

Canada: Slowdown in Western provinces sinks September's starts report

By Jocelyn Paquet

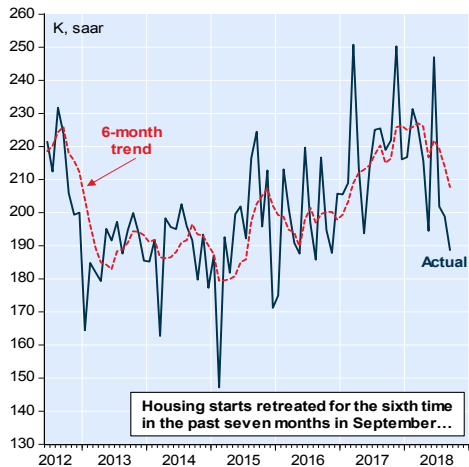
Housing starts weakened once more in September, falling to their lowest level in nearly two years. The decline was entirely due to two provinces, B.C. and Alberta, where starts fell a combined 30.8K (see chart on the left). Rising interest rates surely contributed in that poor result but we suspect other factors weighed heavily in the balance, namely stricter rules for foreign buyers, a group more active in the condo market where most of the monthly decline occurred. In any case, the latest data on housing starts in British Columbia and Alberta only confirmed a slowdown in the housing market already evident in resale statistics. To be sure, seasonally adjusted sales on the Vancouver secondary market stood at a 66-month low in September. In Calgary, resales were down 12.9% y/y in the same month. Not all was bad in the starts report though. The relatively strong showing in Ontario and Quebec was certainly reassuring following two consecutive monthly drops. Looking at quarterly data, starts at the national level retreated no less than 35.3% in annualized terms in Q3, a result that should translate into a negative contribution to GDP growth from new residential construction in the quarter (see chart on the right). Looking ahead, we remain confident that a fairly strong labour market -unemployment is near a cyclical low- will continue to support residential construction throughout Canada, but we'll keep a close eye on the B.C. market.

HIGHLIGHTS:

- Housing starts retraced for the sixth time in the last seven months in September, sliding 10.2K to an annualized 188.7K, the lowest level observed since November 2016.
- Urban starts fell 11.0K to 175.7K as a small gain in the singles category (+1.0K to 53.0K) failed to offset a steep retreat in the multis segment (-12.1K to 122.7K).
- Rural starts edged up 0.9K to 13.0K.
- At the provincial level, urban starts rose 4.4K in Quebec (to 33.0K) and 13.2K in Ontario (to 75.2K) but dropped sharply in B.C. (-19.6K to 25.6K) and Alberta (-11.1K to 20.8K).
- Groundbreakings in Toronto and Montreal jumped 13.1K (to 42.3K) and 15.3K (to 27.2K) respectively. Meanwhile, starts slid in Vancouver (-10.3K to 14.4K), Calgary (-3.4K to 9.4K) and Edmonton (-9.3K to 7.0K).

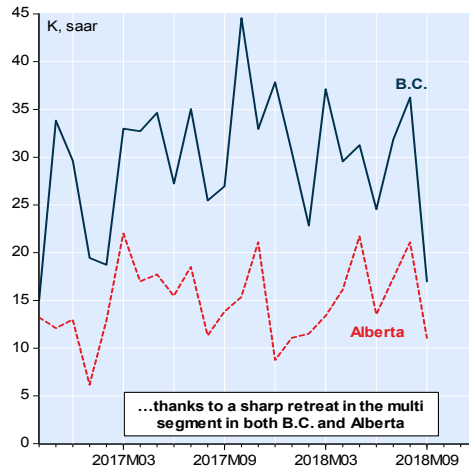
Canada: Housing starts slide to 23-month low in September

Housing starts in Canada, seasonally adjusted and annualized



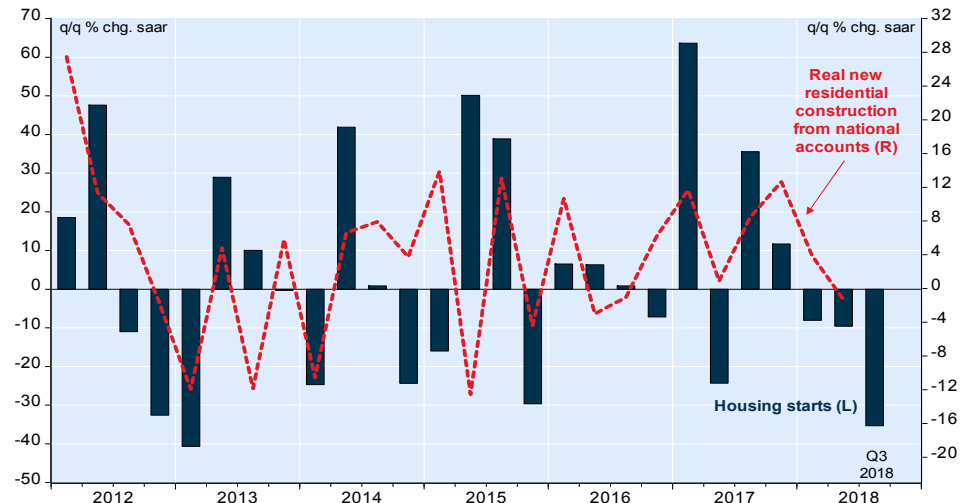
NBF Economics and Strategy (Source: CMHC)

Starts for urban multiple dwellings, seasonally adjusted and annualized



Canada: New home starts set to subtract from Q3 GDP

Real new residential construction expenses and housing starts. Last observation: 2018Q3



NBF Economics and Strategy (Source: Statistics Canada and CMHC)

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