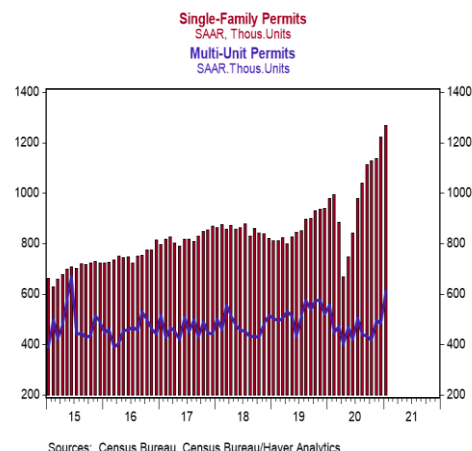
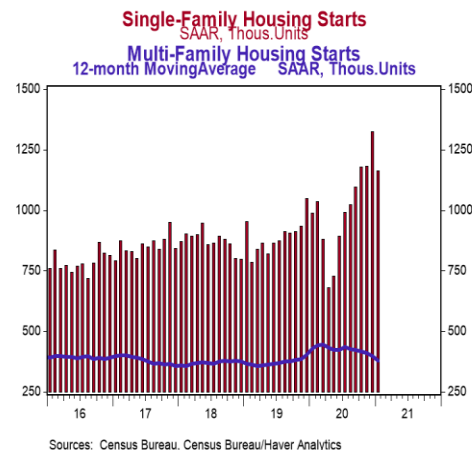


January Housing Starts

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- Housing starts declined 6.0% in January to a 1.580 million annual rate, below the consensus expected 1.660 million. Starts are down 2.3% versus a year ago.
- The drop in January was entirely due to single-family starts; multi-family starts rose. In the past year, single-family starts are up 17.5% while multi-unit starts are down 33.4%.
- Starts in January fell in the Midwest, West, and South, but rose in the Northeast.
- New building permits rose 10.4% in January to a 1.881 million annual rate, easily beating the consensus expected 1.680 million. Compared to a year ago, permits for single-family units are up 29.9% while permits for multi-family homes are up 9.5%.

Implications: Following four straight gains – and a December reading that marked a fourteen-year high - housing starts took a breather in January, coming in 6.0% below the December mark and down 2.3% from a year ago. All of the decline in starts in January was due to a slowdown in single-family housing starts, while multi-family units increased. Given the hard winter freeze currently enveloping much of the country, look for a further decline in housing starts when we get the February data a month from now. However, as we look towards the spring, we anticipate a return to the upward trend in housing starts, led higher by single-family homes. Why the confidence? Just look at housing permits, which increased 10.4% in January, are up 22.5% from a year ago, and hit the highest level since 2006. Permits to build single-family homes are up 29.9% from a year ago and also the highest since 2006. This is important because each single-family unit adds much more to economic activity than each multi-family unit. Look for both overall and single-family starts to post even higher highs in 2021. This positive outlook is reinforced by yesterday’s read on the NAHB index, a gauge of homebuilder sentiment, which rose to 84 in February from 83 in January, remaining within throwing distance of its record high of 90. These signs all suggest housing will provide a substantive tailwind to the economic recovery for the foreseeable future. Switching gears to the labor market, initial jobless claims rose 13,000 last week to 861,000. Meanwhile, continuing claims for regular benefits fell 64,000 to 4,494 million. In manufacturing news this morning, the Philly Fed index fell to a still very high +23.1 in February from +26.5 in January, signaling continued improvement in the factory sector but at a slightly slower pace. Finally, on the inflation front, import prices jumped 1.4% in January, the largest monthly gain since 2012, largely the result of a 8.3% surge in petroleum prices. Meanwhile, export prices increased 2.5%, as agricultural export prices jumped 6.0%. In the past year, import prices are up 0.9%, while export prices are up 2.3%. Jumps like these are indicative of the rising inflation trend we are likely to witness in the year ahead.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-21 Level	Dec-20 Level	Nov-20 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-6.0%	1580	1680	1553	1604	1526	-2.3%
Northeast	2.3%	134	131	143	136	117	-38.2%
Midwest	-12.3%	221	252	189	221	220	28.5%
South	-2.5%	829	850	805	828	799	4.7%
West	-11.4%	396	447	416	420	390	-9.2%
Single-Unit Starts	-12.2%	1162	1323	1181	1222	1161	17.5%
Multi-Unit Starts	17.1%	418	357	372	382	365	-33.4%
Building Permits	10.4%	1881	1704	1635	1740	1631	22.5%
Single-Unit Permits	3.8%	1269	1223	1137	1210	1151	29.9%

Source: U.S. Census Bureau