

CANADA

Housing starts ended 2013 on a bearish note

HIGHLIGHTS

- Housing starts were down 4.1%, slipping from 197,800 units in November to 189,700 units in December.
- Housing starts averaged 188,000 units in 2013, down 12.7% over 2012.
- In Quebec, they increased 3.3% in December, reaching 41,900 units. That said, the outcome for the year is negative: the average for 2013 is 38,100 units, down 20.0% compared with 2012.

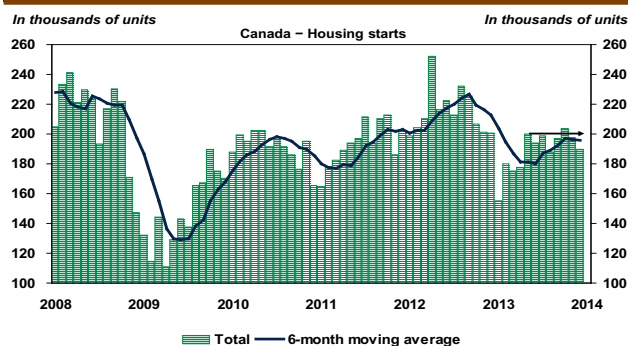
COMMENTS

2013 was a year in three acts. Act one involved a serious downturn in January 2013, mainly due to a sharp drop in multi-unit housing. Act two gave us a rebound in the months following January, bringing housing starts to around 200,000 units in May. Act three showed rather stable housing starts starting in the spring and holding steady at slightly below 200,000 units. All in all, the main cause for the average drop in 2013 housing starts is the anemic start of the year.

What can we expect in 2014? The year will start with a trend that is slightly under the 200,000-unit mark, which is a bit lower than the average recorded since 2002 (207,100 units). Yet, recent years have shown very strong advances in the housing market, a time period that has been characterized by growing household debt. Under these circumstances, residential construction should slow further in 2014, and the number of housing starts should gradually approach a level that corresponds to the annual household formation in the country of around 185,000.

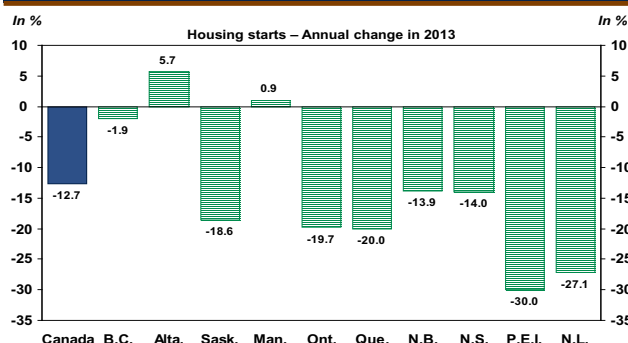
Implications: The downtrend in residential construction will further solidify in the coming months, a situation that will curb the country's economic growth. Thankfully, other components, such as acceleration in exports, should take up the reins. However, uncertainties still abound and the housing market remains under close watch, as the risk of

Fairly stable housing starts since spring 2013



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

Fairly widespread drop in 2013 housing starts



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

overheating will continue to loom as long as the market does not contract more convincingly.

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