

USA: Housing Starts and Industrial Production Increase More Than Expected; Boosting GDP Tracking to 2.6%

BOTTOM LINE: Housing starts increased 3.0% in June from an upwardly revised May level, slightly above consensus expectations for a smaller increase. Building permits also increased by more than expected in June. Both industrial production and manufacturing production increased in June, above expectations. Auto assemblies increased to 13.4mn, the highest level since 2015. June auto assemblies were even stronger than our previous assumption. We boosted our Q2 GDP tracking estimate by 0.3pp to +2.6% (qoq ar) and our Q2 domestic final sales forecast by 0.1pp to 2.2%.

US MAP:

Housing starts 0 (1, 0)

Industrial production +2 (2, +1)

KEY NUMBERS:

Housing starts +3.0% mom (1,353k saar) for June vs. GS +3.5% (1,322k), median forecast +1.8% (1,300k saar), prior revised -4.6% (1,314k saar)

Building permits +3.4% mom (1,446k saar) for June vs. median forecast +0.1% mom (1,400k saar), prior -2.8% (1,399k saar)

Industrial production +0.6% for June vs. GS +0.3%, median forecast +0.3%, prior revised +0.9%

Manufacturing production +0.4% for June vs. GS +0.2%, median forecast +0.1%, prior revised +1.0%

Capacity utilization 78.8% for June vs. GS 78.3%, median forecast 78.4%, prior revised 78.3%

MAIN POINTS:

1. Housing starts increased by 3.0% to 1,353k (saar) in June, slightly above consensus expectations for a 1.8% increase. The May growth rate (+0.9pp to -4.6%) and level (+37k to 1,314k) were revised up. The increase was led by the more volatile multi-family starts component (+19.6%), while the single-family starts component declined (-2.2%). June housing starts increased in the Midwest (+26.8%) and the Northeast (+34.4%) but increased in the West (-6.1%) and South (-1.7%).

2. Building permits increased by 3.4% to 1,446k (saar) in June, above consensus

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expectations for a 0.1% increase. The more volatile multi-family permits component increased (+15.6%), while the single-family permits component decreased (-2.3%). Permits increased in the South (+2.8%) and Midwest (+15.6%), declined in the Northeast (-2.5%), and were flat in the West.

3. Industrial production increased by 0.6% in June, above expectations for a more modest increase. Auto assemblies increased by 20.4% to 13.4mn, the highest level since 2015, likely reflecting fewer and shorter summer shut-downs at auto manufacturing plants this month relative to previous years. This compares to 10.9mn on average in 2019. Manufacturing production increased by 0.4%, also above expectations. The capex-sensitive business equipment category decreased 0.4% in June. Capacity utilization increased by 0.5pp to 78.8% from a downwardly revised level in May (-0.1pp to 78.3%).

4. June auto assemblies were even stronger than our previous assumption. We boosted our Q2 GDP tracking estimate by 0.3pp to +2.6% (qoq ar) and our Q2 domestic final sales forecast by 0.1pp to 2.2%.

Disclosure Appendix

Reg AC

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