

## ECONOMIC NEWS

# Canada: Stunning Housing Starts Print Masks Some Geographic Weakness

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### HIGHLIGHTS

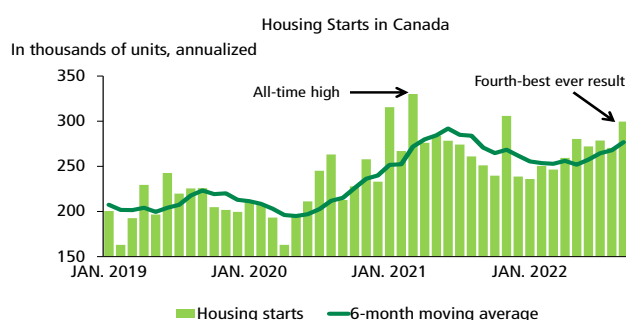
- ▶ Housing starts jumped to an annualized pace of 299,589 units in September 2022, a 10.8% surge versus August. It was the fourth-best monthly result ever recorded and lifted the six-month moving average to 278,682 units.
- ▶ Urban single-detached starts were flat at just under 60,000 units, while urban multi-unit starts spiked by more than 12% to 216,549 units in the month which means the boost to GDP won't be as pronounced.
- ▶ Ontario starts rose by 35% to reach a record high 135,940 units, with additional gains in Alberta (+19.5%) and BC (+10.9%). All other provinces witnessed declines.
- ▶ Among cities, Toronto, Winnipeg, and Vancouver saw seasonally adjusted monthly increases, while Montreal starts fell for the third straight month in September.

### COMMENTS

Headline numbers exceeded even the most optimistic estimates, but we still see it as a mixed data print. Clearly, homebuilding is still performing remarkably well in the face of an historic downturn in the Canadian home resale market, particularly in Ontario and BC markets that have been hard-hit in the early stages of that downturn. However, declines across Quebec, Atlantic Canada, and the Prairies—following reasonably widespread losses in the prior month—suggest that we are increasingly seeing softness in the existing home market weighing on new construction. The apparent concentration of September gains in multi-unit dwellings is also consistent with our view that single-family homes will bear the brunt of weakness in the early innings of the downturn.

### GRAPH

#### Homebuilding Surges Despite Existing Home Market Plunge



Sources: Canada Mortgage and Housing Corporation and Desjardins, Economic Studies

### IMPLICATIONS

From a housing market outlook perspective, we still believe that broad and significant slowdown in residential construction is inevitable given pronounced and widespread drop in Canadian home sales and purchases witnessed to date. These are but the early innings of the Canadian downturn.

From a growth perspective, the stronger-than-anticipated print did not materially boost our tracking of Q3-2022 real Canadian GDP growth. We still expect a slowdown to a rate near 1% (SAAR).

For monetary policy, the strength of the result increases the likelihood that the Bank of Canada raises rates by at least 50bps in its meeting next week.