HIGHLIGHTS

- In December, housing starts stood at 198,000 units, compared with 201,400 units in November (according to the revised figures).
- Drops in multi-unit housing and rural areas were partially offset by an increase in single-family dwellings in urban centres.
- The Western provinces saw housing starts drop substantially in December (-19.5%). Quebec (-11.6%), New Brunswick (-23.4%) and Nova Scotia (-2.1%) were also hit by declines.
- Ontario stands apart with its housing starts up sharply. At 78,200 units, they are at their highest point since last August.

COMMENTS

While the level of housing starts recorded in December is higher than anticipated, the downtrend that has been in place for several months continues to hold once we factor in the revisions to previous data. Since last August, housing starts are down 13.3% Canada-wide. The decline has hit the Atlantic provinces (-30.9%) especially hard; they are followed by the Western provinces (-15.3%), Ontario (-11.0%) and Quebec (-8.4%). Around the country, much of the downturn comes from multi-unit housing in urban centres. Note that this sector had been at the heart of the frenzy in the last few years.

Implications: The downturn in residential construction should persist for the coming months. Not only are the four series of restrictive measures on mortgage credit paying off, but households are apparently more cautious in a context of heavy debt and pronounced economic uncertainty. If we also factor in the evident pullback in the resale market, it is likely that the overall housing market will curb the economy’s growth in the next few quarters. Thankfully, consumption and investment should stay afloat, allowing Canada’s economy to maintain a moderate pace of growth. However, the slowing real estate market should be of increasing comfort to the Bank of Canada, as it was the main source of household debt growth in recent years.

Benoit P. Durocher
Senior Economist