



UNITED STATES

Housing starts also affected by the weather

HIGHLIGHTS

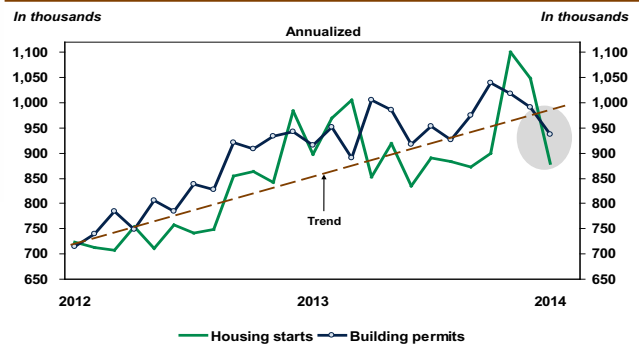
- Housing starts fell from an annualized level of 1,048,000 units in December (revised up from 999,000) to 880,000 in January. This 16.0% drop follows a 4.8% retreat in December and a gain of 22.5% in November.
- Lower housing starts affected both single-family homes (-15.9%) and multi-unit housing (-12.8%).
- Movement in housing starts showed significant regional differences. The Northeastern United States was not affected in January, as new construction there climbed 61.9%. The Midwest saw more of an impact (-67.7%). Dips in the South (-12.5%) and the West (-17.4%) were less pronounced.
- Building permits dwindled 5.4%, from 991,000 units to 937,000 units.

COMMENTS

Residential construction now joins the ranks of other less than stellar economic data piling up in the United States: we can now add housing starts to a list that includes employment, the manufacturing ISM, retail sales, manufacturing output and new orders. These recent setbacks are typically seen as the consequences of bad weather conditions that have afflicted several regions in the United States since the beginning of winter. This is even more evident in housing starts. The drops posted in December reflected both a normal pullback following November's extraordinary jump and the first negative impact of the weather, particularly in the Northeast and Midwest. The situation hasn't really improved since then. While the Northeast rebounded after dipping in December, the Midwest seemed to get further bogged down with temperatures well below average and record precipitation. The abnormal cold in the South also had an impact.

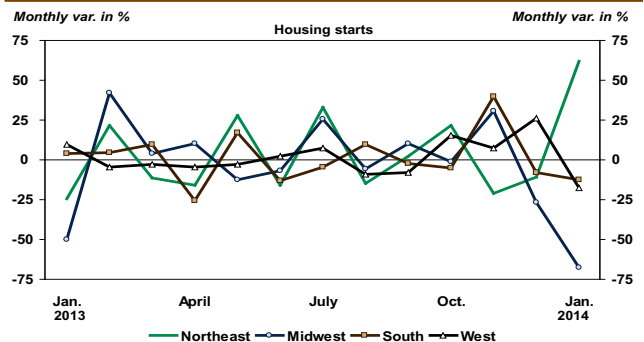
Less construction activity due to the weather fortunately has the advantage of being able to recover later. We can therefore expect housing starts to rebound when the weather is milder. For now, the conditions seem to still be difficult in February, but residential construction will return closer to its trend sooner or later.

Bad weather battered residential construction in January



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

Construction in the Midwest was most affected in January



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

Implications: Retreating housing starts can be added to the other recent disappointing indicators. Since weather conditions seem to be the main culprit behind these setbacks, we can expect economic activity to accelerate in the coming months.

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