

January 17, 2014



UNITED STATES

Housing starts post normal pullback

HIGHLIGHTS

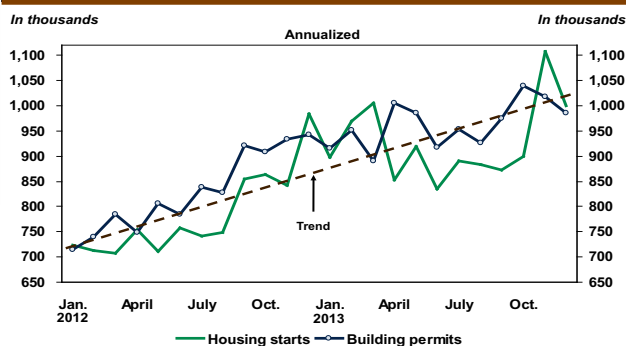
- Housing starts declined from an annualized level of 1,107,000 in November to 999,000 in December. This 9.8% drop follows a surge of 23.1% recorded one month earlier. For 2013 overall, an average of 923,400 housing starts was achieved, an increase of 18.3% over the 780,600 units in 2012.
- Building permits declined by 3.0%, slipping from 1,017,000 units to 986,000 units.
- Industrial production advanced by 0.3% in December after a 1.0% gain in November. Manufacturing output rose 0.4%. Activity in the mining sector was up 0.8%, while energy production fell by 1.4% on the heels of a 3.0% jump. For 2013 overall, industrial production was up 2.6%, after gaining 3.6% in 2012.

COMMENTS

The decline in housing starts was entirely predictable, primarily because the jolt in November was clearly a temporary event that corrected several months of weakness in a single swoop. Despite this monthly pullback, December's housing starts were still at a level that outpaced the 899,000 starts recorded in October. The uptrend is thus back on track and better than what was observed over the summer, but less off the mark than the data for November. This upward trend should continue through 2014. The relative weakness of building permits in December and the cold weather suggest that growth could be impeded in January.

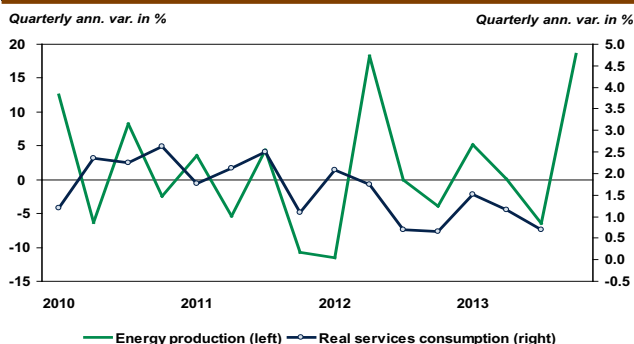
The slowdown in industrial output in December reflects a decline in the production of electricity after the very strong gain in November. In addition, the weak number of hours worked in December pointed to a slowdown on the manufacturing side. That said, metals, electrical equipment and motor vehicles posted solid growth. Despite the decline in December, growth in electricity production in previous months points to a rebound in the real consumption of services in the last quarter of 2013, after the meagre annualized 0.7% gain posted last summer.

After a jump in November, housing starts revert to their previous trend



Sources: U.S. Census Bureau and Desjardins, Economic Studies

Service consumption should rebound in Q4, buoyed by energy production



Sources: Federal reserve Board, Bureau of Economic Analysis and Desjardins, Economic Studies

Implications: The decline in housing starts in December is not a concern, and the housing sector's recovery should continue in 2014. The good showing by industrial production confirms that economic growth in the last quarter of 2013 was relatively good.

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