



UNITED STATES

Residential construction disappoints, but manufacturing does better

HIGHLIGHTS

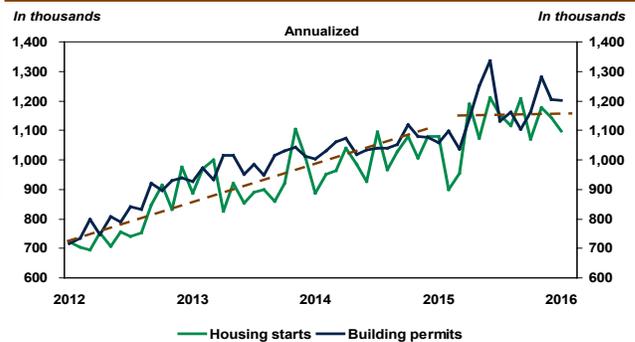
- Housing starts were down from an annualized level of 1,143,000 units in December to 1,099,000 in January. This 3.8% decline follows a 2.8% fall. This decrease stems from both single-family homes (-3.9%) and multi-unit housing (-2.5%). Building permits slipped 0.2% to 1,202,000 from 1,204,000 units.
- Industrial output increased 0.9% in January following December's 0.7% decrease. Manufacturing output rose 0.5% following two straight 0.2% decreases. Mining activity was stable and energy production jumped 5.4%. The industrial capacity utilization rate climbed from 76.4% to 77.1%.

COMMENTS

Residential construction disappointed again in January, as consensus expectations called for a level closer to 1,200,000 units. Housing starts and building permits seem to have plateaued, leaving behind the upward trend they were on between 2012 and the problems arising from last year's harsh winter. During this plateau, we could still hope for housing starts to perform better, as they remain well below the recent level of building permits. Perhaps the January storms in parts of the United States negatively impacted new construction. We are still waiting for a recovery, which should materialize sooner or later.

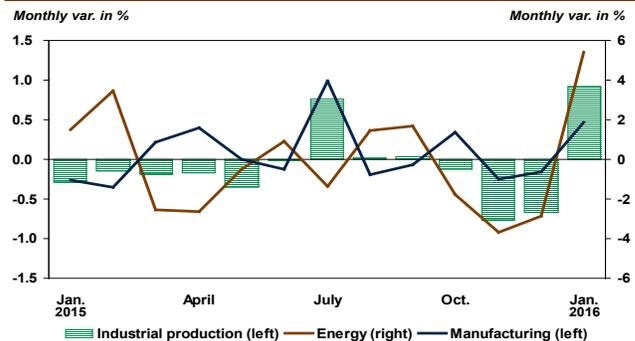
January marks the first month with a significant rise in industrial production since July 2015. A good portion of the gain recorded last month stems from the surge in energy production after being limited in the fall by unusually mild weather. This gain should also show in household consumption of services. After several difficult months, manufacturing's improvement is encouraging, with strong gains in January for the machinery, motor vehicle, food and chemical product sectors.

Residential construction holds on to a neutral trend



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

Industrial production, including manufacturing, jumped in January



Sources: Federal Reserve Board and Desjardins, Economic Studies

Implications: It is too early to completely set aside fears on the U.S. manufacturing sector, but 2016 is starting on the right foot. However, residential investment's contribution to economic growth in the first quarter may be very modest.

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