

# Giving ground

## Canadian building permits lose more traction in February, down -0.5% m/m

**The market median had been looking for February building permits to rise by 2.1% m/m. Our own forecast, a more optimistic 3.4% m/m. The actual saw the value of building permits decline by -0.5% m/m in February, following a -4.7% m/m decline in January. February was supposed to payback some of January's softness.**

**Payback indeed. On this our story was partially correct.**

There was indeed a significant payback in February with non-residential permits rising by 16% m/m, just back of our forecast looking for a rise of 17.1% m/m. Recall that non-residential permits had fallen by 21% m/m in January led by a 27% rise in commercial permits. The residential category however provided all of the surprise on the down side. While we had been looking for a decline of -2.3% m/m in the residential category, the actual was significantly worse, dropping by -7.5% m/m. The decline led by the multi-family dwellings category which plunged by 28.3% m/m. A decline that was only partially offset by a 3.0% m/m rise in single family permits. Hardest hit was the province of Ontario which saw multi-family dwelling permits plunge by slightly more than 50% m/m. In terms of impact, in February, Ontario accounted for 35% of total housing starts.

Given the chunky nature of the multi-family dwelling category, there are often fairly big swings in the number set. So too does the non-residential category often toss in its own share of volatility reducing the overall utility of the building permits number set as a number market participants care to trade off of.

Functionally, the -28.3% drop in the value of multi-family permits was a function of a 27.1% decline in the number of multi-family units that were approved in February. In turn this tends to open up some significant down side event risk to the March housing starts that is scheduled to be released next week. Currently the market median for starts is sitting at 200K, up from February's 196.7K. Following today's permits data and the overall impact on the number of approved units, the inclination will be to manage the forecasts for this number lower. Overall, housing units approved for construction fell by -14.2% m/m.

# Disclosure appendix

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