocks that lie ahead and the threat of higher unemployment and mortgage rates — developments that could hurt many households.

"Our economy will slow. There will be people whose mortgage rates will rise. Businesses will no longer be booming. Our unemployment rate will no longer be at its record low. That's going to be the case in Canada. That will be the case in the U.S. and that will be the case in economies big and small around the world," Freeland said.

"There are still some difficult days ahead for Canada's economy. To say otherwise would be misleading."

The Bank of Canada — like other central banks, including the U.S. Federal Reserve — has been aggressively raising rates this year to establish price stability and achieve its 2 per cent inflation target.

There's a long way to go. Statistics Canada reported Wednesday that the Consumer Price Index (CPI) rose 6.9 per cent on a year-over-year basis in September — marginally lower than the 7 per cent increase reported the month before.

With inflation so sticky, economists are expecting more rate hikes to reduce demand and cool the economy. That could prompt a recession sometime in 2023.

While inflation has slowed somewhat in recent months as energy prices have stabilized, Freeland said the government will not be able to help everyone ride the inflationary wave.

"We cannot compensate every single Canadian for all of the costs of inflation driven by a global pandemic and Putin's invasion of Ukraine," Freeland said.

So, basically inflation is not our fault and we had nothing to do with it.

But the fact is that over the past 2 years the government has put far too much stimulus into the system with \$300 billion ending up in bank accounts because we could not spend it. They also drove the interest rates far too low down to $\frac{1}{4}$ % during the pandemic, which was lower than the great depression. They panicked in Ottawa thinking that the economy was going to go over a cliff and it didn't. She is right that global issues caused inflation by they certainly exacerbated it.

The Bank of Canada has no choice now but to make up for its past mistakes of driving rates too low and now they have to fix it by pushing rates past 5 %. High interest rates will cool the economy; remember the 1980's when mortgage rates hit 20%.

We are going to have to pay the price for our over indulgence of the past few years. The alternative of high embedded high inflation is worse. Just look at some developing countries like Venezuela where it is 3,700 %.

But make no mistake it looks like we will be in a recession, if we are not already, and it is not going to be pretty for the next year or so.

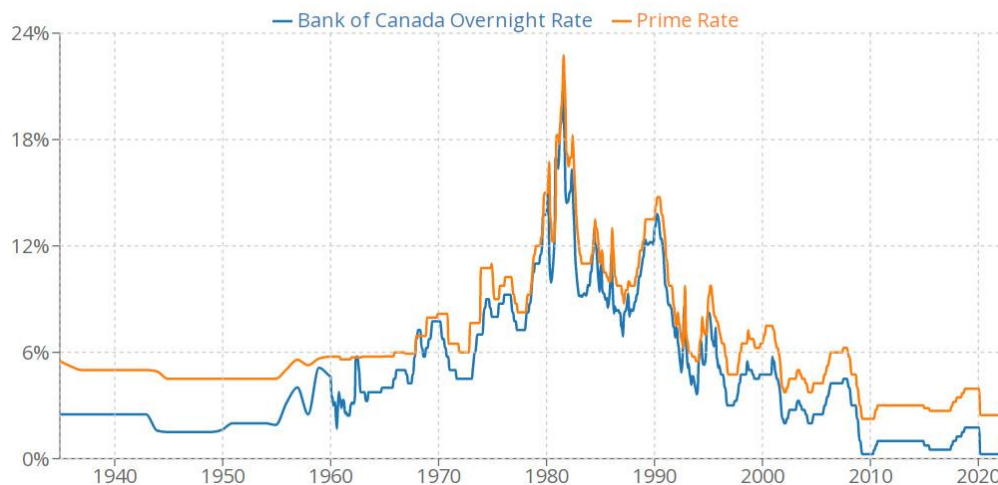
By driving rates so low, we incentivized everyone to borrow, borrow, and borrow. Our governments at all levels were no different telling us that now is the time to buy things because money is so cheap.

House prices went through the roof to levels that were not valid in Toronto and Vancouver because of the low cost of borrowing and now those prices have to be fixed through higher interest rates.

Most economists don't think this recession will be as bad as the 1980's and interest rates will not go as high as the 20% they did then. Even then the delinquency rate of mortgages only went from $\frac{1}{2}$ % to 1 % and they are currently only about $\frac{1}{5}$ % in Canada. People will most likely not walk away from their home because they have some equity in it, but they may have trouble paying their other non-secured debt. The volatility will also most likely slow down the purchases of new homes, and bring down house prices where they are overvalued.

At 3.5% interest rates are still historically quite low. When we bought our first house in 1995 I thought I got a bargain with a 5 year 9% mortgage. I am sure that some of you older than me can remember higher rates.

Prime Rate and Bank of Canada Overnight Rate (1935 - 2022)



What the finance minister did not address is this government's tendency to pump money into the economy and their instinct to spend more money anytime anyone has a problem. This problem is not helped any by the deal made with the NDP to support the government by funding their agenda.

The federal debt is already over \$1.2 trillion or \$33,000 for every Canadian, so the cost to service this debt is also going up.

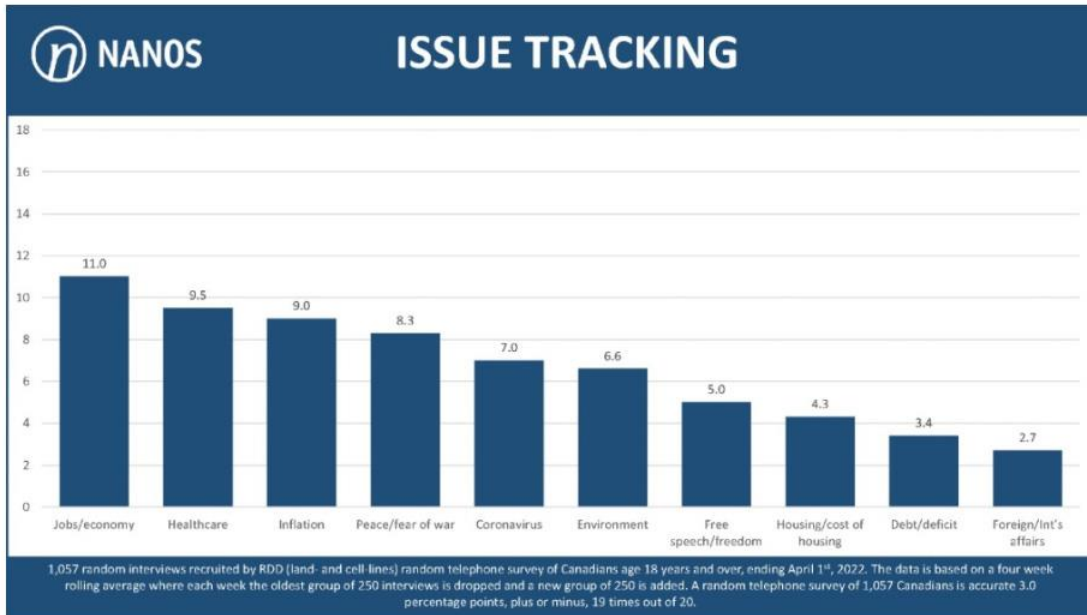
It seems that Trudeau or Freeland do not even get out of bed anymore unless they can give out a billion dollars. Where are all these gifts in the budget anyway?

Not to mention their policies that actually creates inflation. One of the biggest drivers is of course oil and fuel prices, they do not just affect people filling up their car. Policies that are directed to limit the production and transportation of oil and gas contribute to inflation.

One of the major effects of the carbon tax is to incentivize people to use less gas by raising the price at the pump. So why are people that voted for a government that is committed to raising gas prices demanding that the same government do more to tame inflation?

I get a kick when I see on the news people in Vancouver complaining about the price of gas. This is what you voted for.

Eleven per cent of Canadians now say jobs and the economy are their top issues, followed by health care at 9.5 per cent, inflation at nine per cent and peace or fear of war at 8.3 per cent.



The economy and inflation have outpaced COVID-19 as one of the top issues for Canadians, recent polling from Nanos Research shows. (Nanos)

The environment is only 6.6%, although it was the number 1 concern in 2019. Issues that hit closer to home are becoming more important to voters.

I also had to give my head a shake when I saw our Finance Minister saying Canada will fast-track energy and mining projects important to allies last week in Washington.

LNG "is an important transition fuel," Freeland told reporters in Washington at the end of annual IMF and World Bank meetings. "We will always be looking at economically viable LNG projects."

When German Chancellor Olaf Scholz visited in August, looking for Canada - the world's fifth largest producer of natural gas - to play a "major role" in filling the shortfall brought on by Russia's invasion of Ukraine, but went home with no promises. Prime Minister Justin Trudeau said "there has never been a strong business case" for LNG on the country's east coast.

But we will help you out transition to renewable energy, like Germany needs our help for that.



Coal barges on the Rhine River in Germany; it may be a cold winter there

This is certainly a change of course for the Liberal government after all the roadblocks that have hampered investment in oil and gas preventing Canadian resources from reaching global markets.

“How many boards of directors are going to approve their CEO to go and spend billions of dollars on a project and a process and an application that is highly uncertain at the end of that?” said Adam Legge, president of the Business Council of Alberta, at a recent Alberta Securities Commission conference. “At the very end of it, after all the due diligence is done and checks have been done and studies have been done, it’s still a highly uncertain politicized decision.”

I wonder if companies will want to make long term commitments in Canada to make this happen only to run into our Environment Minister Guilbeault.

At least in Alberta we have a good news, bad news relationship with the price of oil. It causes inflation to be high, but at the same time it brings dollars into our provincial coffers to help pay our bills and keep people employed. The Alberta government is going to take in more in royalties this year than in income tax.

Although it seems that the Trudeau government is doing all it can to stop the production of oil and gas sometimes, I wonder how they are scheming to get their hands on the money.

[bank of canada rate hikes being felt by majority of Canadians](#)

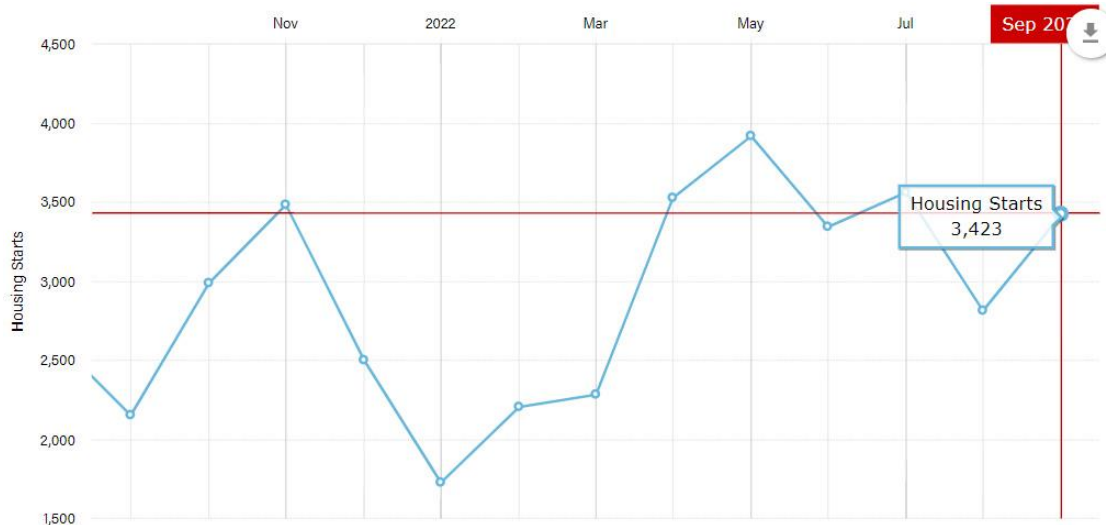
If you have an idea for a commentary or would like to submit your own commentary for a future newsletter please let me know at dave@wwta.ab.ca

Economic Update

In Alberta, urban housing starts totaled 3,423 in September 2022, a year-over-year increase of 59%. Canadian housing starts increased by 19% over the same period. In Alberta, single-detached units, which comprised 42.7% of all units; increased by 29.9%, while apartment units, which comprised 33.7% of all units, increased by 127.6%.

Housing Starts Alberta						
	Sep-22	Sep-21	% Change	YTD 2022	YTD 2021	% Change
Alberta	3423	2152	59.06%	26797	21640	23.83%
Edmonton	1460	903	61.68%	11142	9051	23.10%
Calgary	1679	1026	63.65%	12865	10415	23.52%
Red Deer	11	10	10.00%	111	164	-32.32%
Grande Prairie	21	12	75.00%	169	96	76.04%
Lethbridge	22	27	-18.52%	714	496	43.95%
Wood Buffalo	7	5	40.00%	100	65	53.85%
Canada	24097	20202	19.28%	179578	182298	-1.49%

Alberta starts were up from 2812 in August. Edmonton starts increased to 1460 from 1118 last month and Calgary increased to 1679 from 1182 starts, reversing a trend from the previous month.



Alberta Housing Starts by Month

Home sales in the province are cooling though with sales in Calgary down 12%, and 15% in Edmonton compared to September 2021.

10 things we need to know about the provincial economy as we head into 2023 and beyond- Rob Roach ATB Economics

The first half of the list is focused on current conditions. The second-half takes a longer view, but each item still requires concerted action in the present.

10. Alberta has a very strong economy: There are a lot of great things going on in Alberta and we have a long list of advantages. This is important to stress because we are facing an array of difficult challenges and we don't want to fall into the trap of negative thinking.

9. The invasion of Ukraine: The invasion is a major drag on the global economy and we don't know when it will end.

8. Inflation: Even if things go according to plan (see #7), it will likely take until 2024 before the inflation rate returns to the Bank of Canada's target of 2%.

7. Interest rates: Central banks have been raising interest rates in an effort to address inflation with more increases still on the horizon.

6. Same water, different boats: Albertans are facing the same rough economic waters brought on by the invasion, elevated inflation and rising interest rates, but we are in a somewhat better boat because of the boost our economy is getting from higher commodity prices. As a result, Alberta will avoid slipping into recession next year.

5. The aging of the population: We've known about this for decades, but we are still not fully prepared for the opportunities and challenges the aging of our population has, and will, generate.

4. The tech transition: Alberta has been making headway with regard to growing our tech sector, but we also need to be ready and able to adapt as new technology changes the game for employees, employers, consumers and educators.

3. The energy transition: Alberta's oil and gas industry remains a critically important driver of our economy, but limits have been placed on its future growth and efforts to reduce carbon emissions could even see it lose ground over time. On the bright side, opportunities are being created by the global energy transition that Alberta has been seizing.

2. The labour transition: The aging of the population and the tech transition are creating labour shortages. At the same time, workers are seeking different relationships with their employers. This will require us getting better at everything from foreign credential recognition and on-the-job training to formal education and flexible work arrangements.

1. Eroding trust: For our economy to function well, we need to trust each other.

Whatever the reasons, trust seems to be eroding. How to fix this is a complex question, but it's clear that both our economy and society will suffer if we do not.

In summary, Alberta is like an elite hockey team. We are highly competitive and have a lot of talent. But, it's a long season followed by the playoffs. Then we need to do it all again next season and so on. The pursuit of economic success, in other words, doesn't end after a goal is scored and it requires tremendous effort to achieve. As they sometimes say in hockey, "you are only as good as your last shift."

Lumber

Chicago lumber futures moved towards the \$550 per thousand board feet mark, a level not seen in a month, supported by record-low inventories and rising mill costs. On top of that, the ongoing war in Ukraine and the tightening sanctions against Russia and its ally Belarus, which account for more than 10% of the global export of lumber, have squeezed global supplies. Still, prices are down almost 70% since the March peak as the housing market in the US is showing signs of cooling. Federal Reserve tightening cycle has pushed 30-year mortgage rates to the highest level since 2002, helping to cool the red-hot US housing market.



[Is the Lumber Market Crashing?](#)

U.S privately-owned housing starts in September were at a seasonally adjusted annual rate of 1,439,000. This is 8.1 percent (± 14.9 percent)* below the revised August estimate of 1,566,000 and is 7.7 percent (± 11.5 percent)* below the September 2021 rate of 1,559,000.

Quality Control

Stapling Joints

One of the things that I still see when visiting plants is the over use of staples at the joints. It not only is a waste of staples, but can have an impact on the resistance of the plates, as teeth going into staples are most likely deflected and therefore in-effective.



Too many staples at this joint

What are all the staples doing in the picture above? In this example you effectively have a 2" x 2" area where there would be no effective teeth. This joint looks like it was pretty tight to start with, so putting this many staples in is certainly not required.

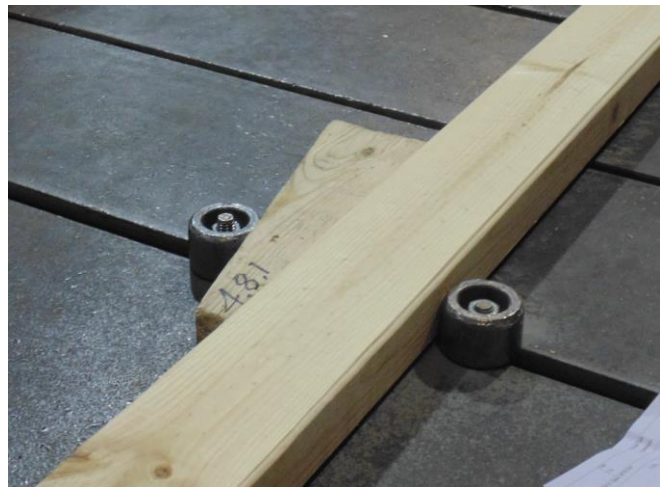
If there is a gap in the joint stapling is not the answer, you have to determine why there is a gap. Perhaps your jigging is not tight enough or the end cut of the lumber is either not square or not within tolerance.

The staples give no strength to the joint. If your jigging is tight there really should be no need to put more than 2 staples across two boards. The best method is to use an X pattern to provide resistance to the boards moving in either direction.



Proper stapling of a joint using a X pattern

It is a better practice to tighten up the jiggging if the lumber is warped. This could either be done by adding additional pucks or installing wedges to tighten up the joint.



Using wedges to tighten joints

In the example above on the left the manufacturer does not use any staples at the joint. On the right a bottom chord is straightened out by installing another puck and a wedge.

Sometimes using wedges to tighten joints can actually be faster than trying to wrangle the lumber in place by stapling the crap out of it.

If you have any topics you would like to see in the quality section please let me know.

Health and Safety Toolbox

Similarly to the Quality topic the WWTA would like to give you a monthly item you can discuss when doing your Safety Toolbox meeting.

It is Cold and Flu Season

I had not had a cold since September 2019; recently I have had 2 in the last month. Many of you may be having the same experience.

I guess having a total lockdown and the Covid-19 safety measures do stop the spread of viruses. We have all probably lost some resistance to the common cold as well, but I am not a doctor. Not sure that the world shutting down is worth me not getting the sniffles, but we have learned some things.

Although Covid-19 restrictions are pretty much no longer mandated I think that there are some good practices that you can easily keep in place to prevent all respiratory viruses.

- Keep hand sanitizer stations filled and in place. I notice more and more that sanitizing stations at stores are empty.
- Reinforce the message of good hand washing.
- Clean surfaces that are frequently touched with hands.
- Clean shared workstations and equipment when individuals are changing workstations.
- If possible, discourage workers from sharing phones, desks, offices or other work tools and equipment.
- If individuals want to use a mask, make them available or respect their decision to wear one.
- If you can distance yourself from each other.
- Avoid touching your eyes, nose, and mouth.
- Consider keeping barriers in place in meeting areas.
- If you are sick stay home.

We also learned that we do not have to have as much person to person interaction and that some meetings can happen over the computer.

If you have a job that can be done remotely from home, why not do that if you are sick? We all know that in the past the flu can run through the office pretty quickly once someone brings it in.

Finally, as much as it seems we are back to normal Covid-19 is not over. According to The Alberta Covid-19 website there are still about 150 cases reported every day and 1070 hospitalizations and 33 in the ICU.

So, even if you just think you have a cold you should still be taking a rapid test for Covid-19.

Over the Counter Medication

If you are taking medication for a cold you should also pay attention to the side effects, especially drowsiness. Most probably come with a warning that looks something like this:

This drug may make you dizzy or drowsy. Alcohol or marijuana (cannabis) can make you more dizzy or drowsy. Do not drive, use machinery, or do anything that needs alertness until you can do it safely. Avoid alcoholic beverages. Talk to your doctor if you are using marijuana (cannabis).

If you are taking a medication that makes you drowsy there is probably some machinery you should not be using, including driving a vehicle. It may be a good time to look at your hazard assessments around medication. If there is an incident that was determined to be caused by impairment due to medication the employer could be held responsible.

For more on dealing with viruses the Alberta Government has the following information:

[respiratory viruses in the workplace](#)

https://www.youtube.com/watch?v=Ao6_nt9Km44

I am not even going to touch on vaccines.

The Alberta Government has a new format OHS eNews you can subscribe to with all kinds of good material at: <https://ohs-pubstore.labour.alberta.ca/>

News and Events

In the past couple of weeks there have been a couple of meetings that have created some confusion with building officials and builders regarding the requirements for sealing truss design drawings and truss placement diagrams. One meeting was with the [Alberta Building Officials Association](#) and the other one was at a meeting of [Building Sub-Council](#) of the Safety Codes Council. You may have already had inquiries from builders about sealing documents as a result of these meetings.

David Klassen, P.Eng (our TPIC representative) and I had a virtual meeting with Alberta Municipal Affairs on Thursday Sept. 29 to discuss the information that was discussed at these meetings. We spent time going through some of the building code requirements and

STANDATA 19-BCI-023, which the WWTA had previously worked on the development of.

At this moment it appears that municipalities are continuing with the status quo, as discussions continue.

If Alberta Municipal Affairs agrees to our proposal for a new STANDATA for plated trusses only we will be forming a technical group to work on it and your participation will be expected. As the development of any STANDATA it will have to have the support of all the stakeholders involved and not just what the truss industry wants to see happen.

I sent out an e-mail on this issue on October 3 and we had a follow-up call October 18 to discuss it, but if you have any questions please give me a call.

A Conversation with Peter Moonen from the Canadian Wood Council on Environmental Product Declaration Survey

Wed, Nov 9, 2022 9:00 AM - 10:00 AM (MST)

Please join my meeting from your computer, tablet or smartphone.

<https://meet.goto.com/205447357>

You can also dial in using your phone.

(For supported devices, tap a one-touch number below to join instantly.)

Canada: +1 (647) 497-9391

Access Code: 205-447-357

Benefit Partners

Dan Millar from Benefit Partners has passed on some interesting links.

[conflict understanding-managing well being](#)

[people corporation blogs](#)

If you would like more information please contact Dan at toll free.1.877.417.6735, ext. 1