Data Watch

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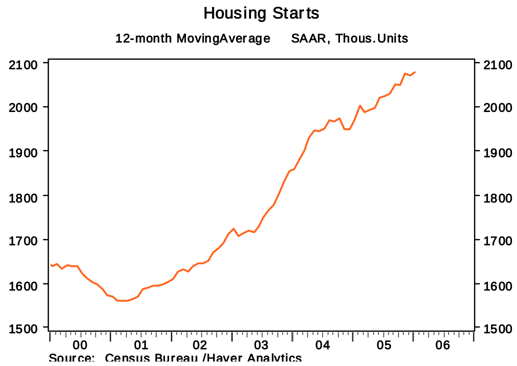
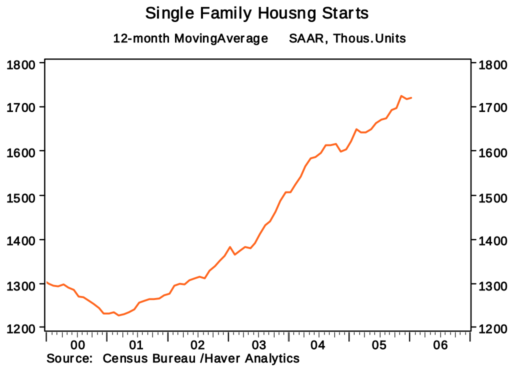
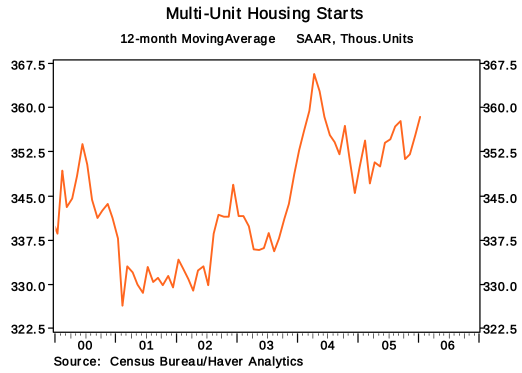
FEBRUARY HOUSING STARTS

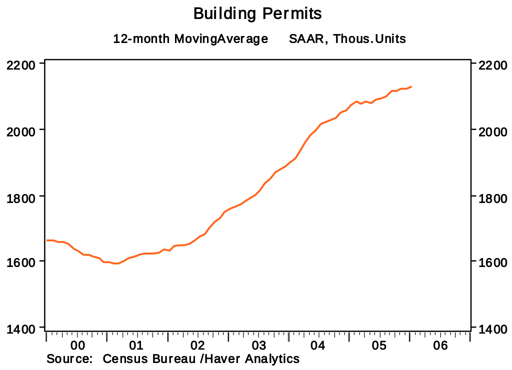
- Housing starts fell 7.9% in February to 2.120 million units at an annual rate. This follows a 15.8% gain in January. Single family starts slid 2.3% in February after a 14.3% jump in January. Housing starts have fallen 4.8% in the past year, while single family starts are down 0.4%.

- New building permits declined 3.2% in February to an annualized 2.145 million units. Building permits have been above the two million mark for two years.









Implications: At first glance, the sharp decline in housing starts in February looks alarming. However, the decline appears heavily influenced by warmer-than-average weather in January and colder-than-average weather in February, and single family housing starts are still 11.6% above December's level. Despite this gain in the last two months, evidence is mounting that housing activity is settling at historically high levels. This means that housing will no longer add to GDP growth rates. Nonetheless, resources that might have been spent on housing will be moved toward other activities and the overall economy will not suffer. Separately, initial claims for unemployment benefits rose to 309,000 last week versus 304,000 in the previous week. The total number of people receiving unemployment insurance fell to 2.445 million, the lowest level since February 2001. At their current level, both initial claims and continuing claims signal a tight labor market.

Housing Starts *SAAR, thousands*	**Monthly** *% Ch.*	**Feb-06** *Level*	**Jan-06** *Level*	**Dec-05** *Level*	**3-mth** *moving avg*	**6-mth** *moving avg*	**Yr over Yr** *% Ch.*
Housing Starts	**-7.9%**	**2120**	2303	1989	2137	2127	-4.8%
Northeast	**-23.5%**	**182**	238	167	196	191	-12.1%
Midwest	**-10.4%**	**326**	364	296	329	349	-24.7%
South	**-11.2%**	**1041**	1172	1090	1101	1056	2.3%
West	**7.9%**	**571**	529	436	512	531	0.2%
Single-unit	**-2.3%**	**1800**	1843	1613	1752	1764	-0.4%
Multi-unit	**-30.4%**	**320**	460	376	385	363	-23.8%
2-4 unit	**66.7%**	**45**	27	32	35	39	-13.5%
5 unit	**-36.5%**	**275**	433	344	351	324	-25.3%
Building Permits	**-3.2%**	**2145**	2216	2075	2145	2154	2.5%
Single-unit	**-3.0%**	**1639**	1690	1645	1658	1695	0.9%
2-4 unit	**-13.6%**	**89**	103	81	91	87	7.2%
5 unit	**-1.4%**	**417**	423	349	396	371	8.0%

Source: U.S. Census Bureau