

Canada: Building permits sliding off a mountain.

July permits -3.3% m/m

Which is to say that today's softness is a function of previous months strength. Year over year, permits are up 33%.

Canadian building permits for the month of July declined by -3.3% m/m following and upward revision to the previous month that saw permits grow by 6.9% m/m. The market median had been looking for a decline of -4.9% m/m while our own forecast looked to see some significant moderation in previously strong months to cause a significant -10.8% m/m drop.

The fact that permits declined by a relatively moderate -3.3% is indicative of still significant interest in the building sector to cut new ground on projects.

Declines were spread across both the residential (-2.4% m/m) and non residential (-4.3% m/m) categories. For the residential sector, today's decline constitutes the fourth straight monthly drop in the dollar value of permits. For residential permits, the number of approved units for construction fell 7.3% m/m which tends to suggest that there is some further down side to tomorrow's housing starts (Aug) than recognized in the median forecast at 185K (prev. 189.2K).

In the non residential category, today's decline pales in comparison to the 23.8% m/m jump in non residential permits that occurred in June. Although industrial permits were hard hit dropping by -28.2% although this is a function of the near 60% surge that occurred in May. Commercial permits dropped by -9.2% but again, a function of smoothing out a 38.4% jump in June. Finally, institutional and government permits rose 16.7% following a 43.7% jump in June. This was not expected and seems to speak to fiscal stimulus and the cramfest associated with getting projects in under the wire before the fiscal stimulus taps are closed off in March 2011. On that basis, in the near future some significant declines in the non-residential permits category can be expected as this activity begins to moderate to more sustainable levels.

Net, net it is a minor number that has a tendency to swing around significantly. To certain, one should expect some volatility in the number set going forward as some very chunky increases in the non-residential category going forward.

Disclosure appendix

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