

U.S. Data Review

- Housing starts: jump in multi-family offsets a drop in single-family
- Industrial production: utility-led increase, but manufacturing & mining also strong

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Housing Starts

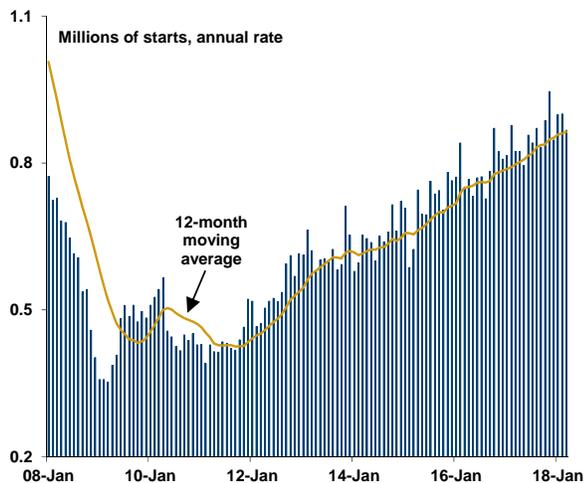
Housing starts rose 1.9 percent in March. The percentage change was lighter than the consensus estimate of 2.5 percent, but the change occurred from an upward revised level in February, and thus, the number of starts was better than expected (1.319 million units, annual rate, versus the expectation of 1.267 million). Most of the revision occurred in the multi-family sector, where starts in January and February combined were 2.7 percent firmer than previously believed; single-family activity in the prior two months was 1.1 percent better.

Although the level of activity was better than expected, we did not view the report as robust. All of the gain in March occurred in the multi-family sector, where starts rose 14.4 percent. The change could be viewed as normal volatility, as this area often moves sharply from month-to-month and the latest increase followed a drop of 10.2 percent in the prior month. The trend in multi-family activity is now tilting downward after a strong recovery during most of the current expansion (chart, right).

Single-family starts fell 3.7 percent. Adverse weather might have played a role, as the South and Northeast (the two areas most affected by storms) posted the largest declines. However, the West also lost ground, and weather was less of a factor in this region. Activity in the Midwest jumped after two slow months. The longer-term trend in single-family starts can still be described as upward, but the advance is only moderate (chart, left).

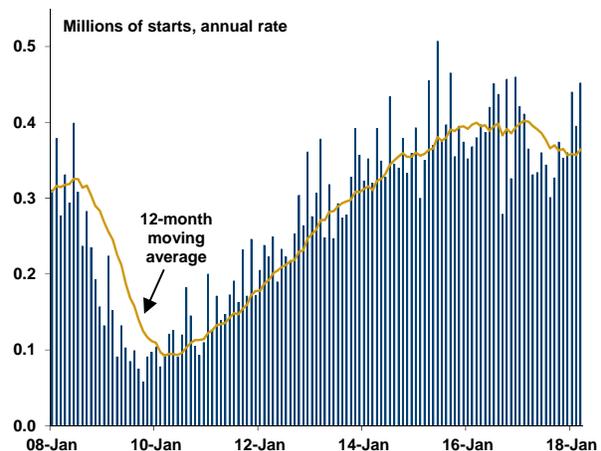
Permits did not offer much hope of a pickup in single-family starts in April, as authorizations for single-family starts fell 5.5 percent. Multi-family permits jumped 19.0 percent, although most of those authorizations probably supported the increase in March.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

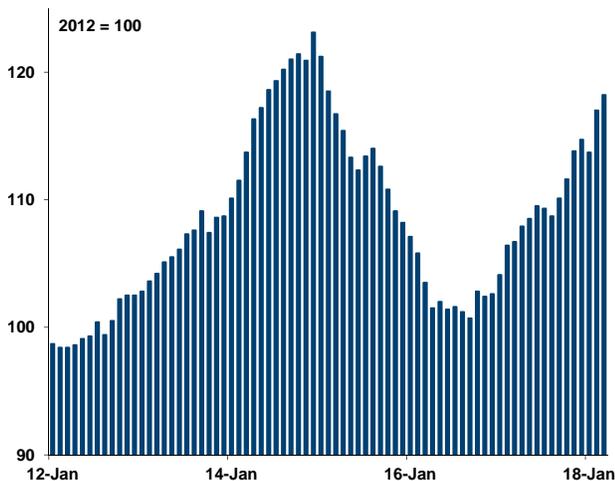
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Industrial Production

An increase of 0.5 percent in industrial production in March exceeded the expected gain of 0.3 percent. Much of the surprise occurred in the utility sector, but we would not be especially excited about the increase of 3.0 percent because changes in this area are nearly always related to shifts in the weather rather than economic fundamentals. The mining sector also was stronger than we expected with an advance of 1.0 percent. Mining activity has established a solid upward trend with increases in 14 of the past 18 months (chart, left).

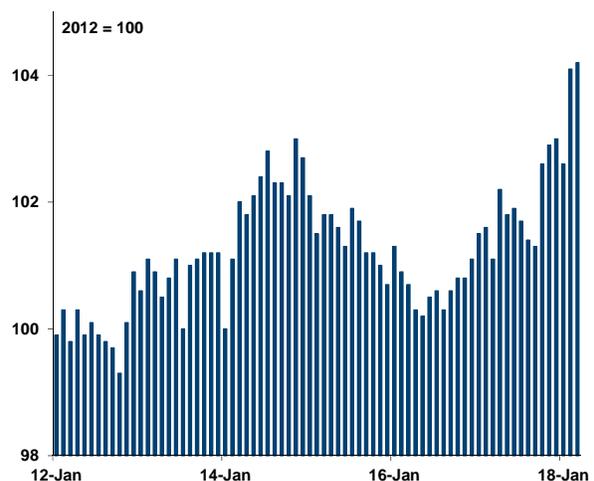
Manufacturing activity rose 0.1 percent. The change seems unimpressive when viewed in isolation, but it followed a surge of 1.5 percent in the prior month. A downward adjustment after such a jump would not have been surprising, and any addition should be viewed as a brisk performance. Activity in the past two months has been much stronger than previous results (chart, right). Much of the increase in March occurred in the motor vehicle industry (up 2.7 percent). Results elsewhere were mixed, with nine industries posting gains and nine losing ground (and one showing no change). Those posting losses carried a slight edge, as manufacturing activity ex-autos fell 0.1 percent. The dip ex-autos, however, seems inconsequential after a jump of 1.3 percent in the prior month. The breadth of the change in the prior month also was striking, with 19 of 20 major industries posting gains.

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics