



UNITED STATES

Housing starts post strong rebound, but industrial production weakens again

HIGHLIGHTS

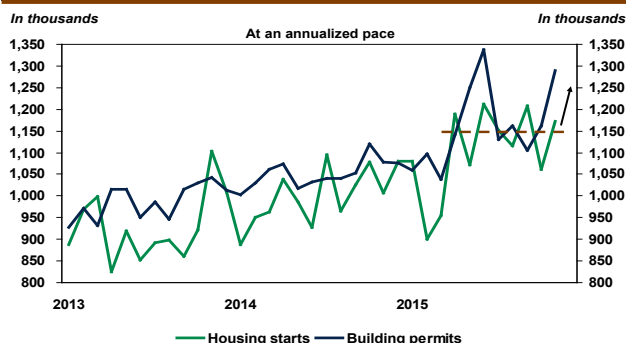
- Housing starts rose sharply in November, progressing from an annualized level of 1,062,000 units in October to 1,173,000. This 10.5% surge followed a 12.0% drop one month before. The increase in housing starts stems largely from multi-unit dwellings (+18.1%), while single-family homes still posted sharp growth of 7.6%. Building permits also showed robust growth in November, with an 11.0% gain which pushed up their level from 1,161,000 to 1,289,000 units.
- Industrial production retreated 0.6% in November on the heels of a 0.4% decline in October and a 0.1% drop in September. Manufacturing production stagnated after posting a 0.3% gain in October. Activity in the mining sector pulled back 1.1% and energy production tumbled 4.3% after a 2.8% decline in October. The industrial capacity utilization rate slipped from 77.5% to 77.0%.

COMMENTS

The rebound in building permits in October pointed to solid growth in housing starts for November, but the gains were better than expected. The level reached is still less than the peaks recorded earlier this year, however. After the recovery recorded at the end of last winter, housing starts do not seem poised for any sizable uptrend. Monthly blips, as seen in November, stem mainly from the volatility of data which is exacerbated by the growing market for multi-unit housing. We expect housing starts to renew with an upward trajectory in 2016.

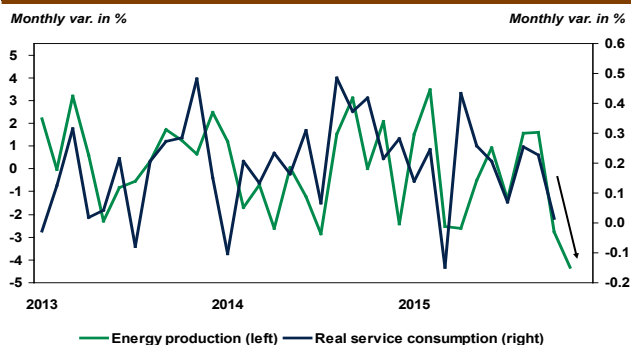
Much like the signal sent by the ISM manufacturing index when it fell below 50, the goods sector in the United States is still experiencing difficulties. In one year, manufacturing has advanced by only 0.9%. The strength of the greenback and declining investments in the oil sector continue to hurt industrial production. The drop in energy production also points to a weakness in households' service consumption in the fourth quarter.

Housing starts have been relatively steady since the spring, but another increase in December is likely



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

Energy production points to a decline in real service consumption in November



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

Implications: The increase in housing starts is good news that may be repeated in December, if the rise in building permits is any indication. In contrast, industrial production may continue to suffer under the effects of a strong dollar and the relapse in the oil sector will continue to undermine investment.

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