

ECONOMIC NEWS

Canada: Despite a Bumpy Start, 2019 Was Rather Favourable for Housing Starts

HIGHLIGHTS

- ▶ The number of housing starts reached 197,329 units in December 2019 (annualized). This means that, for a third straight month, housing starts hovered around 200,000 units, a decent result.
- ▶ The trend established based on a 6-month moving average continued to lose ground. However, at 212,160 units in December, it was still relatively high.
- ▶ For 2019 as a whole, interim results show that the number of housing starts fell 2.3% on average compared to 2018. This decrease is due to a fairly sluggish start to the year.

COMMENTS

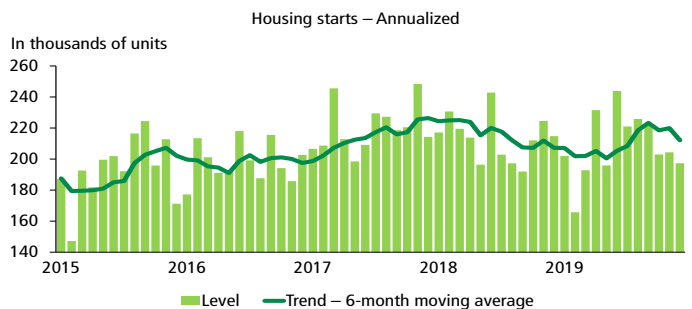
With interim data on housing starts for December, an initial picture can now be painted of developments in residential construction in 2019. It is worth reminding that the year had begun on a negative note, as the downward trend observed since early 2018 continued as a result of the effects of restrictive measures on mortgage credit and slightly higher interest rates. The number of housing starts therefore hit a low of 165,731 units in February 2019.

The situation was, however, subsequently reversed. The Bank of Canada took a break in its monetary tightening, and many mortgage rates even decreased. The impact of restrictive measures also diminished in a context of continued strong demand, sustained mainly by favourable demographics and a dynamic labour market. In these conditions, housing starts were back on an uptrend as of March.

However, the three final months of 2019 were somewhat more difficult, with housing start numbers dropping to around 200,000 units. For the time being, we consider this decline to be

GRAPH

The trend in housing starts is beginning to slow



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

a return to a more sustainable trend in the long term after a few months of euphoria and catch-up.

IMPLICATIONS

Residential construction began to again contribute positively to economic growth in 2019, and there is every indication that this will be the case in 2020 as well. We should add that many favourable factors will remain, such as low interest rates and high demand. Let's hope, however, that housing market growth stays moderate. Otherwise, concerns of overheating could resurface.

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