Economic News

CANADA

A surprising rise in housing starts

HIGHLIGHTS

• The number of housing starts rose from 183,207 units in February (revised data) to 184,028 units in March.
• The increase was based mainly in rural areas, where 5,185 more units were started during the month.
• In the urban centres, housing starts stayed practically static for multiple-unit projects, while a drop of 4,253 units was observed for single-family dwellings.
• Ontario (-13.4%), Quebec (-4.0%), New Brunswick (-56.6%), Prince Edward Island (-17.1%) and Alberta (-1.1%) saw declines during the month.
• On the other hand, significant growth was recorded in Manitoba (+93.7%), Saskatchewan (+41.8%), British Columbia (+11.2%), Nova Scotia (+225.8%) and Newfoundland and Labrador (+9.3%).

COMMENTS

January’s slide in housing starts was followed by a major rally in February. With those swings behind us, most forecasters were expecting the downward trend to resume in March. Clearly, the increase reported in March confounds those expectations.

But we should harbour no illusions: as the Canada Mortgage and Housing Corporation (CMHC) clearly states, the trend for housing starts is still heading down. In fact, signs of a slowdown in the real estate market have been proliferating in the past few months. For example, the number of starts for multiple-unit dwellings has remained below the 100,000-unit threshold for the third month in a row.

Implications: On average, 177,100 units broke ground in the first quarter of 2013, a 12.5% drop from the previous quarter. There is thus every reason to believe that the new housing construction component of Canadian real GDP will suffer a serious downturn in Q1 2013. This negative contribution, combined with the weakness of the other domestic demand components, points towards yet again disappointing economic growth for the first quarter of 2013.

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

NOTE TO READERS: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.

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