

ECONOMIC NEWS

Canada: Residential Construction Was Stronger than Expected in March

HIGHLIGHTS

- ▶ The number of housing starts fell from 210,574 units in February to 195,174 in March. However, most forecasters anticipated a much higher drop.
- ▶ The bulk of the decline was from multi-unit housing in urban areas, which went from 143,225 to 124,073 units.

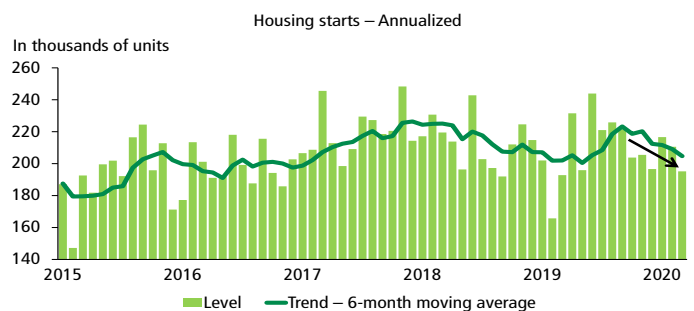
COMMENTS

Clearly, the spread of COVID-19 across the country failed to hinder residential construction in March as much as we had feared. Nevertheless, some provinces saw significant drops over the month, particularly Ontario (-12.7%) and British Columbia (-19.6%). Other provinces showed greater resilience. That was the case for Quebec, where the number of housing starts fell just 8.5% over the month, despite the closure of construction sites imposed by the Quebec government as of March 25. New Brunswick, Manitoba and Alberta also stood out with increases in housing starts in March.

IMPLICATIONS

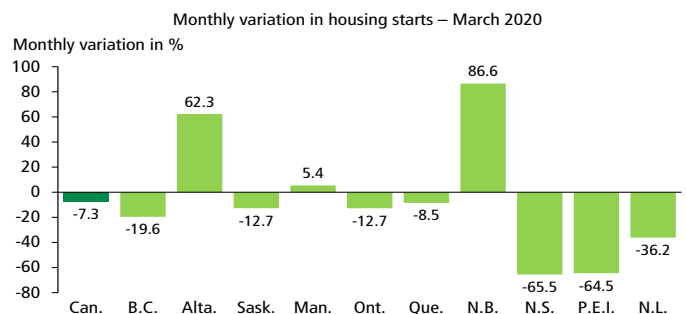
We should expect the harmful effects of COVID-19 to take a greater toll on residential construction in the coming months. First, restrictive measures were tightened in the construction industry in April, with the Ontario government announcing that a portion of residential construction would be suspended. Secondly, the sharp deterioration of the labour market and the drop in consumer confidence will have temporary negative repercussions on the housing market. And lastly, the significant challenges facing the energy sector and the plunge in oil prices will undoubtedly further hamper residential construction in Alberta.

GRAPH 1
Housing starts continue to trend down



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

GRAPH 2
Housing starts fell in most provinces



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

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