

March 17, 2015



UNITED STATES

Homebuilding takes a hard hit from the weather

HIGHLIGHTS

- Housing starts plunged by 17.0% in February after stagnating in January and rising by 6.5% in December. They plummeted from 1,081,000 units in January to just 897,000 units in February, the lowest annualized volume since January 2014.
- The decline in housing starts comes nearly as much from single-family homes (-14.9%) as from multi-unit housing (-21.6%).
- Housing starts contracted in all parts of the country. The drop is 56.5% in the Northeast, 37.0% in the Midwest and 18.2% in the West. The decline is more modest in the South, at -2.5%.
- Building permits were up by 3.0%, from 1,060,000 units to 1,092,000 units. This is their highest level since October 2014.

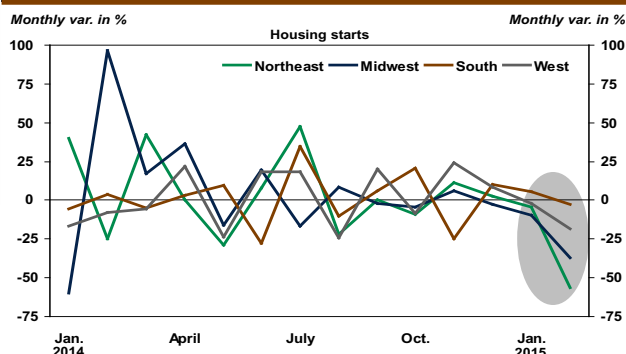
COMMENTS

Following in the footsteps of the February retail sales data released last week, housing starts are posting a pullback, probably due to the harsh weather conditions that have pummelled many parts of the United States. Naturally, this situation brings to mind that of last winter, which ended up with contraction of real GDP in the first quarter of 2014. In fact, housing starts fell in February 2015 to exactly the same number as that of January 2014, i.e. 897,000 units. This time, the impact appears to be spread more widely among the four regions surveyed.

Fortunately, we can look forward to a quick rally. Issuances of building permits are still high, nearly matching the recent peak of last October. As soon as weather conditions return to normal, the volume of housing starts should approach that of building permits. It might even surpass it for a few months, in order to make up for the time lost due to harsh winter conditions.

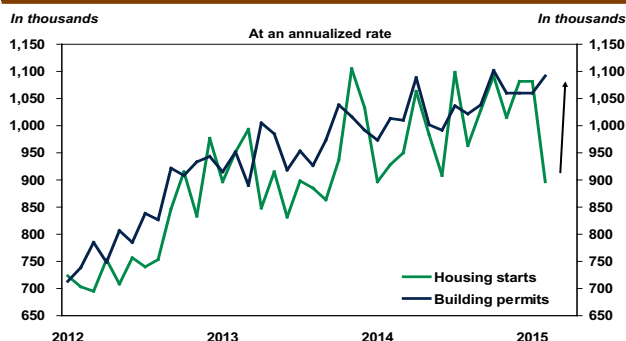
Implications: Housing starts are one more in a string of disappointing indicators that have been released lately. Fortunately, the volume of building permits offers hope

This time, many regions have been affected by bad weather



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

Once weather conditions return to normal, housing starts should rebound



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

of better days. In the meantime, we should not expect any great contribution from residential investment to real GDP growth in the first quarter. All these short-term concerns are likely to encourage the Federal Reserve, which meets starting today, to remain cautious in its comments and to leave the key interest rates unchanged for several months to come.

Francis Généreux
Senior Economist

François Dupuis
Vice-President and Chief Economist

Hélène Bégin
Senior Economist

Benoît P. Durocher
Senior Economist

Francis Généreux
Senior Economist

514-281-2336 or 1 866 866-7000, ext. 2336
E-mail: desjardins.economics@desjardins.com