

U.S. Data Review

- Housing starts: down in January, but still robust
- PPI: erratic

Michael Moran

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

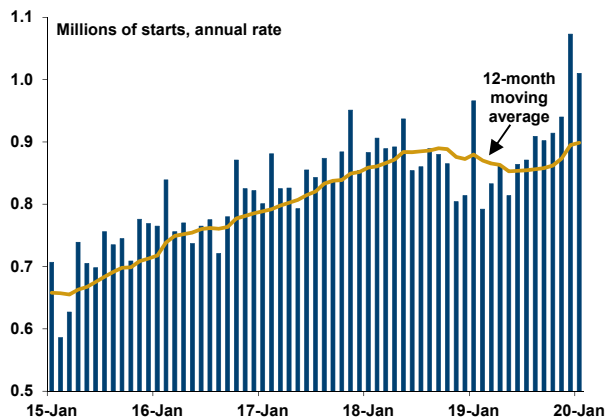
Housing Starts

Housing starts fell 3.6 percent in January, a large shift when viewed in isolation. However, the shift occurred from an unusually strong reading in the prior month, and the drop was much smaller than the expected decline of 11.2 percent. In addition, results in the prior two months were revised upward, with the adjustments in the two months combined equivalent to 0.8 percentage point of growth. All told, the past two months easily represented the strongest showing of the current expansion, with the average number of starts in December and January 16.1 percent above the previous high for the current expansion. A striking performance.

Single family starts fell 5.9 percent in January, but they were still far above previous results in the current expansion (chart, left). Multi-family starts, already robust in December, rose further in January (up 0.7 percent; chart, right).

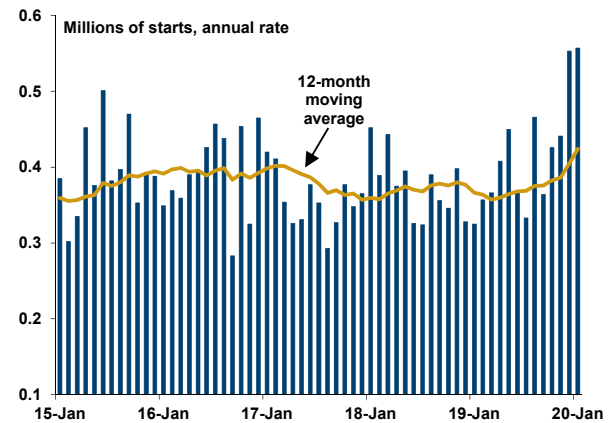
Building permit also were strong, increasing 9.2 percent overall (up 6.4 percent in the single-family sector and 14.6 percent for multi-family units). Many of these permits may have supported activity in January; the jump does not necessarily suggest further growth in the months ahead.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

PPI

The producer price index often provides surprises, and that was the case in January, as the index jumped 0.5 percent, a marked contrast to the expected increase of 0.1 percent. Much of the surprise occurred in the service component, where prices rose 0.7 percent. Prices of construction goods also contributed with an increase of 0.8 percent. This change was not shocking, however, as construction prices often increase noticeably in the first month of a quarter (even after seasonal adjustment; something is obviously amiss with this component). Prices of goods purchased by governments and destined for export also rose noticeably (0.6 percent and 0.5 percent, respectively).

Food prices rose 0.2 percent, comfortably within the wide range of observations in the past year. Energy prices fell 0.7 percent, not surprising given an easing in gasoline prices. Prices of goods other than food and energy purchased by consumers were flat, continuing to move along a subdued path (average increase of 0.1 percent in the past 12 months).

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