

December 2018 Housing Starts, Case-Shiller HPI, Powell Testimony

Housing Indicators Sag at Year End

- Housing Starts declined by 11.2 percent in December with both single and multifamily starts falling.
- Housing Permits inched up by 0.3 percent in December to a 1,326,000 unit annual rate.
- The Case-Shiller U.S. National House Price Index for December was up by 4.7 percent over the year.

According to the Census Bureau, housing starts and permits data for December were affected by the shutdown and so we will expand the confidence interval around the data. According to Census, housing starts were soft at year end 2018, but forward-looking permits data were in better shape. Total housing starts fell noticeably in December, down by 11.2 percent to a 1,078,000 unit annual rate. This is the weakest new home construction rate since September 2016. Single-family starts were down by 6.7 percent, to a 758,000 unit annual rate. Multifamily starts fell by 20.4 percent, to a weak 320,000 unit rate. Total permits were little changed for the month, up 0.3 percent to an 1,326,000 unit annual rate. Single-family permits decreased by 2.2 percent, to an 829,000 unit rate. Multifamily permits firmed up by 4.9 percent, to a 497,000 unit rate. This was the strongest multifamily permit rate since April 2018. Lower mortgage rates are expected to support demand for new homes this spring, which will motivate home construction in the near-term.

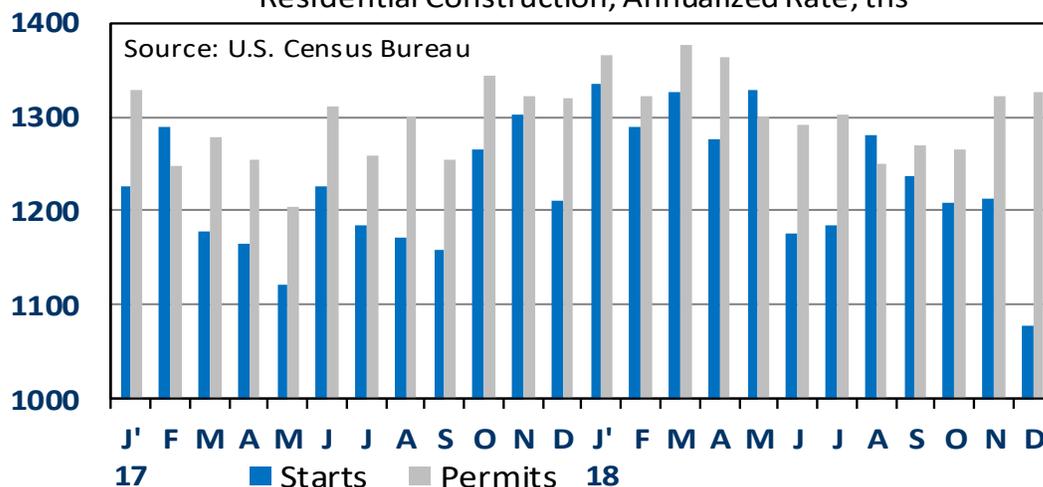
The Case-Shiller U.S. National House Price Index increased by 0.3 percent in December and was up by 4.7 percent over the previous 12 months. Home price gains slowed through the second half of 2018 in most residential markets as demand eased.

In his Semiannual Monetary Policy Report to Congress, Federal Reserve Chairman Jay Powell said that current economic conditions are healthy, and the economic outlook is favorable. However, he noted that cross-currents and conflicting signals have emerged in early 2019. He reiterated that the timing of any further interest rate increases would depend on economic data and the outlook. His prepared testimony was less detailed on balance sheet reduction than the recently released minutes of the January 29/30 FOMC meeting.

Market Reaction: Stock indexes opened with losses but have since increased. The yield on 10-year Treasury bonds is down to 2.64 percent. NYMEX crude oil is up to \$55.64/barrel. Natural gas futures are up to \$2.83/mmbtu.

Starts Sink in December

Residential Construction, Annualized Rate, ths



To subscribe to our publications or for questions, contact us at ComericaEcon@comerica.com. Archives are available at <http://www.comerica.com/insights>. Follow us on Twitter: @Comerica_Econ