

April 2019 Housing Starts, May UI Claims

Single-Family Starts Improve, Following New Home Sales Up

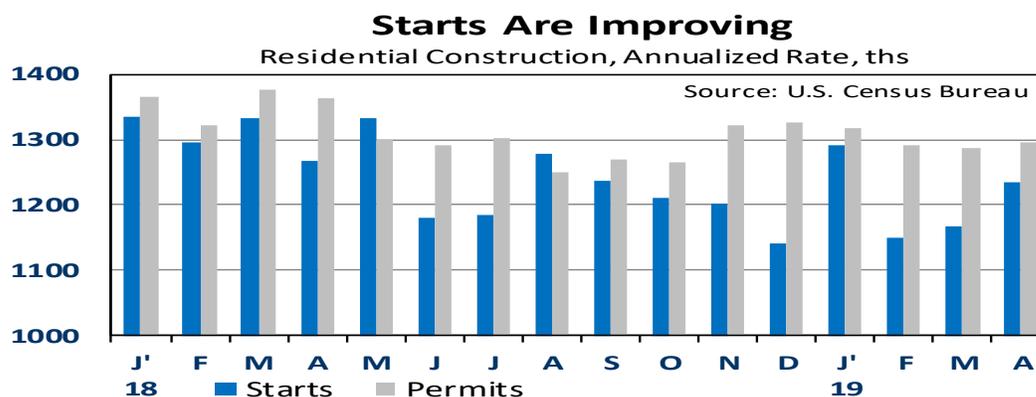
- Housing Starts increased by 5.7 percent in April to a 1,235,000 unit annual rate.
- Housing Permits inched up by 0.6 percent in April to a 1,296,000 unit annual rate.
- Initial Claims for Unemployment Insurance for the week ending May 11 fell by 16,000 to hit 212,000.

Housing starts improved by more than expected in April, increasing by 5.7 percent to a 1,235,000 unit annual rate. Single-family starts improved, gaining 6.2 percent to an 854,000 unit rate. This is still well below the 966,000 unit rate from January, but it represents the second consecutive monthly gain for that category. Single-family starts look like they are following the improving trend in new home sales this year, which were boosted by declining mortgage rates. The rate for a 30-year fixed-rate mortgage declined significantly, from a high of 5.17 percent in early November 2018, down to 4.36 percent by late March 2019 according to the Mortgage Bankers Association. That push may soon run its course. Since late March, mortgage rates have stabilized at around 4.45 percent. Multifamily starts improved for the third consecutive month, up by 4.7 percent in April to a 381,000 unit rate. Both series look like they are past their peak unit rates. Single-family starts likely peaked in this cycle in early 2018, near a 900,000 unit rate. Multifamily starts look like they peaked from late 2015 through early 2017 at about a 400,000 unit rate. Total permits for new residential construction were little changed in April, inching up by 0.6 percent to a 1,296,000 unit rate. Single-family permits fell by 4.2 percent to a 782,000 unit rate, continuing the downtrend visible since last December. Multifamily permits gained 8.9 percent, reaching a 514,000 unit rate. The relationship between single-family permits and single-family starts remains fairly tight. However, the gap between multifamily permits and multifamily starts appears to be gradually widening. The wider gap is visible through 2017 and 2018. This could be a function of data collection. It could also indicate that there is some potential for an increase in multifamily construction that would narrow the gap between permits and starts back to historical norms.

Initial claims for unemployment insurance fell by 16,000 for the week ending May 11 to hit 212,000. This is near the low average for the last 12 months. Continuing claims fell by 28,000 for the week ending May 4 to hit a very low 1,660,000.

The continued very low unemployment insurance claims this spring speak to the strength of the U.S. economy. A strong labor market, supporting healthy consumer spending, is a stabilizing force for the economy. Even though other U.S. data has been choppy since late last year, labor-related data has remained firm for the most part. We believe that this stabilizing force will be a dominant characteristic of the U.S. economy this year.

Market Reaction: Stock indexes opened with gains. The yield on 10-year Treasury bonds is up to 2.41 percent. NYMEX crude oil is up to \$63.47/barrel. Natural gas futures are up to \$2.64/mmbtu.



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