

## ECONOMIC NEWS

# Canada: Housing Starts Continue to Slow Down

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### HIGHLIGHTS

- ▶ Housing starts fell from 281,200 units in June to 272,176 in July, a 3.2% drop.
- ▶ The trend based on the 6-month moving average went from 293,085 to 286,620 units, the first monthly decrease since May 2020.
- ▶ The largest declines were seen in Manitoba (-33.3%), Saskatchewan (-29.0%) and British Columbia (-26.0%).
- ▶ Quebec posted a slight increase of 214 units (+0.3%) in July.
- ▶ Ontario recorded a gain of 7,974 units (+9.0%) in July.

### COMMENTS

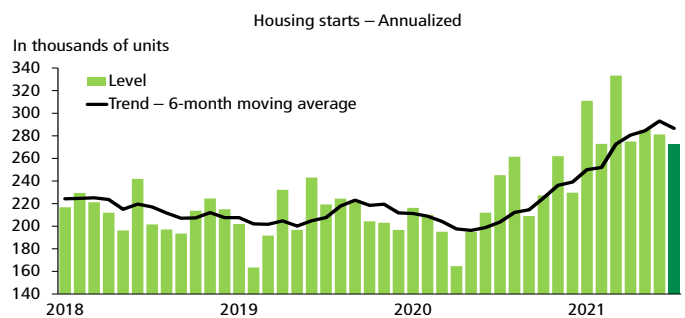
As expected, the slowdown in housing starts continued in July after shattering an all-time record in March. That said, the level remains very high from a historical perspective, a sign that demand is still strong. Financial conditions are favourable with low interest rates, and the effects of the pandemic are still being felt on the market. Telework has led to a strong acceleration in housing starts in rural areas since February 2020. In addition, pent-up demand will undoubtedly continue to boost results for a few more months.

Nevertheless, the trend should continue to slow down in the next few months. Not only will the effects of the pandemic continue to gradually fade, but a sharp rise in new home prices is reducing affordability.

### IMPLICATIONS

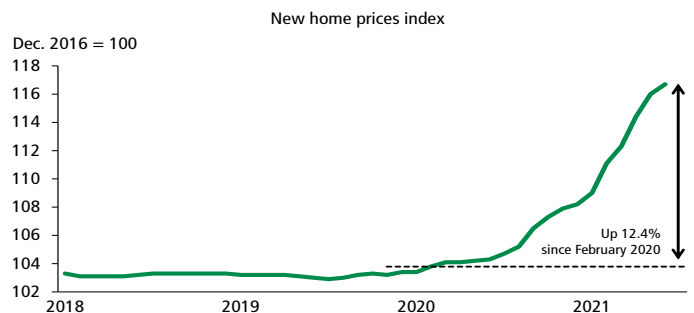
With the recent drop in existing home sales, the slowdown in the housing starts trend confirms that pressure on the housing market is starting to wane. This has somewhat eased concerns about an overheated housing market.

**GRAPH 1**  
Housing starts trend lose steam



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

**GRAPH 2**  
New home prices have risen sharply in recent months



Sources: Statistics Canada and Desjardins, Economic Studies