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CANADA

Housing starts plunge in March

HIGHLIGHTS

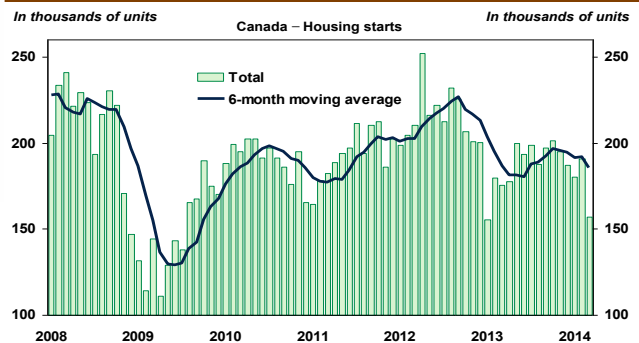
- Housing starts fell from 190,639 units in February to 156,823 in March, for a monthly drop of 17.7%. The six-month moving average also slid below 190,000 starts, confirming that the downtrend is well entrenched.
- Last month's plunge is due to major pullbacks in Quebec, (-31.9%), Ontario (-34.5%) and Atlantic Canada (-47.5%). However, housing starts rose on the Prairies (+8.3%) and in British Columbia (+19.2%).
- In Quebec, housing starts fell to 35,600 units (annualized and seasonally adjusted) in March, from February's 52,300 units. However, the trend over the last six months is fairly stable in Quebec.
- In Ontario, the dive by housing starts took them below the 40,000 unit mark, their lowest point since April 2009.

COMMENTS

The Canadian statistics on housing starts came in well below expectations. Some slowing had been anticipated early in the year, but the drop is greater than expected. The harsh winter weather in several parts of the country obviously helped to cool activity.

For the first three months of the year, housing starts averaged 174,600 units, compared with 194,300 units in the fall of 2013. Q1's weak activity across Canada is not a benchmark for the year as a whole, however, and activity should bounce back somewhat when more clement weather sets in. After that, the slowdown in homebuilding will follow its course in Canada.

Housing starts tumbled in March



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

In Quebec, the first few months of the year were characterized by big upward and downward movements. Housing starts fell to 32,100 in January, then jumped to 52,300 units in February before sliding back to 35,600 units in March. The first quarter therefore shows an average of 40,000 units, just above our forecast for the year of 38,000 units.

Implications: Although March's tumble by housing starts felt like a cold shower at first, it cannot be used as a reference point for the coming months. The particularly tough winter probably steepened the downtrend that had been underway for several months. The first quarter was nevertheless weaker than forecast, which will affect the housing component of real GDP for that period. Note that the slowdown in new construction was needed to put the Canadian real estate market on a sounder footing.

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