



UNITED STATES

Housing starts rebound strongly at last

HIGHLIGHTS

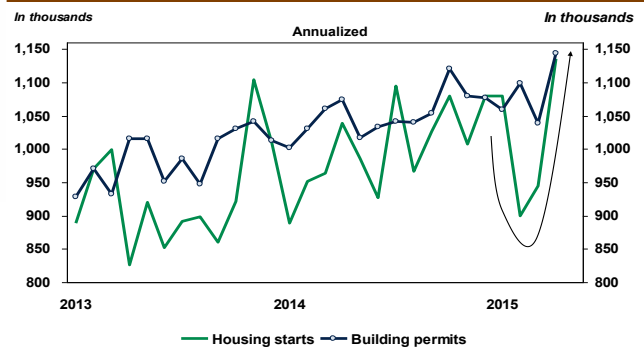
- Housing starts shot up in April, going from an annualized 944,000 units in March to 1,135,000. At 20.2%, it is the biggest jump since February 1991, following March's 4.9% increase.
- Multi-unit housing made a big contribution to the rise (+31.9%), but single-family homes also posted a very strong 16.7% increase. The gains are fairly widespread across the United States, with the biggest increase in the Northeast. The South, however, edged back 1.8%.
- Building permits also advanced sharply in April, gaining 10.1% to go from 1,038,000 to 1,143,000 units.

COMMENTS

A more satisfactory performance from the housing market was a long time in coming. Since interest rates went up in 2013, housing starts have mainly stagnated, oscillating around the million-unit mark. The harsh winter in early 2015 further sapped the advance in new construction. With the more clement weather, the market has emerged from hibernation and lower interest rates have sparked an upswing in mortgage applications in view of a purchase. It started with better home sales and now housing starts have posted their best level since November 2007.

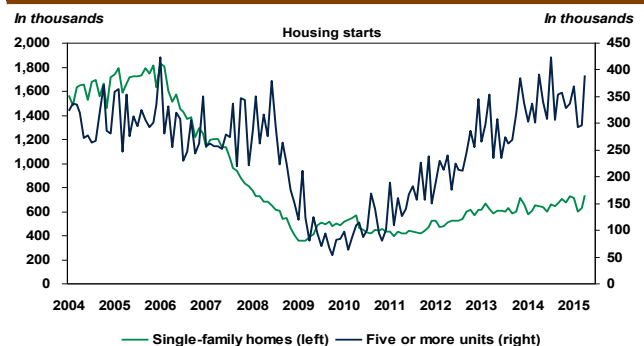
Will the surge last? April's performance was certainly boosted by lagging new construction during the tough winter. Also, building permits were more stable than housing starts. Still, the fact that building permits remained high in April suggests that there will be numerous housing starts in May. Note that starts on single-family homes remain low, leaving a lot of room for improvement. What remains to be seen is whether the uptick by mortgage rates since the start of the month will rein in growth.

After a tough winter, housing starts rebound



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

Despite the rebound, construction of single-family homes remains relatively low



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

Implications: The rebound by housing starts is good news that soothes the concerns raised by the plethora of disappointing economic indicators. Residential investment's contribution to real GDP should be fairly large in the second quarter, following several quarters of quite modest contributions.

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