

 **CANADA**

Housing starts falter in February

HIGHLIGHTS

- The number of housing starts fell from 187,000 units in January to 156,300 units in February.
- The multiple dwellings in urban areas segment reported a drop of 28,900 units in February. Single-family homes in urban areas were down by 2,300 units, while an increase of 500 units was recorded in rural areas.
- Practically all the provinces saw a decline during the month. Alberta stands apart, though, with a dip of just 0.8%, whereas the national average was -16.4%. Furthermore, Saskatchewan was the only province to report an increase (+2.8%).

COMMENTS

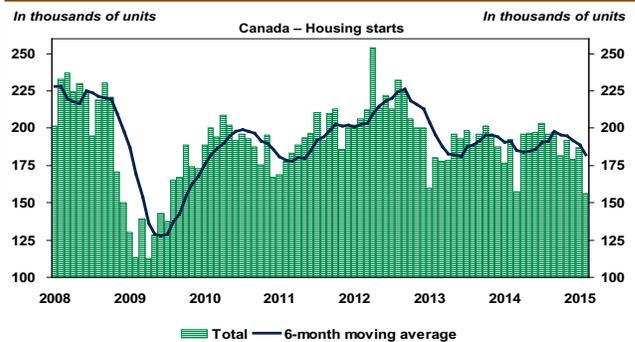
The scope of the February slump in housing starts is quite surprising at first glance. But a monthly drop of that nature occurs fairly frequently. As recently as March 2014, the number of starts fell by 18.3%, to 157,300 units.

In both cases, the reason for the slump is the same: fewer starts of multiple-dwelling homes. The fact is that this data is quite volatile, and large contractions are frequently followed by rallies. This is what happened last spring. Under these conditions, we should expect the number of housing starts to increase significantly in March 2015, thanks to a spike in multiple-dwelling projects.

Given this volatility in monthly numbers, it is important to analyze housing start data using a 6-month moving average in order to clarify the trends. That moving average has been declining gradually in recent months, from 197,600 units in September 2014 to 182,100 units in February 2015.

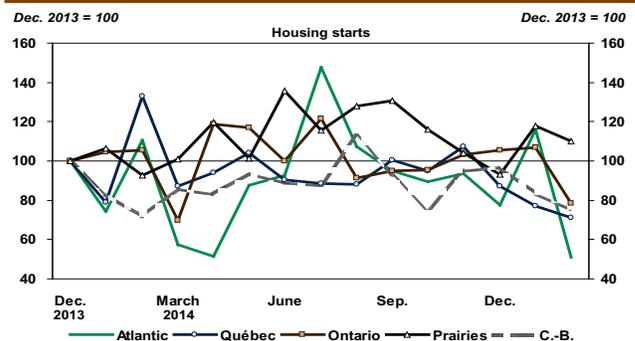
Implications: Despite a slight slowdown, the housing start trend is still in keeping with the average annual household formation, which is around 185,000. This tells us that the level of housing starts is still satisfactory and that the apprehended decline, especially in the Western provinces,

The housing start trend is down slightly but is still quite good



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

Homebuilding is quite resilient in the Prairies



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

is not yet evident. It should be noted that interest rates are still very low, which helps the country's housing market.

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