

U.S. Data Review

- Housing starts: downside volatility in multi-family; continued firm activity in single-family
- Industrial production: declines in both manufacturing and mining

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

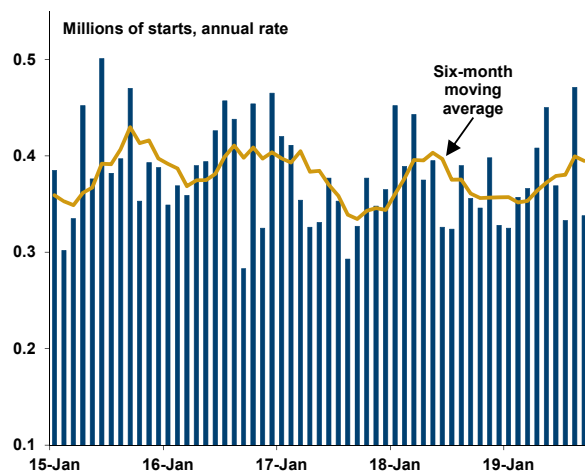
Housing Starts

Housing starts tumbled 9.4 percent in September, notably softer than the expected decline of 3.2 percent. However, all of the softness occurred in the volatile multi-family sector, and the drop of 28.2 percent could be viewed as normal volatility, as it followed a surge of 41.4 percent in the prior month. This sector is performing reasonably well on average, but it is showing considerable volatility around the underlying average (chart, left).

Single-family starts rose 0.3 percent. The change was modest, but it followed solid results in the prior month and left activity in the upper portion of the range from the current expansion (the fourth best reading of the past several years; chart, right). The gains in the past two months added to the net improvement from soft activity in the closing months of last year. Low interest rates have stirred sales of new homes, and builders have responded to the pickup in demand. Although results in the single-family sector were favorable overall, the strength was not broad-based geographically. All of the increase in September occurred in the South, and this region also has played the largest role in fueling the upward trend in single-family starts this year.

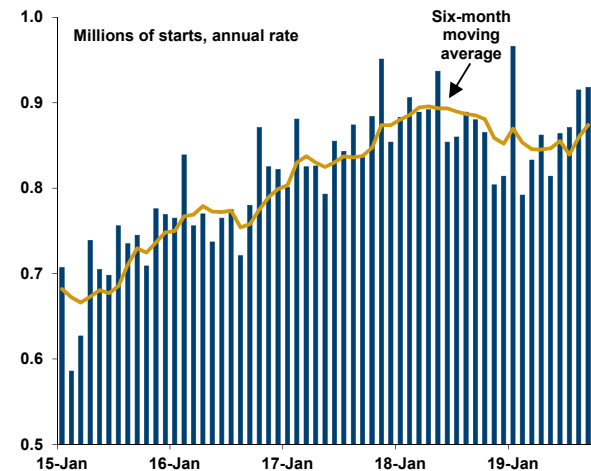
Building permits fell 2.7 percent in September, with the pattern of change resembling that for starts. All of the drop occurred in the multi-family sector (off 8.2 percent), although the level of multi-family permits remained in the upper portion of the range from the current expansion. Permits for single-family homes rose 0.8 percent, adding to the jump of 5.5 percent in the prior month and pushing the number of permits to the second highest level of the current expansion (and only marginally below the firmest reading).

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

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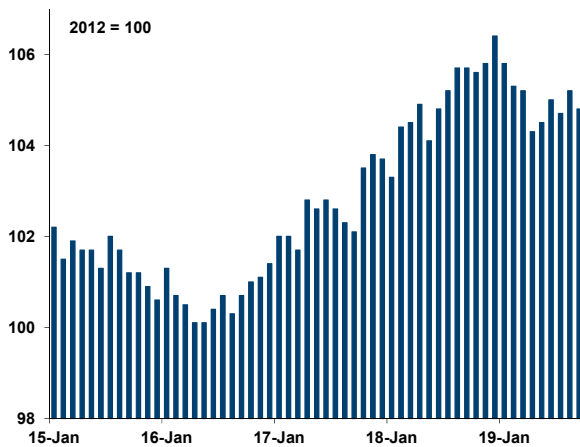
Industrial Production

Total industrial activity fell 0.4 percent in September, softer than the expected decline of 0.2 percent. Both manufacturing and mining contributed to the decline (off 0.5 percent and 1.3 percent, respectively). Output in the utility sector rose 1.4 percent, but changes in this area are nearly always driven by swings in temperatures rather than shifts in economic fundamentals (temperatures were warmer-than-normal in September, which led to continued use of air conditioning units).

The decline in the manufacturing sector was heavily influenced by a drop of 4.2 percent in the auto industry, undoubtedly reflecting the effects of the strike at General Motors. However, other activity also was soft, as shown by a drop of 0.2 percent excluding autos. Several industries posted gains in output (11 of 19 non-auto industries advanced), but declines in the eight remaining non-auto areas more than offset those increases. Although activity softened in September, the level of production remained above the recent low in April, and production in the third quarter increased at an annual rate of 1.2 percent after declining in the prior two quarters (chart, left).

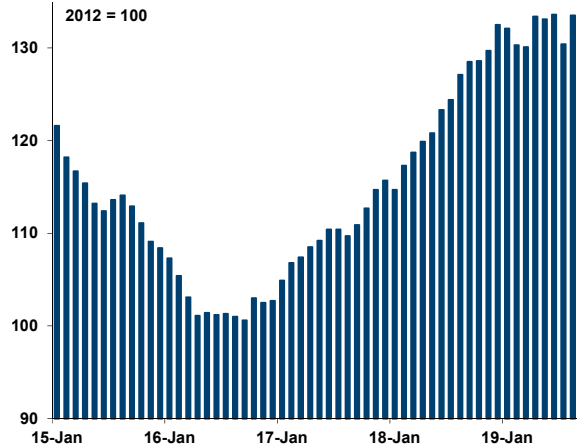
Mining activity has moved erratically this year while showing little net change. Activity fell 1.3 percent in September, but the change occurred from an elevated reading in August and the level of production remained in the middle of the recent range and above levels seen last year (chart, right). While this area is no longer growing, activity is being well maintained.

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics