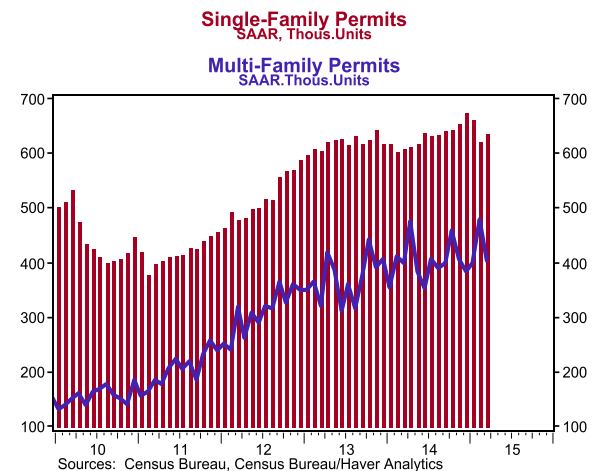
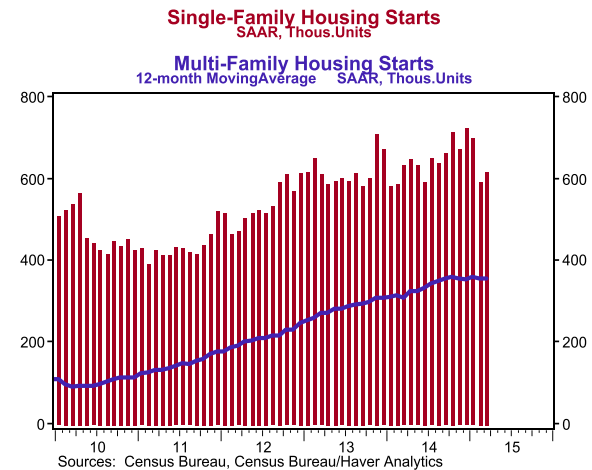


March Housing Starts

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- Housing starts increased 2.0% in March to a 926,000 annual rate, coming in well below the consensus expected 1.040 million annual rate. Starts are down 2.5% versus a year ago.
- The increase in starts in March was due to a 4.4% gain in single-family units. Multi-family starts declined 2.5%. In the past year, single-family starts are down 2.7% while multi-family starts are down 2.2%.
- Starts in March rose in the Northeast and Midwest, but were down in the West and South.
- New building permits declined 5.7% in March to a 1.039 million annual rate, coming in below the consensus expected 1.081 million. Compared to a year ago, permits for single-family units are up 4.1% while permits for multi-family homes are up 1.0%.

Implications: After a huge weather-related drop in February, housing starts rebounded in March but not nearly as much as the consensus expected. In fact, March housing starts came in below the lowest forecast by any economics group. The breakdown of home building by region suggests there was a bounce back from the weather: Starts in the Northeast increased at the fastest pace on record in March (going back to 1959), while the Midwest saw a 31.3% gain. Instead, this month the weakness was in the South and West. It's not clear why these two particular regions had a slowdown in housing starts, but regional figures are very volatile from month to month and it is most likely just statistical noise. Other data suggest housing starts will rebound more sharply in the months ahead. The total number of homes under construction, (started, but not yet finished) increased 0.6% in March and are up 16.5% versus a year ago. In other words, homebuilders were busy in March, just not breaking ground as fast as most economists expected. Meanwhile, single-family permits for future building, which are relatively stable month to month, rose 2.1% in March and are up 4.1% from a year ago. And yesterday, the NAHB index, which measures confidence among home builders, rose to 56 in April from 52 in March. Readings greater than 50 mean more respondents said conditions were good than bad, which bodes well for future home building. Based on population growth and "scrappage," housing starts should rise to about 1.5 million units per year over the next couple of years, so a great deal of the recovery in home building is still ahead of us. A pace of less than 1.5 million means the number of housing units per person is falling. We don't think that's likely to continue when payrolls are increasing more than three million per year and wages are starting to accelerate. Supporting this case, in other news this morning, initial claims for unemployment insurance rose 12,000 last week to 294,000. The four-week moving average is 283,000 and this is now the 6th consecutive week below 300,000. Continuing claims for regular state benefits declined 40,000 to 2.27 million, the lowest level for any week since 2000. It's still early, but our models are tracking a payroll gain of 285,000 in April, a very solid month. On the manufacturing front, the Philadelphia Fed index, which measures factory sentiment in that region, increased to +7.5 in April from +5.0 in March, offsetting yesterday's report of declining factory sentiment in New York.



Housing Starts SAAR, thousands	Monthly % Ch.	Mar-15 Level	Feb-15 Level	Jan-15 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	2.0%	926	908	1072	969	1016	-2.5%
Northeast	114.9%	101	47	109	86	97	-18.5%
Midwest	31.3%	126	96	144	122	146	-11.9%
South	-3.5%	498	516	527	514	517	4.2%
West	-19.3%	201	249	292	247	257	-2.0%
Single-Unit Starts	4.4%	618	592	698	636	671	-2.7%
Multi-Unit Starts	-2.5%	308	316	374	333	345	-2.2%
Building Permits	-5.7%	1039	1102	1060	1067	1071	2.9%
Single-Unit Permits	2.1%	636	623	661	640	649	4.1%

Source: U.S. Census Bureau