

ECONOMIC NEWS

Canada: Housing Starts Still High but Cracks are Showing

By Marc Desormeaux, Principal Economist

HIGHLIGHTS

- ▶ Housing starts came in at an annualized pace of 267,443 units in August 2022, a 2.8% drop versus July. However, they were still near record levels, and the six-month moving average edged higher to 267,309 units.
- ▶ Urban single-detached starts edged 1.4% higher to 59,169 units, while urban multi-unit starts fell back 4.2% to 187,602 units in the month.
- ▶ Half the provinces saw total starts decline, led by Alberta (-8.6k) and Nova Scotia (-3.2k). Total Ontario starts jumped back above 100k in annualized terms.
- ▶ Among cities, Toronto, Winnipeg, and Vancouver saw seasonally-adjusted monthly increases, while Montreal starts fell in August.

COMMENTS

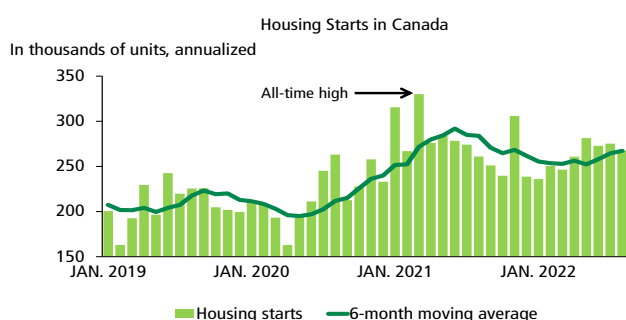
As widely expected by markets (and suggested by previous months' building permit data), construction activity continues to hold up remarkably well in the face of an historic downturn in the Canadian home resale market. Still, starts are showing signs of weakening. We believe that these are but the early innings of a downturn in residential home construction—building tends to lag purchase activity, and slowdown in the former looks inevitable given the pronounced and widespread drop in Canadian home sales and prices we've experienced in recent months.

IMPLICATIONS

The August data print was roughly in line with our expectations, and as such does not materially alter our tracking of real Canadian GDP growth near 1% annualized in Q3. Looking ahead, we still expect the effects of Canada's housing market

GRAPH

Homebuilding still historically high amid house price plunge



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

correction to increasingly spill over into the construction sector, with those forces becoming stronger as the Bank of Canada continues to ratchet up rates in October. We are of the mind that this will eventually push the Canadian economy into recession in the first half of 2023 (see our recent [Economic Viewpoint](#)).