Comerica Economic Alert

Comerica Bank

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Feb. Residential Construction, March UI Claims and Philly Fed, Jan. JOLTS

Grab Bag of Data Consistent with Ongoing Economic Momentum

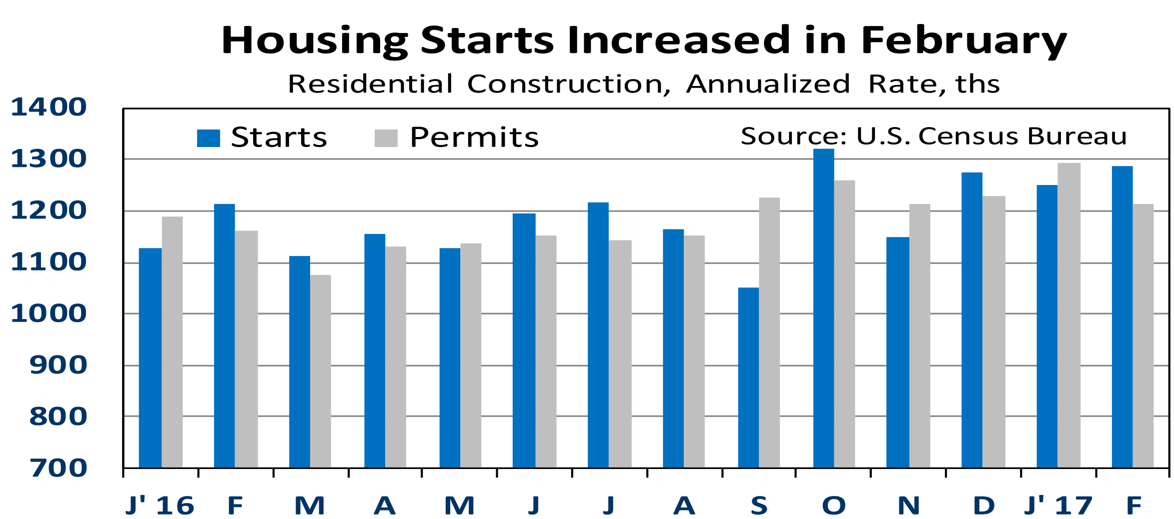
- Housing Starts increased in February by 3.0 percent to a 1,288,000 unit annual rate.
- Permits for new residential construction decreased by 6.2 percent to a 1,213,000 unit pace in February.
- Initial Claims for Unemployment Insurance fell by 2,000 for the week ending March 11, to hit 241,000.
- The Job Openings Rate was unchanged in January, at 3.7 percent.

Housing starts increased in February, propelled by a strong 6.5 percent increase in single-family starts to an 872,000 unit annual rate. This is the strongest single-family construction rate since October 2007. The market for new single-family houses remains strong, shown by the jump in the March survey by the National Association of Home Builders. Multifamily is a different story. Multifamily starts dipped by 3.7 percent in February, to a 416,000 unit annual rate. This remains within the range established in early 2015. Absorption of new multifamily units has slowed in many markets as supply outpaced demand. The rate of apartment rent increases is easing after years of strong gains. Condo prices are flattening or declining in many markets. We view this as a short-to-medium-term phenomenon that will gradually abate as demand catches up. With the total volume of new housing units added still below the rate of household formation, fundamental demand remains strong. Also, the gentrification wave happening in many urbans areas is replacing an old unit with a new unit, so it is not resulting in a net increase in housing stock. So even with strong single- and multifamily starts in many cities, housing stock has not increased proportionately, keeping supply tight, especially for single-family units. Permits for new residential construction eased by 6.2 percent in February, weighed down by a drop in multifamily permits.

Initial claims for unemployment insurance dipped by 2,000 for the week ending March 11, to hit 241,000. Continuing claims fell by 30,000 to hit 2,030,000 for the week ending March 4. These are very good numbers indicating tight labor market conditions. The Job Openings and Labor Turnover Survey for January shows ongoing strength in the labor market. The rate of job openings was unchanged in January at 3.7 percent. Hiring ticked up slightly to 3.7 percent of total employment. Separations ticked up to 3.6 percent.

The Federal Reserve Bank of Philadelphia's Manufacturing Business Outlook Survey showed a modest dip to a still-strong level in the Current Activity Index for March, consistent with the similar survey from the New York Fed.

Market Reaction: Stock indexes are mixed. The yield on 10-Year Treasury bonds is up to 2.51 percent. NYMEX crude oil is down to $48.67/barrel. Natural gas futures are down to $3.02/mmbtu.



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