

U.S. Data Review

- Housing starts: plunge in activity led by single-family building
- Industrial production: mining continues to advance...
...manufacturing up in July but little changed in recent months

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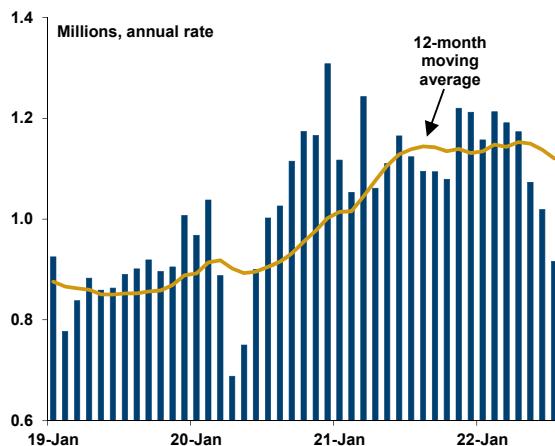
Housing Starts

Housing starts dropped 9.6 percent in July, notably softer than the expected decline of 2.1 percent. The change occurred from upward-revised results in the prior month (activity in June was 2.6 percent firmer than first reported), but the level of starts in July (1.446 million, annual rate) was still near the bottom of the range of the past two years and represented a marked slowing from the recent peak of 1.805 million in April.

Single-family starts led the drop in July with a plunge of 10.1 percent to 0.916 million units. July marked the fifth consecutive decline in single-family activity, with the recent weakness pushing starts to the lowest level since the early stages of the current expansion (chart, left). Higher mortgage interest rates have dented demand for homes, and builders have responded by cutting starts to control already-elevated inventories (which are approaching levels during the housing bubble in the mid-2000s). Moreover, prospects for a recovery in single-family construction are not favorable, as single-family building permits declined for the fifth consecutive month (-4.3 percent) and builder sentiment (published yesterday) dropped (-6.0 index points to 49.0; down sharply from the recent high of 84 in December 2021).

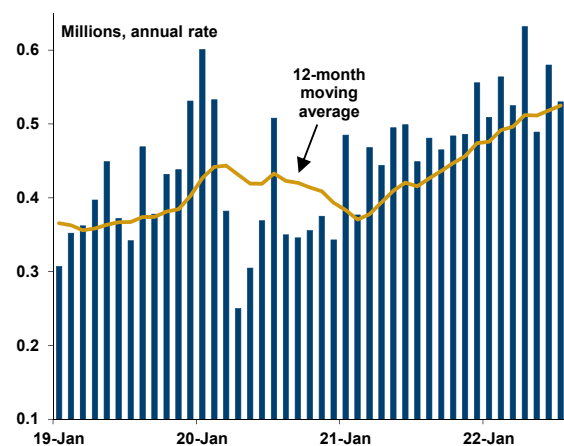
Multi-family starts declined 8.6 percent to 0.530 million units, but the change followed a jump of 18.6 percent in June and starts remained in the upper portion of the range of the current expansion (chart, right). This series is often marked by month-to-month swings, but demand for multi-family units has remained firm. High prices and elevated interest rates have pushed some potential buyers into the rental market. A pickup of 2.8 percent in building permits after a jump of 12.7 percent in June left multi-family permit issuance near the top of the range of the current expansion and supports the view that builders perceive this segment of the market more favorably.

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

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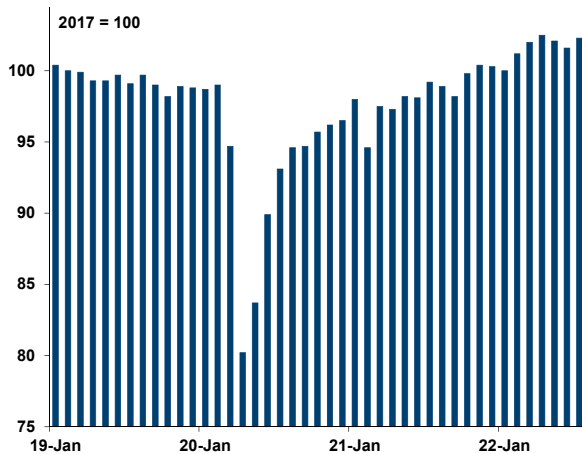
Industrial Production

Total industrial activity rose 0.6 percent in July, exceeding the expected increase of 0.3 percent. Growth in IP was revised upward in June, but results in other recent months were softer than previously believed; on balance, the level of total production in June was slightly lighter than initially estimated. Both manufacturing and mining activity contributed to the July increase in the headline index, with both advancing 0.7 percent. Utility output fell 0.8 percent, but changes in this sector nearly always reflect swings in temperatures rather than economic fundamentals.

The auto industry stood out in the manufacturing sector with a jump of 6.6 percent. The increase pushed vehicle production to a new high for the current expansion and above the pre-pandemic peak in February 2020. Other activity rose moderately, with manufacturing output ex-autos advancing 0.3 percent. Results in non-auto industries were mixed, with 10 registering gains and nine losing ground. The increase in manufacturing activity in July, while brisk, followed declines in May and June and left a slight net decline in the past three months (off 0.2 percent from April; chart, left).

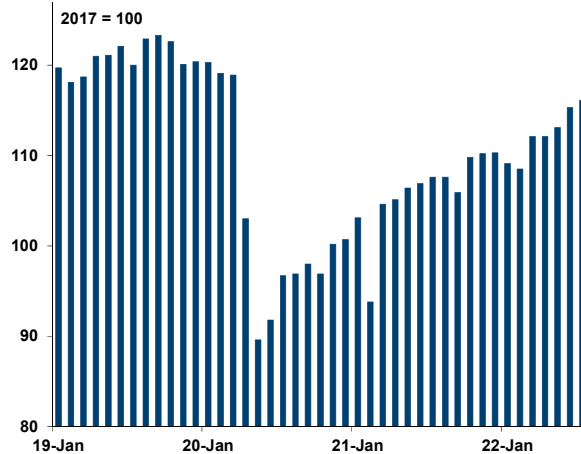
In the mining sector, the extraction of oil and natural gas was little changed in July (up less than 0.1 percent), but other activity jumped 2.8 percent. Mining has had a few soft months in the past year or so, but it is generally moving along an upward trend and has now retraced much of the ground lost during the early stages of the pandemic (still 2.5 percent below the pre-Covid reading in February 2020; chart, right).

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics