

January Residential Construction, February UI Claims

Single-Family Rising, Multifamily Heading into Third Year Range-Bound

- Housing Starts dipped in January by 2.6 percent to a 1,246,000 unit annual rate.
- Permits for new residential construction increased by 4.6 percent to a 1,285,000 unit pace in January.
- Initial Claims for Unemployment Insurance gained 5,000 for the week ending Feb. 11, to hit 239,000.

Housing starts have been somewhat choppy over the past few months, drawing attention to an important sector of the economy that is interest rate sensitive. We expect the Federal Reserve to raise short term interest rates at least twice this year, and possibly more times if inflation data heats up. That will also put upward pressure on home mortgage rates. So we will monitor housing-related data closely to see if demand holds up as affordability declines with higher interest rates and higher prices. Also, multifamily absorption is cooling due to strong supply in some areas. We believe that over the long-term, demand for multifamily housing will remain strong, but some markets have built too far ahead of themselves and are now rebalancing. In January total housing starts dipped by 2.6 percent. Single-family starts rebounded from their December dip, up 1.9 percent in January. Multifamily starts went the other way, falling by 7.9 percent after surging in December. So it looks like the upward trend in single-family construction remains in place. However, multifamily construction is still range-bound, essentially where it has been since early 2015. Forward-looking permits increased by 4.6 percent in January to a 1,285,000 annual unit rate as multifamily permits rebounded from a December slump.

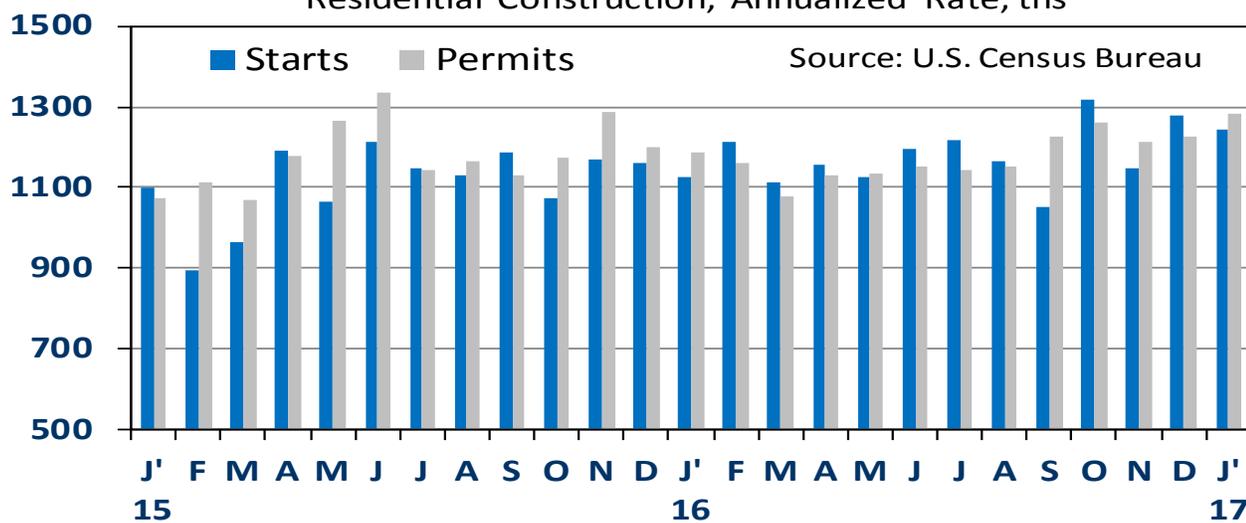
Initial claims for unemployment insurance increased by 5,000 for the week ending February 11, to hit 239,000. Continuing claims eased, down by 3,000 to hit 2,076,000 for the week ending February 4. These are still very good numbers indicating tight labor market conditions.

The Federal Reserve Bank of Philadelphia's Manufacturing Business Outlook Survey showed a strong increase in current activity for January, along with growing price pressure. Firms were asked to forecast changes in their own prices over the next year; the median forecast called for a 2 percent increase.

Market Reaction: Stocks were mixed at the open. The yield on 10-Year Treasury bonds is down to 2.46 percent. NYMEX crude oil is down to \$52.78/barrel. Natural gas futures are down to \$3.03/mmbtu.

Housing Starts Ease in January

Residential Construction, Annualized Rate, ths



To subscribe to our publications or for questions, contact us at ComericaEcon@comerica.com. Archives are available at <http://www.comerica.com/economics>. Follow us on Twitter: @Comerica_Econ