

## April Housing Starts, Industrial Production, May Empire State and NAHB

### *Builder Confidence High but Construction Eased in April, Industrial Production Up*

- Housing Starts decreased in April by 2.6 percent to a 1,172,000 unit annual rate.
- Permits for new residential construction decreased by 2.5 percent to a 1,229,000 unit pace in April.
- Industrial Production increased by 1.0 percent in April, with stronger manufacturing output.

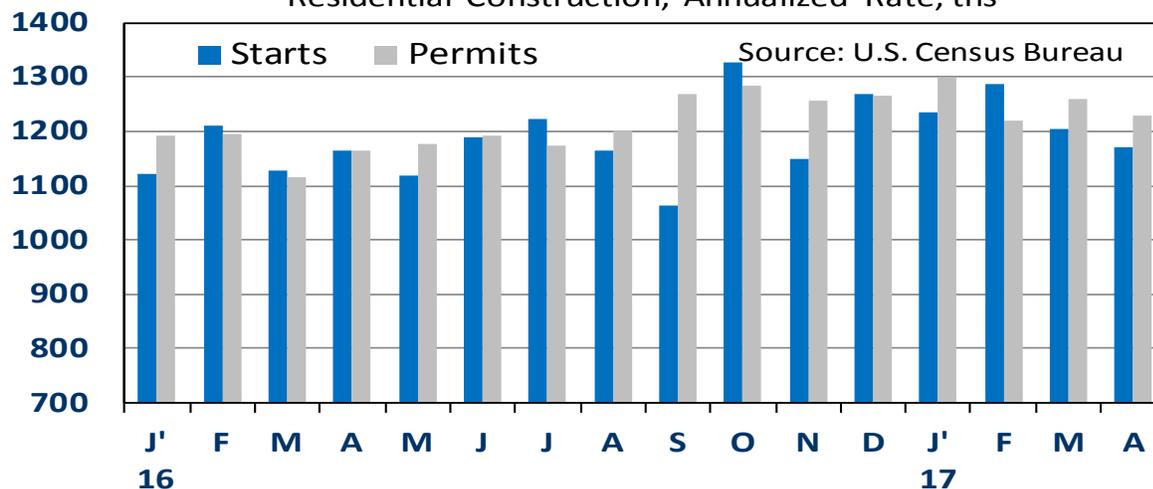
Residential construction data was weaker than expected in April as total housing starts dipped by 2.6 percent to a 1,172,000 unit annual rate. Single-family starts were little changed for the month, easing slightly to an 835,000 unit rate. Multifamily starts (5+ units) dropped by 9.6 percent to a 328,000 unit rate. Multifamily construction has clearly lost momentum after the strong expansion of multifamily units in recent years satisfied much of the pent up demand for apartments, resulting in slower absorption and softer pricing. The demand for single-family housing remains strong as millennials grow more confident and expand their families. Inventories of both new and existing single-family homes for sale remain very tight in most markets, giving builders ample incentive to increase single-family construction. The National Association of Homebuilders' Builder Confidence Survey for May showed increasing builder confidence, with expectations of future sales conditions very high. Total permits for residential construction dipped by 2.5 percent in April. Permits for single-family houses fell by 4.5 percent, down to a 789,000 unit rate. Permits for new multifamily units (5+) gained 1.5 percent, to a 403,000 unit annual rate, still in the range where they have been for the last 2 years.

Industrial production increased in April by 1.0 percent, looking strong in most industry groups and market groups. The exception to that statement is, appropriately, construction, where output eased by 0.1 percent for the month. Manufacturing output increased by 1.0 percent in April as vehicle assemblies increased to an 11.9 million vehicle rate. That is the strongest assemblies rate so far this year. Output in mining industries increased by 1.2 percent in April, consistent with ongoing gains in the drilling rig count. Utilities output increased by 0.7 percent. We should be getting past the weather-related swings in utility output from this winter. One sour note for manufacturing came from the Federal Reserve Bank of New York. Their Empire State manufacturing index dropped into negative territory in May, indicating a slight deterioration of regional manufacturing conditions, for the first time since last October.

**Market Reaction:** Stock indexes were mixed at the open. The yield on 10-Year Treasury bonds is down to 2.33 percent. NYMEX crude oil is up to \$49.03/barrel. Natural gas futures are down to \$3.34/mmbtu.

## Housing Starts Eased in April

Residential Construction, Annualized Rate, ths



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