

Dan Sumner
Economist, ATB Financial

November 5, 2009

Don't Count Construction Out Just Yet

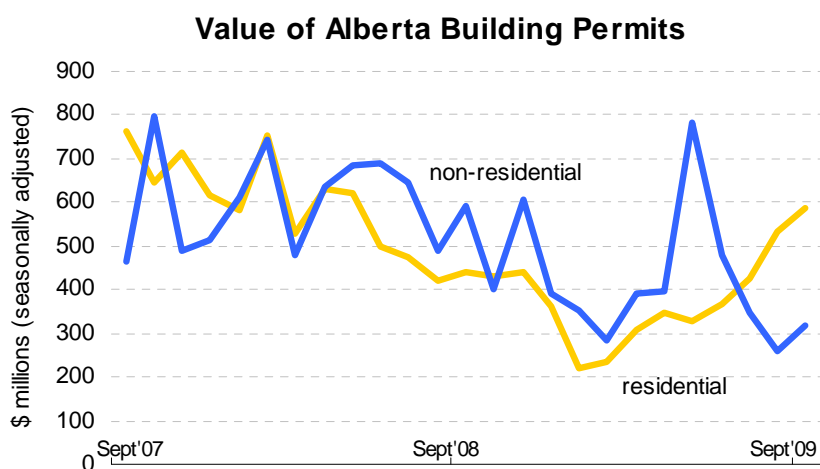
Construction is a volatile, cyclical industry the world over. However, if the value of building permits taken out in September is any indication, construction activity in Alberta seems to be moving ahead despite the province being at the tail end of a recession.

Contractors and developers took out building permits for \$906.3 million worth of buildings in September 2009—a gain of 13.8% from August. September's surge was the result of gains in both the residential (+9.8%) and non-residential components (+22.0%).

Residential construction intentions have risen steadily from their bottom made in February 2009 (see graph), as low interest rates and a general return of consumer confidence

propped up activity in Alberta's housing markets. Actual construction activity lags behind permit issuance (obviously) and consistent with this housing starts reached their bottom in March, a month after permits. Since then starts have gained steadily, commensurate with rising residential permit issuance. Considering residential permits have continued to rise in recent months, it is likely that housing starts will continue to follow suit.

Despite a 22% jump in non-residential permits, intentions in that category remain in a longer-term downtrend. With ample commercial office space coming on-line over the near future, the prospect for a strong near-term recovery in this component seems less probable.



Source: Statistics Canada, The Daily, Nov. 5, 2009

ATB Financial
Where there's a way