# U.S. Data Review

- Housing starts: sharp decline in March
- Industrial production: solid performance in manufacturing, led by a jump in auto component

**Lawrence Werther**
Daiwa Capital Markets America
212-612-6393
lawrence.werther@us.daiwacm.com

## Housing Starts

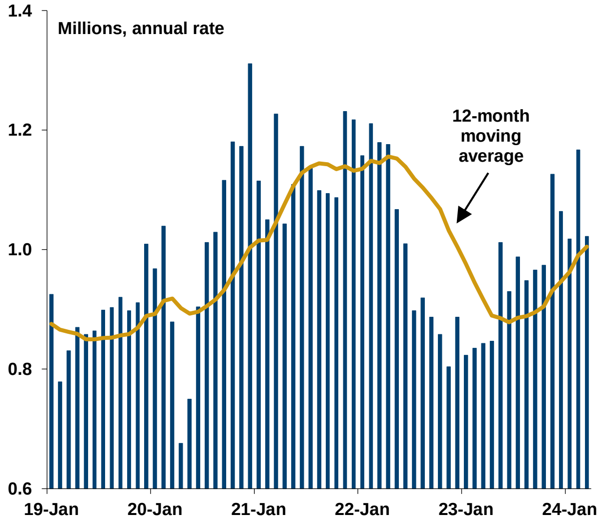
- Housing starts fell 14.7 percent to 1.321 million units, annual rate, in March, well below the Bloomberg median expectation of 1.485 million units. Results in the prior month were adjusted higher (1.549 million versus a preliminary reading of 1.521 million), but the latest softening more than reversed the upwardly adjusted gain and left activity at its slowest pace since August 2023. With expectations for rate cuts being pushed into the second half of 2024, builders may be responding by reducing construction in an effort to prevent an inventory overhang in an environment of constrained demand.

- Single-family starts dropped 12.4 percent to 1.022 million, reversing much of the surge in the prior month (a previous burst of 14.6 percent to 1.167 million, the highest reading since the spring of 2022; chart, below left). The latest shift halted the previous upward trend and raises the possibility of further slowing amid elevated builder inventories (current months' supply of new homes available for sale of 8.4 months – a reading in the upper end of the range of the past decade).

- Multi-family starts also fell in March, with the plunge of 21.7 percent to 0.299 million leaving activity at its slowest pace since the spring of 2020 (when the economy was constrained by the effects of COVID-related shutdowns; chart, below right). The performance in multi-family starts stands in sharp contrast to that from late 2021 through mid-2023, when firms actively started new projects to address a jump in demand for rental housing.

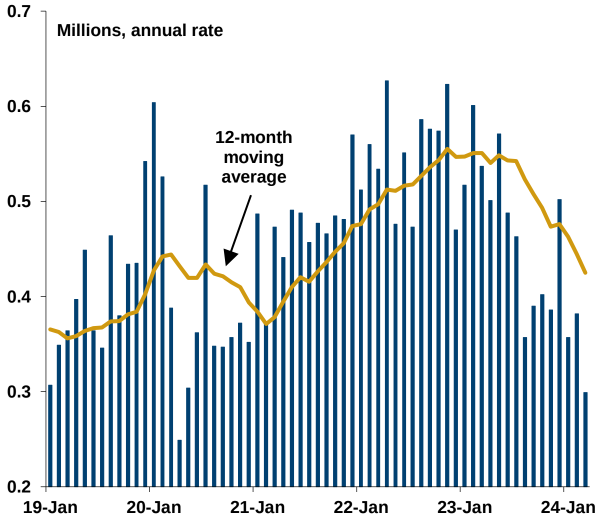
- A decline in building permit issuance (-4.3 percent to 1.458 million permits) suggests that a near-term rebound in starts is unlikely after the deterioration in March. Single-family permits fell 5.7 percent to 0.973 million, and multi-family authorizations dipped 1.2 percent to 0.485 million. Single family permits remained in the middle of the range of the current expansion, while multi-family authorizations were near the bottom of their range.

### Single-Family Housing Starts




*Source: U.S. Census Bureau via Haver Analytics*

### Multi-Family Housing Starts




*Source: U.S. Census Bureau via Haver Analytics*

# Industrial Production

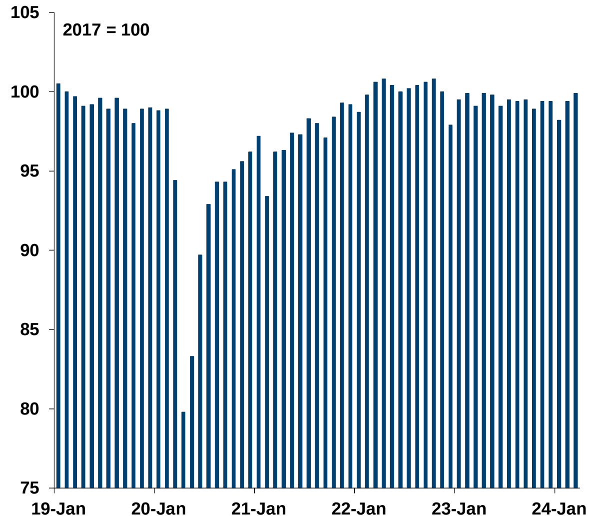
- Industrial production rose 0.4 percent in March, but weather-related volatility in January and only a partial recovery in subsequent months left total activity flat on a year-over-year basis. In the latest month, both manufacturing and utility output rose, while mining activity slipped.

- Manufacturing activity rose 0.5 percent in March from an upwardly revised advance of 1.2 percent in February (chart, right). Production in this cyclically sensitive component is up 0.8 percent on a year-over-year basis. In the latest month, eight of 20 manufacturing industries registered increases in activity.

- Mining activity declined 1.4 percent in March (-2.0 percent year-over-year). Output in the current cycle peaked in the fall of 2023 (below 2019 levels) and it has eased since then in response to lower oil prices that are only now approaching levels that prevailed last fall (chart, below left).

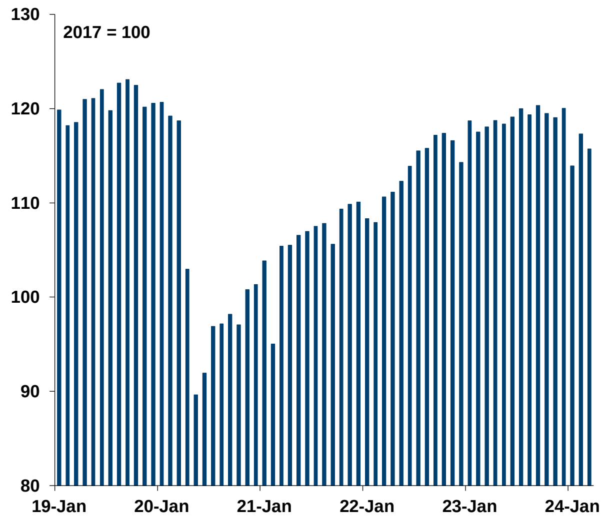
- Utility output increased 2.0 percent in March, but this area is volatile on a month-to-month basis with changes reflecting swings in weather rather than shifts in the economy (chart, below right). The utility component is off 3.1 percent versus year-ago levels.

### Industrial Production: Manufacturing



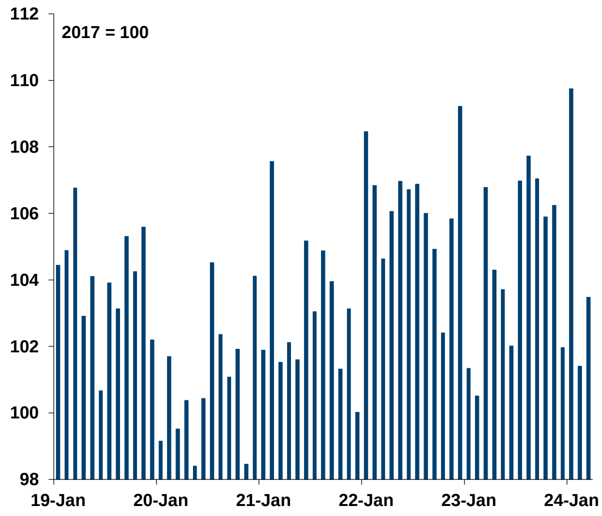

*Source: Federal Reserve Board via Haver Analytics*

### Industrial Production: Mining




*Source: Federal Reserve Board via Haver Analytics*

### Industrial Production: Utilities




*Source: Federal Reserve Board via Haver Analytics*