

U.S. Data Review

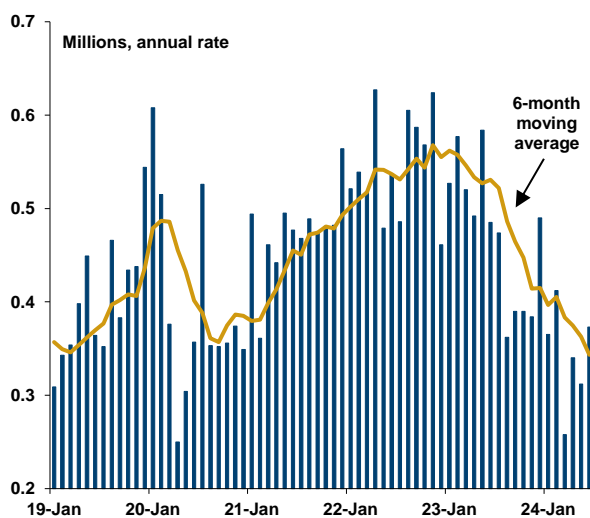
- Housing starts: a pickup in June led by multi-family activity
- Industrial production: solid performances in manufacturing, mining, and utilities

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Housing Starts

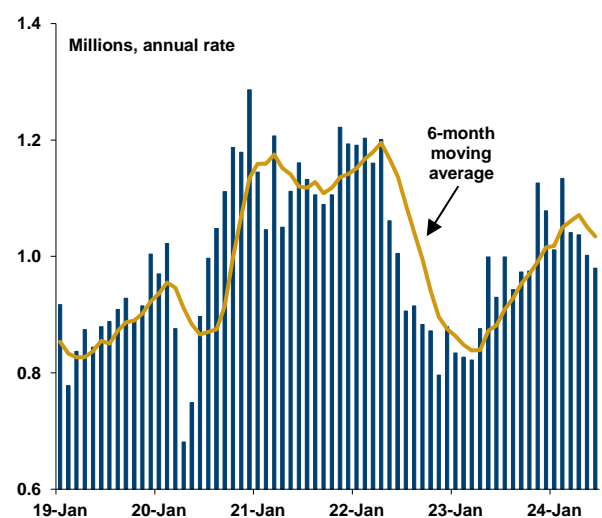
- Housing starts rose 3.0 percent to 1.353 million, annual rate, in June, a firmer reading than the Bloomberg median expectation of a pickup to 1.300 million. Additionally, results in the prior two months were revised higher with the revised pace of 1.314 million in May 2.9 percent above the preliminary estimate. The latest results, however, still suggest ongoing struggles in residential construction. Multi-family starts jumped from a low level, although the pace of activity remained subdued, while single-family starts eased (charts, below).
- Multi-family starts accounted for all of the advance in June with an increase of 19.6 percent to 0.373 million units, annual rate. Although up from the recent low of 0.258 million units in March, multi-family starts have trended lower since mid-2022 and remain subdued from a longer-term perspective. Multi-family permit issuance also rose in June (+15.6 percent to 0.512 million, annual rate), but the increase followed sharp declines in the prior three months. The latest results for both starts and permit issuance suggest ongoing restrained activity after firm demand for rental housing earlier in the expansion drove a strong performance in new multi-family construction.
- Single-family housing starts eased 2.2 percent to 0.980 million, annual rate. Single-family activity has now declined in five of the past six months, with the latest reading in the middle of the range of the current expansion (although comparable to the better reading in the period preceding the pandemic). Additionally, single-family building permits declined for the fifth consecutive month (-2.3 percent month-to-month in June to 0.934 million, annual rate). With home sales sluggish amid high prices and elevated mortgage interest rates, inventories of unsold new homes have climbed to potentially uncomfortable levels for builders (the current months' [May] supply of 9.3 months is below the cycle peak of 10.6 in July 2022 but comparable to those in the period directly following the 2008-09 recession). Again, prospects for a near-term pickup in single-family building appear limited.

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Single-Family Housing Starts



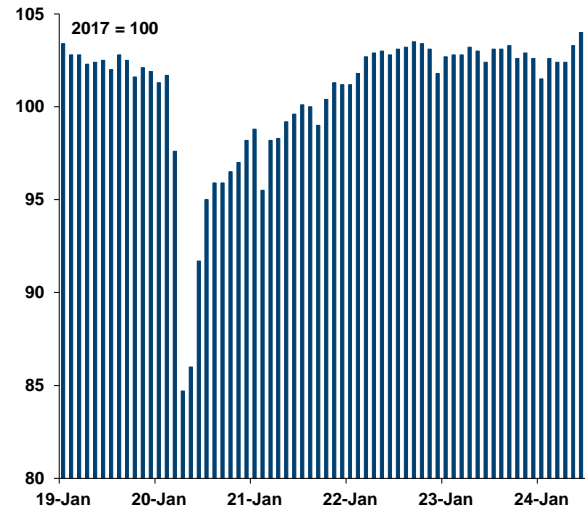
Source: U.S. Census Bureau via Haver Analytics

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Industrial Production

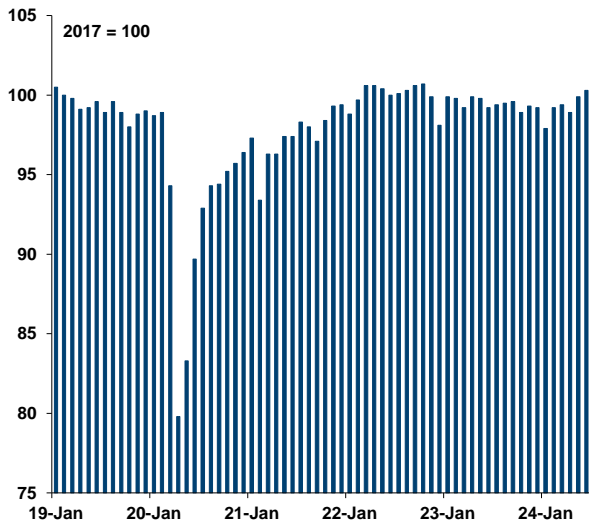
- Industrial production rose 0.6 percent in June (+1.6 percent year-over-year), accompanied by modest upward revisions in prior months (chart). The internals of the report were broadly favorable, as manufacturing, mining, and utility output all increased.
- Manufacturing activity advanced 0.4 percent in June (+1.1 percent year-over-year). While the latest performance was favorable, this cyclically-sensitive component has essentially moved sideways since early 2023 (chart, below left). Following declines in the prior two months, autos and parts production rose 1.6 percent (+4.2 percent year-over-year), pushing the index to the upper end of the range over the past year. Activity excluding autos rose 0.2 percent (+0.8 percent year-over-year), with 13 of the 19 non-auto manufacturing industries recording increases in production.
- Following a decline of 0.7 percent in the prior month, mining activity rose 0.3 percent in June (-0.6 percent year-over-year). Mining activity in the current cycle peaked in the fall of 2023 and has since moderated amid cooling in the prices of energy-related commodities (-1.3 percent from the cycle peak of 120.9 in September 2023; chart; below right).

Industrial Production



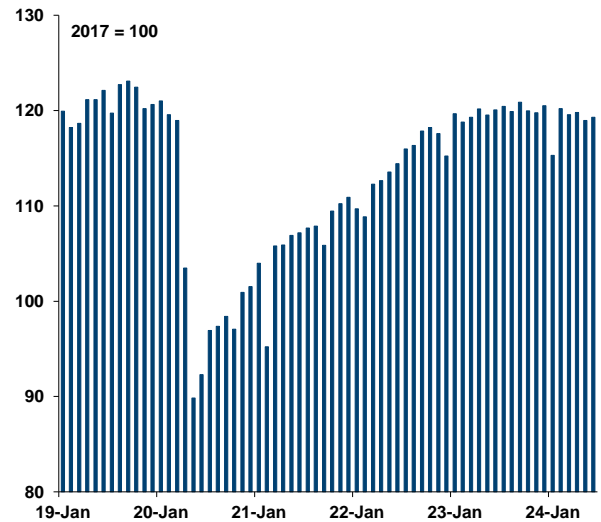
Source: Federal Reserve Board via Haver Analytics

Industrial Production: Manufacturing



Source: Federal Reserve Board via Haver Analytics

Industrial Production: Mining



Source: Federal Reserve Board via Haver Analytics

- Utility output rose for the third consecutive month in June, increasing 2.8 percent (+7.9 percent year-over-year). Keep in mind, however, that this area is volatile on a month-to-month basis with changes often reflecting swings in weather rather than in underlying economic conditions. Specifically, above-average temperatures in June likely caused an increase in demand for air conditioning.