

Canada Building Permits (Oct)

Residential builder intentions plunge.

Canada's October building permits declined by 6.5% m/m, back of the street median looking for a comparatively less pessimistic drop of 4.0% but slightly better than our own forecast looking for -7.1%. This follows a robust 14.9% m/m spike in permits for the month of September. While a sizeable decline was not unexpected given the magnitude of the jump in September, the decline centred entirely on the residential category was.

Facts

The decline in October builder permits fell at the feet of an unexpected 11.2% m/m plunge in residential construction intentions. By contrast, non residential approvals were unchanged, following September's whopping 26.5% m/m increase. An increase that was largely expected to have been smoothed out in today's report, constituting the bulk of the downside to the report. Not the case.

For the non-residential category, industrial permits rose by 12.2% m/m (manufacturing and primary industries in central Canada) while commercial permits were up 8.8% (following a 38% m/m jump in September) all of which was offset by a -20.4% drop in institutional permits.

Implications.

Today's numbers open up some potential disappointment for Wednesday's housing starts number for the month of November given that the 11.2% decline in the dollar value of residential permits resonated in a 6.6% drop in the number of approved units for construction. The median forecast for housing starts is 173K up from 167.9K (HSBC 178K). Although we would point to a backlog of approved residential projects coming out of the previous month's activity as providing a buffer against the softness seen in today's number set.

Bottom Line.

Both the housing starts and building permits data tends to be volatile reducing their utility.

Disclosure appendix

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