

U.S. Data Review

- Housing starts: drops in both multi and single-family activity
- Producer prices: broad-based pressure

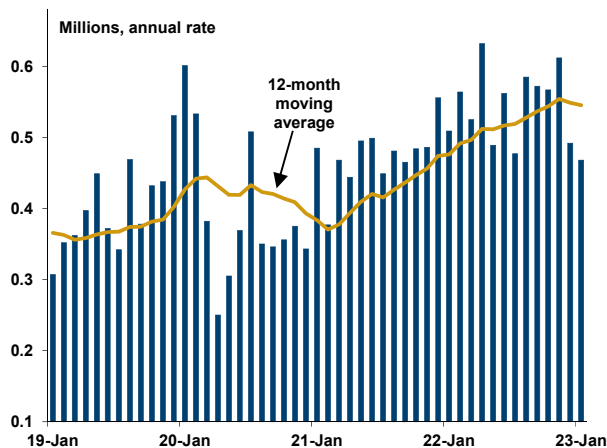
Michael Moran
Lawrence Werther

Daiwa Capital Markets America
 michael.moran@us.daiwacm.com
 lawrence.werther@us.daiwacm.com

Housing Starts

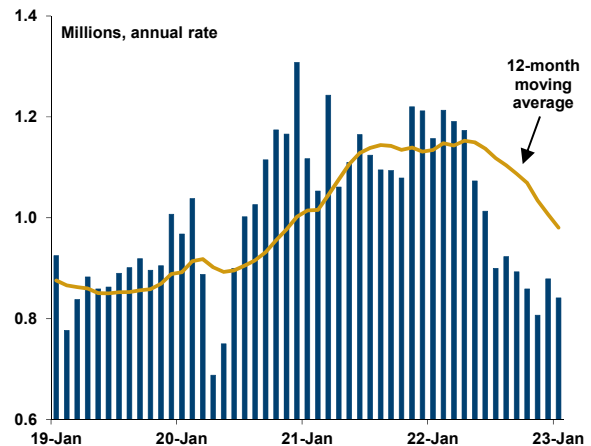
- Housing starts fell 4.5 percent in January to 1.309 million units from a downward revised reading in the prior month (1.371 million versus 1.382 million first reported). The fifth consecutive decline in starts pushed activity to the lowest level since June 2020, when the economy was starting to emerge from pandemic-related shutdowns.
- While multi-family starts registered a similar retreat to single-family activity in percentage terms (-4.9 percent versus -4.3 percent for single-family activity), the change was perhaps more noteworthy. Multifamily starts had been a bright spot in the housing sector for much of the current expansion, with a drop in affordability in single-family housing pushing many potential buyers into the rental market. Multi-family starts have now fallen sharply in back-to-back months from the top of the recent range to the middle, with the January level of 0.468 million (annual rate) 23.5 percent below the November reading (chart, left).
- Multi-family building permits rose for the second consecutive month (up 2.5 percent in January), but the recent changes offset only a portion of prior sharp declines and permit issuance remained in the low portion of the range of the past two years – another sign that multi-family activity may be cooling.
- Single-family housing starts continued on the sharp downward trend in place since early 2022 (off 4.3 percent to 0.841 million units, annual rate). The latest reading remained in the bottom of the range of the current expansion (chart, right).
- Permit issuance for single-family units offered little hope of near-term revival, easing for the 11th consecutive months and moving to the lowest level since the economy was hampered by pandemic-related lockdowns.

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Single-Family Housing Starts



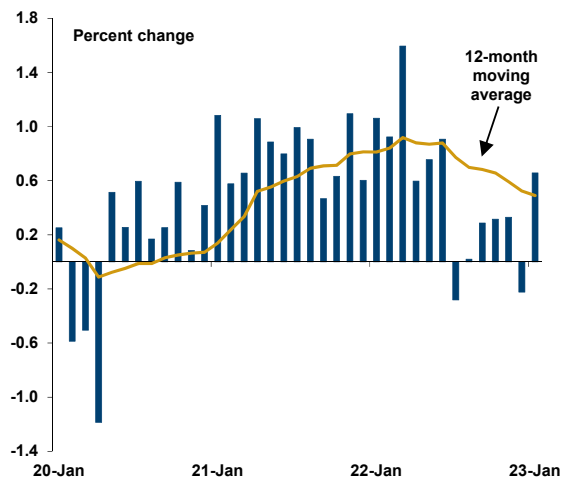
Source: U.S. Census Bureau via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

PPI

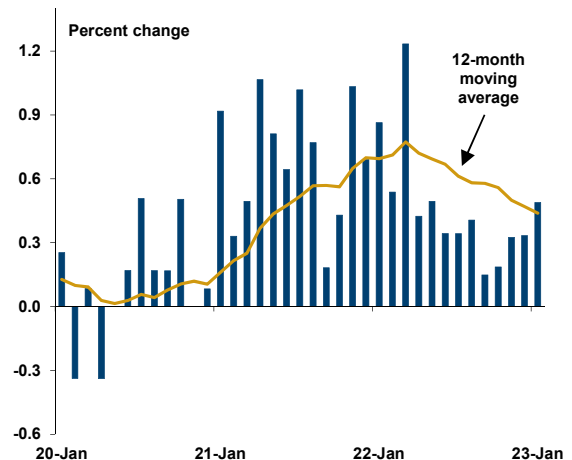
- The producer price index jumped 0.7 percent in January, exceeding the expected increase of 0.4 percent. The energy component provided a surprise with an increase of 5.0 percent (we expected minimal change after seasonal adjustment). The surge was not entirely shocking, however, as this component often moves erratically. Food prices fell 1.0 percent after a drop of 0.9 percent in December, but the changes offset only a portion of the 3.3 percent surge in November. The trend in food prices remained upward (a year-over-year increase of 11.6 percent, slower than the recent high of 16.3 percent but still troubling). Excluding food and energy, prices rose 0.5 percent, faster than the consensus estimate of 0.3 percent.
- The increase in prices excluding food and energy was broadly based. Consumer goods, which have shown hints of cooling in recent months (0.1 percent in December, 0.2 percent in October) jumped 0.7 percent, a reading in line with observations during the period of accelerating inflation. Prices of goods destined for export rose 0.4 percent. This area had been showing price declines as exporters sought to offset the effects of a strong dollar, but the recent softening in the currency apparently opened a door to higher prices. Construction prices jumped 1.6 percent, but this component has a seasonal flaw in that it shows a sharp advance in the first month of every quarter followed by two soft months.
- The increase in goods prices other than food and energy was troubling in that this area showed signs of cooling in recent months (average increase of 0.1 percent from July to December). The increase of 0.6 percent in January suggests lingering pressure.
- The increase of 0.4 percent in service prices was within the range of the past nine months and much slower than results in much of 2021 and early 2022, but the pace remained uncomfortable.

PPI



Source: Bureau of Labor Statistics via Haver Analytics

PPI Ex. Food & Energy



Source: Bureau of Labor Statistics via Haver Analytics