

DAILY GLOBAL
COMMENTARY

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Multi-family Starts Lift Total Housing Starts, Recovery in Home Building is Not Here Yet

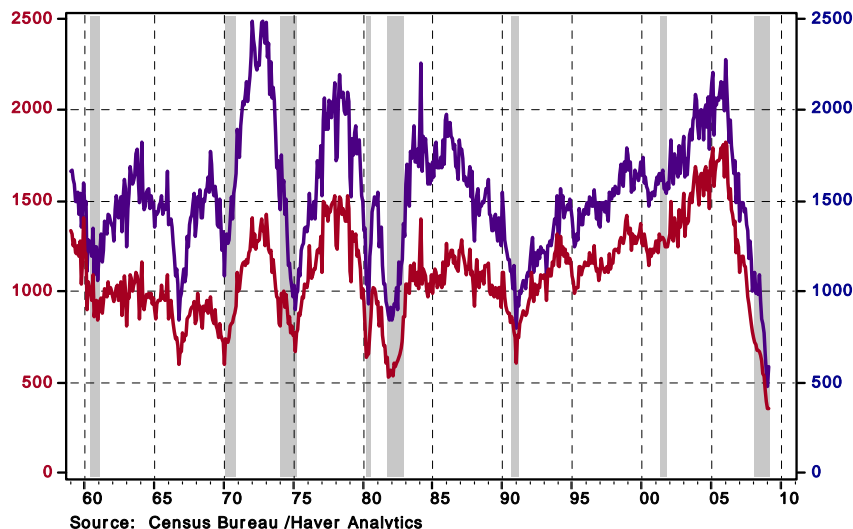
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Housing starts increased 22.2% to an annual rate of 583,000 during February, after posting double digit declines for three consecutive months. However, the bulk of the increase was from multi-family starts which rose 82.3%, while starts of single-family homes moved up only 1.1% to an annual rate of 357,000.

Chart 1

Housing Starts: 1 Unit
SAAR, Thous. Units

Housing Starts
SAAR, Thous. Units



Starts of single-family homes are still down 80.5% from the peak in January 2006. On a regional basis, construction of new homes moved up in the Northeast (+88.6%), Midwest (+58.5%), and the South (+30.2%) but declined 24.6% in the West.

Table 1 – Housing Starts across Business Cycles

Recession	Peak - Housing Starts				Trough - Housing Starts				Change - Peak to Trough	
	Date	Total Starts	Date	Single-family	Date	Total Starts	Date	Single-family	Total Starts	Single-family
Apr. 60-Feb. 61	Feb-59	1667	Jan-59	1336	Dec-60	1063	Dec-60	841	-36.23%	-37.05%
Dec. 69-Nov.70	Jan-69	1769	Jan-69	967	Jan-70	1085	Jan-70	596	-38.67%	-38.37%
Nov. 73-Mar.75	Oct-72	2485	Sep-72	1399	Feb-75	904	Feb-75	667	-63.62%	-52.32%
Jan.80-Jul. 80	Apr-78	2197	Apr-78	1517	May-80	927	Mar-80	633	-57.81%	-58.27%
Jul.81-Nov. 82	Jan-81	1547	Sep-80	1019	Jan-82	843	Oct-81	523	-45.51%	-48.68%
Jul. 90-Mar.91	Jan-89	1621	Jan-89	1149	Jan-91	798	Jan-91	604	-50.77%	-47.43%
Mar. 01-Nov. 01	Feb-00	1737	Dec-99	1375	Oct-01	1540	Oct-01	1240	-11.34%	-9.82%
Current cycle	Jan-06	2273	Jan-06	1823	Feb-09	583	Feb-09	357	-74.35%	-80.42%

Permit extensions for new homes increased 3.0% in February to an annual rate of 547,000, reflecting gains in the Northeast (+27.6%) and the South (+5.9%) and a decline in the West (-13.6%). Permits issued in the Midwest were unchanged in February.

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Table 2 – Housing Permits across Business Cycles

Recession	Peak - Housing Permits				Trough - Housing Permits				Change - Peak to Trough	
	Date	Total Permits	Date	Single-family	Date	Total Permits	Date	Single-family	Total Permits	Single-family
Apr. 60-Feb. 61	Jan-60	1092	Feb-60	868	Oct-60	972	Feb-61	673	-10.99%	-22.47%
Dec. 69-Nov.70	Feb-69	1495	Sep-68	738	Jan-70	1062	Jan-70	486	-28.96%	-34.15%
Nov. 73-Mar.75	Dec-72	2419	Oct-72	1150	Mar-75	709	Jan-75	527	-70.69%	-54.17%
Jan.80-Jul. 80	Jun-78	1983	Apr-78	1279	Apr-80	808	Apr-80	476	-59.25%	-62.78%
Jul.81-Nov. 82	Sep-80	1484	Sep-80	881	Oct-81	731	Oct-81	401	-50.74%	-54.48%
Jul. 90-Mar.91	Jan-90	1748	Jan-90	989	Jan-91	786	Jan-91	587	-55.03%	-40.65%
Mar. 01-Nov. 01	Jan-00	1727	Jan-00	1277	Sep-01	1565	Oct-01	1185	-9.38%	-7.20%
Current cycle	Sep-05	2263	Sep-05	1798	Feb-09	547	Feb-09	373	-75.83%	-79.25%

The surprise strength in housing starts in February, which was largely in the volatile multi-family sector, reduces expectations of a continued recovery of home building because single-family starts are the larger and more stable component of total housing starts. Moreover, the elevated inventory of unsold homes (see chart 2) suggests that a robust recovery in home building will be possible only after there is a substantial reduction in the inventory of unsold new single-family homes.

Chart 2
New 1-Family Houses For Sale: Months Supply
 SA, Ratio



Core Wholesale Prices Show a Moderating Trend

The Producer Price Index (PPI) for Finished Goods rose only 0.1% in February after a 0.8% gain in January, as the 1.6% drop in food prices offset the 1.3% jump in energy prices. The core PPI, which excludes food and energy, rose 0.2% in February compared with the 0.4% increase in the prior month.

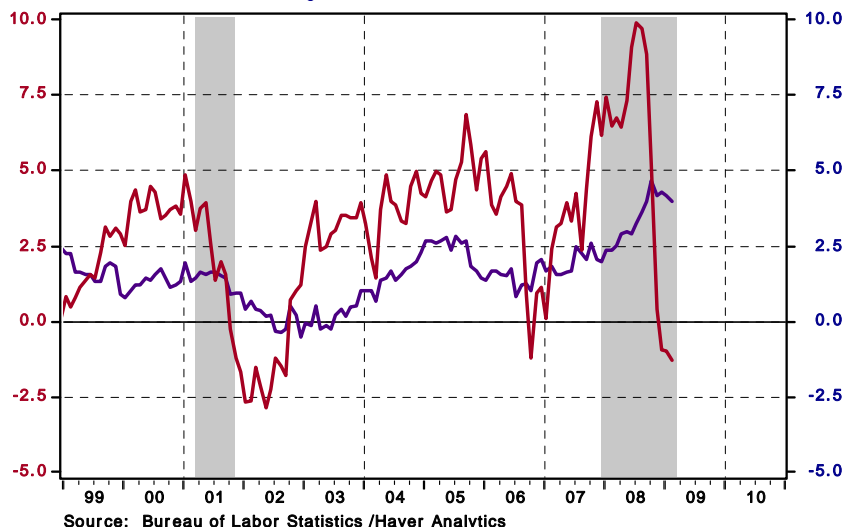
On a year-to-year basis, the finished goods wholesale price index fell 1.3% and the core PPI rose 4.0%. The core PPI posted a cycle high of 4.7% in October 2008.

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Chart 3

PPI: Finished Goods [Including Foods & Fuel]
% Change - Year to Year NSA, 1982=100

PPI: Finished Goods Less Food and Energy
% Change - Year to Year NSA, 1982=100



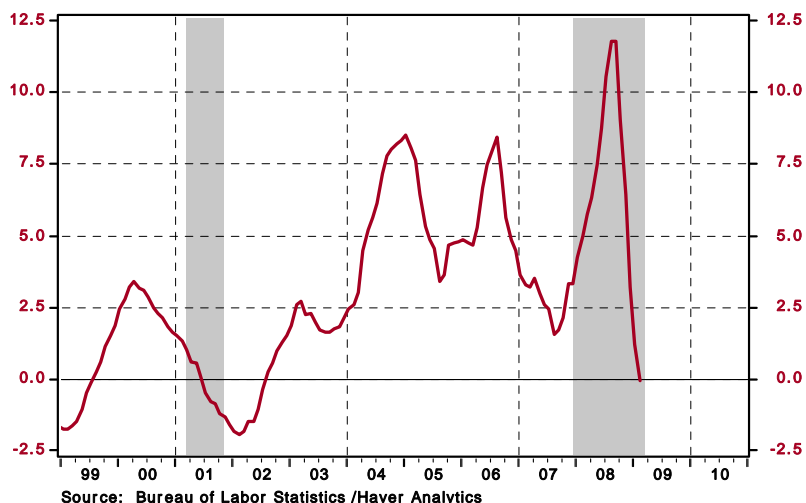
In February, higher prices for cigarettes, light motor vehicles, alcoholic beverages, household appliances, and apparel led to the 0.2% increase in the core price index.

Further down the pipeline, the intermediate goods price index and the core intermediate price measure fell -0.9% and -0.6%, respectively. The intermediate core goods price index has declined 0.1% from a year ago in February.

Chart 4

PPI: Intermediate Materials Less Food & Energy

% Change - Year to Year NSA, 1982=100



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Table 3 Producer Price Index – February 2009

	% change prior month	annualized % change		% change	
		3 mo. ago	6 mo. ago	Feb-09 yoy	Feb-08 yoy
PPI - FINISHED GOODS					
ALL ITEMS	0.1	-3.7	-11.9	-1.3	-0.9
CORE - ALL ITEMS LESS FOOD & ENERGY	0.2	3.6	3.5	4.0	4.3
FOOD	-1.6	-12.6	-6.2	0.7	3.7
ENERGY	1.3	-16.9	-48.2	-18.4	-20.3
CAPITAL EQUIPMENT	0.1	2.8	3.3	3.7	4.0
PPI - INTERMEDIATE GOODS					
ALL ITEMS	-0.9	-21.2	-25.7	-5.2	-1.7
CORE	-0.6	-16.8	-15.3	-0.1	3.3
PPI - CRUDE GOODS					
ALL ITEMS	-4.5	-40.7	-65.4	-34.7	-25.0
CORE	1.5	-2.4	-64.0	-29.5	-24.3

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