

U.S. Data Review

- Housing starts: improvement in June, but still noticeably shy of pre-virus totals
- Consumer sentiment: Covid concerns outweigh improvement in the economy

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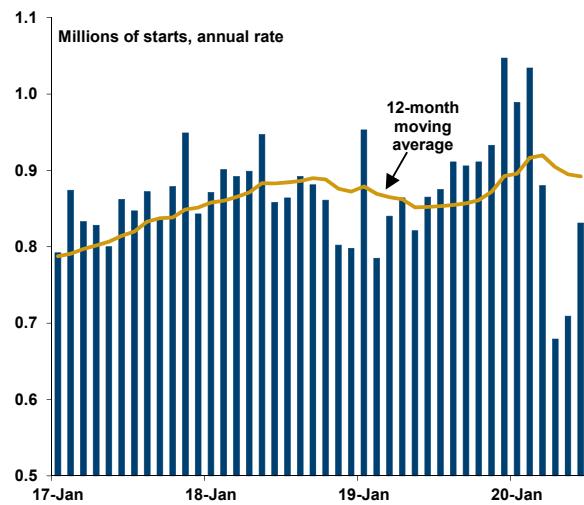
Housing Starts

Housing starts rose 17.3 percent in June, less than the consensus estimate of 22.2 percent, but the change occurred from an upward revised level in May (3.8 percent firmer than previously believed). The combination of the upward revision and the latest gain left the level of starts in June nearly identical to the consensus estimate (1.186 million actual versus 1.190 expected).

Single-family and multi-family starts contributed about equally to the overall advance in June, with single-family starts rising 17.2 and multi increasing 17.6 percent. All of the upward revision occurred in the single-family area; multi-family starts were nudged lower in May. The increase in June was firm, but with little recovery in May after the March/April tumble, starts were still noticeably shy of pre-virus totals. Single family starts have recouped approximately 45 percent of the ground lost because of the pandemic and were 17.8 percent below the January/February average. Multi-family starts have regained about 30 percent of the drop and were 38.8 percent below the January/February average (charts).

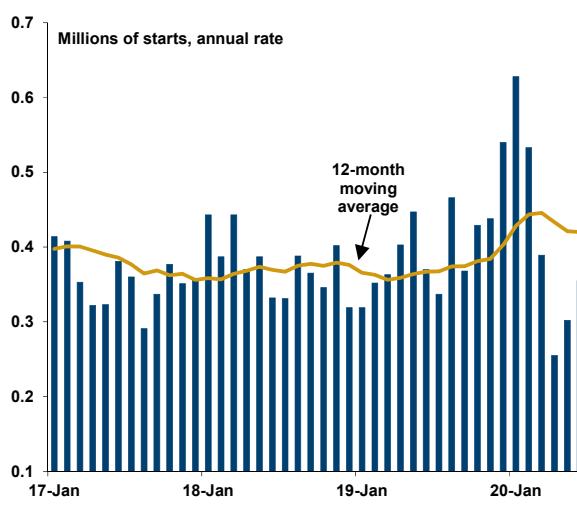
Permits for single-family homes offered hope for further improvement in the next month or two, as authorizations rose 11.8 percent. However, the level of single-family permits was still light relative to pre-virus totals. Permits for multi-family housing fell 13.4 percent in June. The drop, however, was not especially discouraging, as this sector is quite volatile; multi-family permits and starts could both jump next month.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

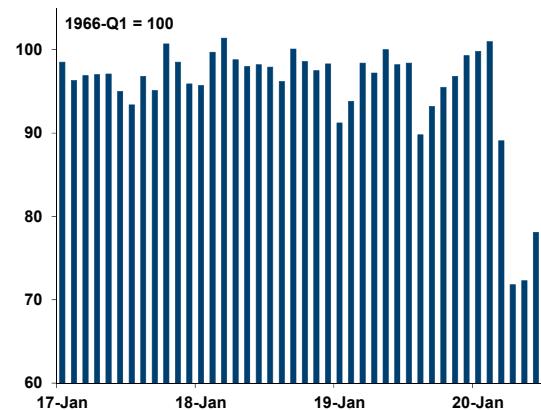
Consumer Sentiment

Recent economic reports have been generally favorable, and the stock market has improved in recent weeks, developments that would boost consumer moods in most instances. However, the sentiment index published by the University of Michigan Survey Research Center fell in early July, with the headline measure dropping 6.3 percent. The decline offset most of the improvement in June and pushed the index close to the readings in April and May (chart). Apparently, the acceleration in the spread of Covid-19 generated concern among individuals and outweighed the influence of favorable developments in the economy and stock market.

Both the current conditions and expectations components contributed to the drop of 6.3 percent in the headline measure, although expectations had a stronger influence with a decline of 8.4 percent to a level only marginally above the May low. The current conditions component fell 3.3 percent and was 13.3 percent above its recent low in April (although still substantially below pre-virus levels).

Although the index is back in line with the lows in April and May, the current level of the index is still comfortably above readings during the financial crisis. The headline touched a monthly low of 55.3 in November 2008 and the average value for 2008-Q4 totaled 57.7. The current value of 73.2, although trailing readings of more than 100 in some months in the past few years, is comfortably above readings in the prior recession. (The index has a base value of 100 in 1966-Q1).

Consumer Sentiment



Source: University of Michigan Survey Research Center via Haver Analytics