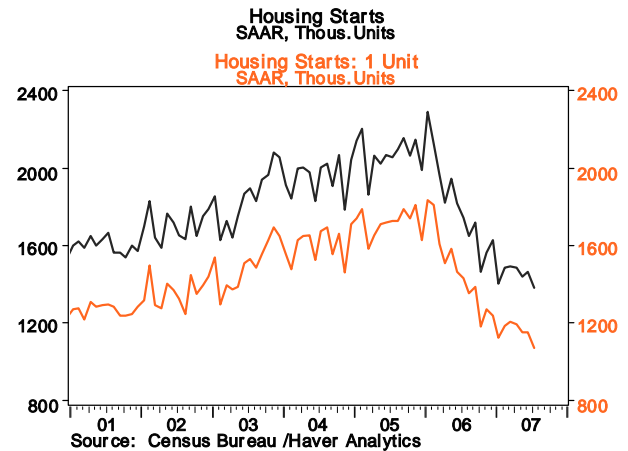


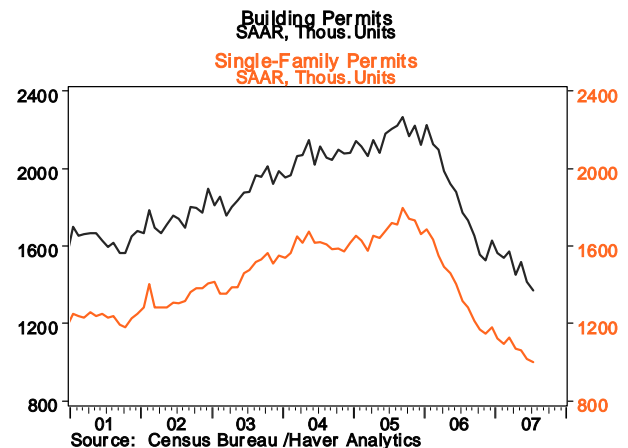
JULY HOUSING STARTS

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- Housing starts declined 6.1% in July to 1.381 million units at an annual rate, below consensus expectations of a 1.400 million rate. Starts are down 20.9% versus a year ago.
- The decline in starts in June was due to both single-family homes (down 7.3%) and multi-family units (down 1.6%). By region, the drop in starts was concentrated in the South (down 11.0%). Starts also declined in the West but were up in the Midwest and close to unchanged in the Northeast.
- New building permits declined 2.8% in July to 1.373 million units at an annual rate, slower than the consensus expected 1.400 million rate. Permits are down 22.6% versus last year, 24.0% for single-family units.



Implications: There is no sugar-coating today's report on housing starts. Both starts and permits are down to levels that last prevailed before the housing boom began back in mid-1997. Starts are the lowest since January 1997; permits the lowest since October 1996. Given the overhang in housing inventory, starts are likely to trend lower, dragging down the real GDP growth rate by about 0.5 percentage points per quarter on average (the same as in the second quarter of 2007). Drops in housing starts in the next few months will also be propelled by problems in the credit markets that will make it difficult for some builders to get adequate financing. In other news today, initial claims for unemployment insurance increased to a still-low 322,000 last week from 316,000 the previous week. At present, we think payrolls will expand by about 135,000 in August.



Housing Starts SAAR, thousands	Monthly % Ch.	Jul-07 Level	Jun-07 Level	May-07 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-6.1%	1381	1470	1440	1430	1459	-20.9%
Northeast	-1.3%	156	158	167	160	151	6.1%
Midwest	2.6%	241	235	246	241	220	-17.5%
South	-11.0%	649	729	701	693	728	-26.3%
West	-3.7%	335	348	326	336	360	-21.5%
Single-Unit Starts	-7.3%	1070	1154	1155	1126	1161	-25.4%
Multi-Unit Starts	-1.6%	311	316	285	304	298	-0.3%
Building Permits	-2.8%	1373	1413	1520	1435	1479	-22.6%
Single-Unit Permits	-1.6%	1003	1019	1063	1028	1065	-24.0%

Source: U.S. Census Bureau