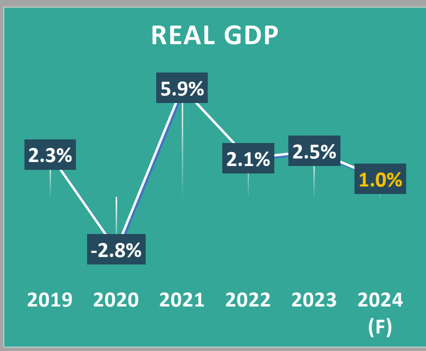
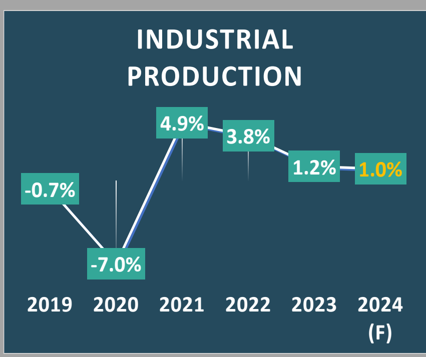
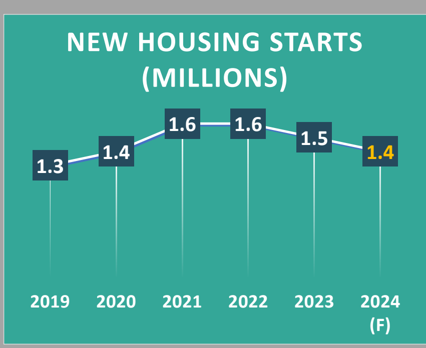
Monthly Economic Report (MER)

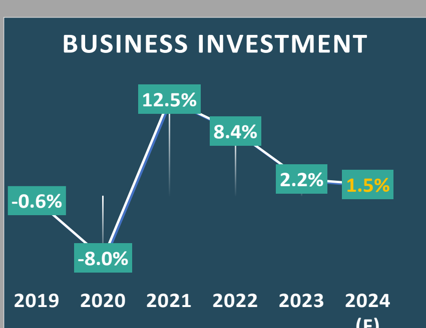
May 2024

Selected Indices









Executive Summary – May '24

Big Items

GDP: US GDP fell in Q1 and missed expectations. The question now is whether that decline to 1.3% is the start of a recessionary trend or an anomaly. The latest estimate from the GDPNow data is for Q2 growth at 1.8% which is generally just slightly ahead of expectations for the quarter. The variation in these estimates comes from the fact that measuring goods activity is much more reliable than measuring service activity and the US is still an economy that is 70% service driven.

Industrial Production: Industrial production has been stable. Manufacturing fell very slightly by 0.3% but most of that was accounted for by the automotive sector. If that was pulled out the decline in manufacturing was just 0.1%. Mining (oil and gas) was down 0.6% but that is also not much movement. Utilities were up 2.8% but that reflects the arrival of warmer months. Capacity utilization fell a bit to 78.4% and as we have endlessly pointed out, the “normal” rate is between 80% and 85%. The current reading is 1.2% below the long run average. This is not crisis level by any stretch, but it is certainly not the preferred trend.

Housing Starts: The housing sector has been performing well of late. The latest starts data shows a gain of 5.7% over the previous month but these numbers are still down by 0.6% from April of 2023. Most of this growth has been in single family construction although the multi-family sector has been seeing expansion as well. The primary driver for housing has been relocation as many people are moving away from high cost and high tax states to lower cost locations. Mortgages have stabilized but are still high. The average price of a home has fallen but is still at more than $400,000.

Home Improvement Retail: The data on home improvement has been spotty. The push to get a home ready for sale has faded somewhat and people do not have as much equity to support big home improvement projects. Spring brings more outdoor home improvement and that carries through the summer months.

Manufacturing: The latest data from the Purchasing Managers’ Index showed a slight dip below the 50 line that separates expansion from contraction. The US had been slightly above 50 but has fallen to 49.2. This is far from a crisis level and most expect a rebound in coming months, but the frustration is that this trend has been essentially flat. The index measures what purchasing managers are doing and if they aren’t buying there is no anticipation of growth.

Big Risks

Inflation and Recession Potential: According to the latest data from GDPNow the second quarter numbers rebound from Q1 but there are also signals of a general slowdown. Very few are suggesting that a recession is back in the cards but there does appear to be a slowdown that could affect the latter part of the year. Inflation growth is down but the current inflation situation has not reversed (rates are too high and above the Fed Target rate), which is largely a result of higher wages.

What to Watch

Tariffs, Tariffs and More Tariffs – To be honest most of this tariff talk is political posturing but there is a genuine desire on the part of Congress to impact China’s exports. The good news is that this might support more US production, but the bad news is that tariffs are taxes on the ultimate consumers of a product. The estimate is that suggested tariffs would cost the US economy $500 billion. The average consumer would pay around $3,500 more this year for what they purchased last year.

Macroeconomic Viewpoints

- Dr. Chris Kuehl

ASA MER Contents:

Do We Need a Dose of Reality? – Throughout 2023 there was an expectation of an imminent recession. The consensus view among economists was that growth would fall into negative territory, but it never did. At the start of this year the assumption was that this party was going to continue and then Q1 growth disappointed and came in at 1.3%. Is there reason to think that the recession expected last year might now manifest? Not to be a true "dismal scientist" but there are indeed some concerns.

Let's start with the election – as controversial a topic as this can be. If there is a consensus view among voters and the business community in general, it is that these are both relatively weak candidates. There are concerns regarding the proposed Democratic agenda and concerns that Republicans will focus on social issues and personal conflicts. There does not seem to be any sort of strategic plan to deal with key business issues such as worker shortage, infrastructure deterioration, regulation, taxation or inflation reduction.

The second major concern is the one that has been vexing for the last year or more. What will happen with interest rates? It is clear they will come down, but it is very unclear just when that will be and by how much. There are those that assert this happens by Q3 or Q4 of this year and those that think Q1 of 2025 is more likely. Some think there will be three quarter-point cuts and those that believe there will be just one. Many projects and expansions and acquisitions are more or less on hold as companies wait to determine the costs of financing. Developers believe that if the rates do come down (and a rate cut is imminent), costs will be reduced so it might make sense to wait. At least, that is how they are thinking.

The third area of concern is also a familiar one, but nothing substantial has been done to address these issues and they are all reaching a critical stage. For a decade there have been complaints about the worker shortage and politicians have done nothing other than wring their hands. In six years, all the Boomers are at retirement age, and they are leaving the workforce at a rate of 10,000 a day. There is nobody to replace them and productivity is slumping fast. The US still leads the world in terms of GDP per hour worked but this has been due to the adoption of technology and robotics. That lead has started to erode as key people leave. The national infrastructure is ranked no higher than C- by the American Society of Civil Engineers. The problems are most acute when it comes to energy production, water management and transportation. The poor infrastructure costs the economy billions every month. Major changes in spending priorities must take place at the federal and state level but they are not even on the agenda.

These are soluble problems at this stage, but it is going to require coordination and effort and in the current political environment that cooperation is not evident.

Reader Question of the Month

Q: Industry has been complaining about the workforce shortage for years. Any suggestions?

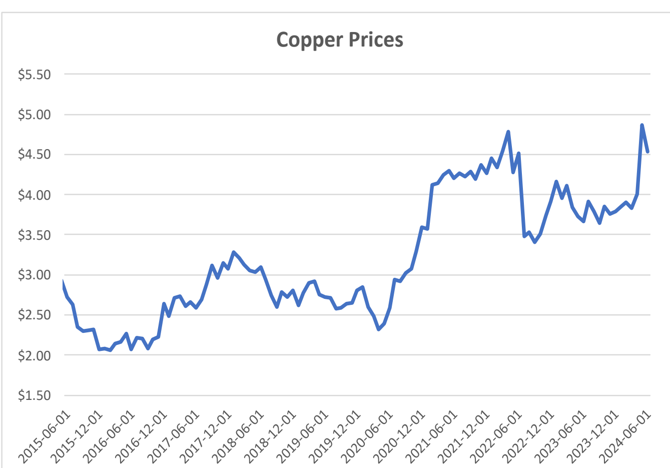
A: There are no easy solutions to this, and it is a colossal failure of the system to have let it go this far. It does not take a rocket scientist to add 65 to the year somebody is born. We should have anticipated this. Now there are only partial solutions. The first and most common approach has been to substitute technology and robotics for the workers that are in short supply. There are limits to what machines can do and they are not cheap. The second approach that has started to gain traction is to lure people back to work who have reached retirement age or convince people to delay retirement. Right now, there are financial penalties to working past 65 but these could be removed, and incentives might keep people in place. This is not a long-term solution as eventually people want to actually retire. Working into one's 60s and 70s is one thing but 80s and 90s is asking a lot.

A third approach is trying to get people back in the formal workforce. In the last several years the "gig economy" has grown dramatically (ride share, delivery, part time gigs). These jobs appeal to those that want or need maximum schedule flexibility and employers are trying to find ways to offer this. There are also millions of people receiving enough government support they don't need to work and there are proposals to limit that aid or require some kind of work to qualify for aid.

Immigration has long been an option but the majority of those seeking entry (legally or illegally) lack the skills and education needed. The immigrants wanted are desired by every other nation and the competition has driven up the cost of hiring, training, and retaining them.

Key Commodity Outlook

The following section includes viewpoints on key commodities. Wherever possible, the Producer Price Index (PPI) is used as a gauge of prices for specific commodities. The PPI is derived from monthly Government surveys of those that purchase specific products and services. The PPI includes views on both spot and contract pricing for a given product or service and is more representative of general changes in street-level pricing trends.



Copper Prices (WPUSI019011)

- The price of copper has been fluctuating since last month and is trading at $4.54/lb. ($4.86/lb. last month).
- The Producer Price Index (PPI) for April (latest PPI available) was 549.433, up month-over-month by 4.7% (+5.7% last month). It was up 4.5% year-over-year (-0.2% last month). The ten-year index high was 572.0 in May 2022 and the low was 302.9 in 2016.
- **Looking Ahead**: Prices have softened off their May peak (2nd highest in history). Prices continued to ease in the last week of May despite some near term increases in global demand. Manufacturing slipped in only 9 of 30 global markets and supply output was relatively stable (unchanged). Some producers are working off stockpiles, which has temporarily eased new orders.

General Commodities Discussion:

Nickel: **(WPU102504)**

- LME Nickel Prices have moved up again over the past 30 days and were @$8.99 per lb. ($8.51 in the last update). Producer prices for nickel were also slightly higher month-over-month in April (latest available) by 0.3%. But they remain 11.1% lower year-over-year.
- **Outlook**: "*LME nickel prices remain elevated, and May's average is about 7% higher than April's. We expect June's coil and welded pipe surcharges to increase similarly. Reports of material shortages — mainly NPI — surfaced at the end of April when the INSG (International Nickel Study Group) revised its supply surplus forecast for this year downward by more than 50%. This development has improved the fundamental outlook, and investors are seemingly taking notice.*"

Carbon Steel: **(WPU101706)**

- NYMEX Domestic Hot-rolled Coil steel prices (CRU-HRCc1) were lower over the past 30 days and were $745.00 per ton in early June ($810 per ton in the last update). This is still down sharply from a peak of $1,943 hit in August of 2021.
- Producer Prices for steel pipe and tube were down again in the latest data from the end of April (latest available). They were down 2.3% month-over-month (down 2.6% last month). Year-over-year, the PPI was 11.9% lower (-10.3% Y/Y in the last update) against much more difficult comparisons.
- **Outlook**: "*High-pressure forged-steel fittings and branch connections have had no price increase announcements throughout the first quarter of 2024. Carbon and stainless-steel bar remain readily available. Raw material pricing has remained stable even on stainless with some fluctuations in nickel prices. Finished high pressure forged-steel fittings and branch connections are available for delivery from stock to 2 weeks.*"

Stainless Steel: **(WPU10170674)**

- The Producer Price Index for stainless pipe and tube were slightly higher in April (latest available). Producer prices for stainless pipe rose by 0.6% month-over-month (-0.2% last month); but they were down 9.5% Y/Y (down 9.8% last month).
- **Outlook**: "*Overall, global demand for stainless steel PVF remains subdued, but the recent uptick in raw material prices has boosted production costs and finished goods prices are on the rise. The stainless weld fitting market continues to stay mostly flat on pricing, but there are continued signs that metals are rising, which could cause prices to start moving. Business remains steady, but on the lower side of expectations. Hoping that continued infrastructure funding will spark more buys of piping in the near future*".

Ferrous Metal Scrap: (PPI: PCU4299304299301)

- Producer prices for ferrous metal scrap inched up in April vs. the prior month, coming in with an index of 481.41 (475.62 last month). This was higher by 1.0% M/M (-9.6% last month). Year-over-year it was down sharply by 15.5% Y/Y (-18.3% in the last update). The highest producer price prior to this was in July of 2008 when the index hit 731.4 points.
- **Outlook**: Although some scrapping of large ships took place last year, it was not enough to feed the scrap market with enough inventory. Some destruction of commercial structures in the spring storm season is helping with inputs. Some global scrapping of destroyed structures across the Middle East and Europe will also put more material on the global market in the long term.

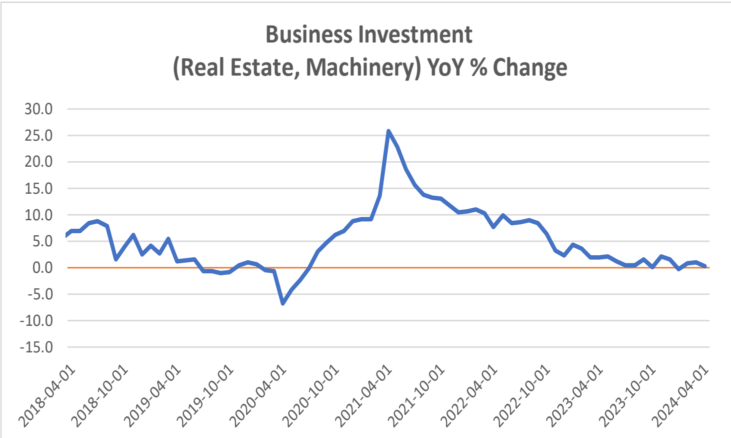
Additional commodities and finished product pricing are addressed in the Producer Price Index review on the next page.

Producer Price Index – Key Industry Products

The Producer Price Index (PPI) for key supply industry metrics is listed in the chart below including month-over-month and year-over-year comparisons. To the degree that the PPI is derived from monthly Government Surveys of actual purchasers and users of the following products, it provides a more accurate street-level pricing viewpoint. Some data is delayed and may not have been updated by the time of publication.

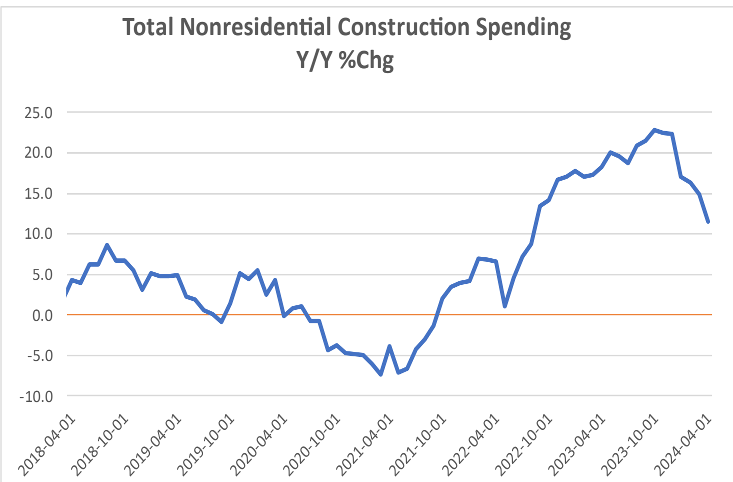
Producer Price Index - Key Industry Products						
Category	PPI Code	Apr-24	Mar-24	M/M% Chg	Apr-23	Y/Y % Chg
Core Materials						
Copper	WPUSI019011	549.4	531.1	3.5%	526.0	4.5%
Lumber	WPU081	255.8	251.8	1.6%	261.2	**-2.1%**
Nickel	WPU102504	211.5	210.9	0.3%	237.8	**-11.1%**
Cement	PCU32732032732(	393.4	392.9	0.1%	364.6	7.9%
Pipe, Valves and Fittings						
Metal valves, except fluid power	WPU114902	441.5	440.2	0.3%	429.5	2.8%
Gates, globes, angles and check valves	WPU114902011	171.3	170.1	0.7%	165.6	3.4%
Ball valves	WPU11490202	557.3	557.3	0.0%	557.9	**-0.1%**
Butterfly valves (formerly W2421490203)	WPU11490203	319.8	319.8	0.0%	301.7	6.0%
Industrial plug valves	WPU11490204	325.4	325.4	0.0%	297.7	9.3%
Plumbing and heating valves (low pressure)	WPU11490205	389.8	389.8	0.0%	393.4	**-0.9%**
Solenoid valves	WPU11490208	372.2	372.2	0.0%	372.2	0.0%
Other industrial valves, including nuclear	WPU11490209	400.2	399.4	0.2%	395.8	1.1%
Automatic valves	WPU11490211	263.3	263.3	0.0%	248.9	5.8%
Metal pipe fittings, flanges and unions	WPU11490301	489.2	489.2	0.0%	484.2	1.0%
Steel pipe and tube	WPU101706	375.1	383.8	**-2.3%**	425.8	**-11.9%**
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	140.1	139.2	0.6%	154.9	**-9.5%**
Copper & copper-base alloy pipe and tube	WPU10250239	370.0	342.9	7.9%	372.1	**-0.6%**
Plastic pipe	WPU07210603	191.5	188.9	1.4%	205.8	**-6.9%**
Plastic pipe fittings and unions	WPU07210604	326.6	322.0	1.4%	324.4	0.7%
Plumbing Fixtures, Fittings and Trim	WPU105402	400.0	400.0	0.0%	394.6	1.4%
Bath and shower fittings	WPU10540211	286.7	286.7	0.0%	286.7	0.0%
Lavatory and sink fittings	WPU10540218	207.7	207.7	0.0%	203.5	2.1%
Enameled iron and metal sanitary ware	WPU1056	284.5	284.5	0.0%	279.4	1.8%
Steam and Hot Water Equipment	WPU1061	428.5	428.5	0.0%	428.5	0.0%
Cast iron heating boilers, radiators and convectors	WPU10610106	289.7	289.7	0.0%	279.2	3.8%
Domestic water heaters	WPU106601	590.6	580.1	1.8%	570.6	3.5%
Electric water heaters	WPU10660101	586.6	575.4	2.0%	564.3	4.0%
Non-electric water heaters	WPU10660114	359.0	352.9	1.7%	347.7	3.3%
Warehousing, Storage and Relates Services	WPU321	144.6	142.5	1.5%	140.2	3.2%

PHCP & PVF



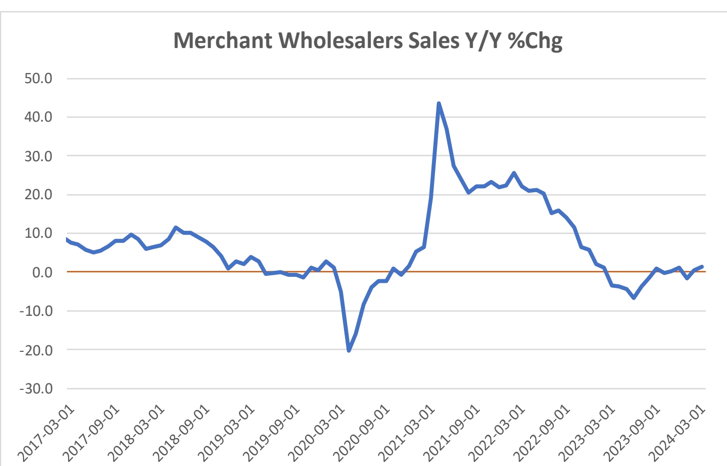
Capital Goods New Orders (NEWORDER)

- The value of manufacturers' new orders for capital goods went down 0.7% in April M/M (+0.3% last month). They remained up by 0.3% Y/Y (up 1.0% last month) and continued to be stable overall.
- **Outlook**: Capital investment is flat, and in this environment may be the best case scenario. It continued to be near long-term highs at more than $74.0 billion in annualized spending. Purchases of automation and productivity improvement technology are driving much of it, but expansions of facilities are also common, especially in the industrial sector. Some softening of investment and spending expectations was starting to show up in May, with some construction projects reportedly being postponed until 2025 or cancelled.



Total Non-Residential Construction (TLNRESCONS)

- Total Non-Residential Construction activity in April (latest available) was 11.5% higher than it was a year ago (14.9% higher last month) and was 3.4% lower M/M (down 1.4% in the last report). Overall spending was at a new all-time high of $1.178T (the prior annualized run rate peak of $900B was in September of 2022).
- **Outlook**: Many project starts are starting to get pushed back into 2025 according to General Contractors. Many clients are reporting that they want to get beyond some of the uncertainty surrounding the election, but more importantly would like to see what the Federal Reserve does on interest rate policy. Any changes in interest rate policy will signal whether projects will start by the end of the year or be delayed further into 2025.

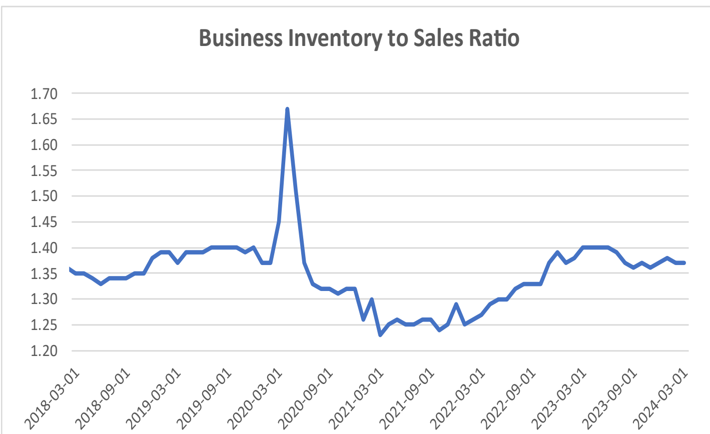


Wholesale Trade (WHLSLRSMSA, WHLSLRIMSA)

- Merchant wholesalers' sales were up 1.4% Y/Y through March (latest available; up 0.5% Y/Y in the last update). Month-over-month, sales were increasing by 0.9% (+2.2% last month).
- Wholesale inventories were down 2.3% year-over-year in March (latest available; down 1.8% last month).
- **Outlook**: Volume is sluggish in many markets and generally sales were growing nationally at a 1.4% rate (unfortunately largely being driven by inflation). Many wholesalers are going through "fits and spurts" of demand where new orders flow in for a month and then get sluggish in the following month. Much of this is due to odd manufacturing patterns and changes in inventory management patterns. Global disruptions in shipping affected volumes early in the year, but that has largely improved. This allows purchasing managers to cut inventories "close", and order flows remain volatile.

Manufacturing (AMTMNO)

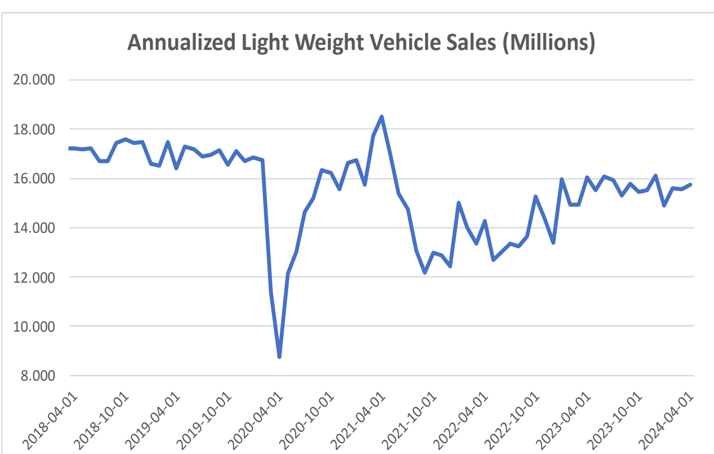
- Federal data on manufacturing was up 1.3% Y/Y (1.5% last month) through April (latest available). It was down 0.2% month-over-month (+0.7% last month).
- The S&P Global US manufacturing PMI came in at 51.3 in May, up from 50.0 in April.
- **Outlook**: Global manufacturing surveys at the end of May showed just 9 countries with manufacturing sectors slowing month-over-month. In addition, the US and Mexico were among some of the stronger growth sectors for manufacturing, Canada remained in contraction according to surveys collected by S&P Global. New orders are sluggish and were slightly underweight headed into the normal seasonal uptick into summer retail and early peak season ordering.



Business Inventory to Sales Ratio (ISRATIO)

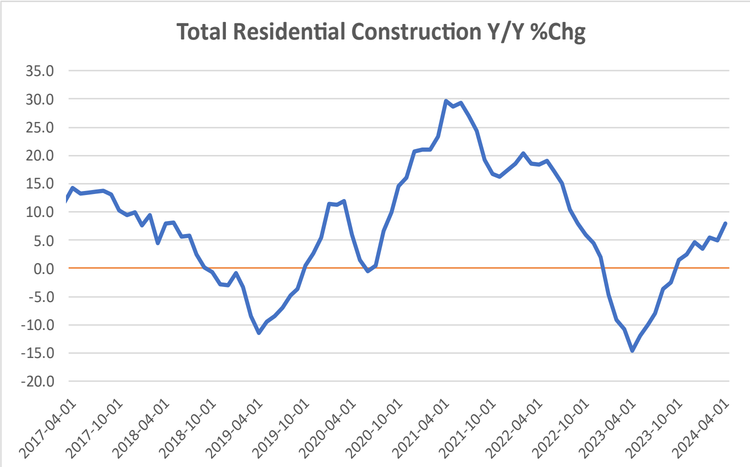
- The current inventory to sales ratio for all businesses is at 1.37 months of inventory on hand in March (latest available; 1.37 last month as well). Relative to sales, inventories are more balanced with some sectors underweight, this month's ratio was 1.4% lower Y/Y (+0.0% last month).
- **Outlook:** Only 27% of the goods producing, handling, and selling industries in the US were overstocked when stripping out large durable goods (planes, trains, ships, etc.). With inventories back in-line, order volumes will be more in tune with real demand (retail, construction, and end-use final goods applications). This helps stimulate demand up and down the entire supply chain – not just in the downstream portions of it.

PHCP



Auto Sales (ALTSALES; AISRSA)

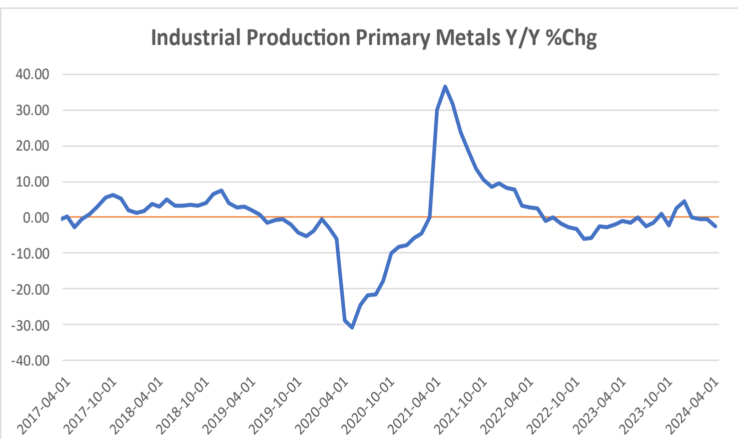
- US auto sales were trending at a 15.753-million-unit annual rate (15.561M last month) through April (latest available). This is up 0.5% year-over-year (+4.2% in the last update).
- The domestic auto inventory to sales ratio was up 89.8% Y/Y in April (latest available). On a monthly basis, it was down 11.4% (down 8.7% last month).
- **Outlook**: Automotive output continues to be good, but what many are watching is the ability to keep this trend going. Some models have inventory building taking place at a rapid pace, and eventually if this continues, dealers will begin to shut off OEM assignments. Many dealers are getting overstocked with EVs, but plug-in hybrid inventories are still very low and is likely where demand will remain. ICE vehicles are hit and miss, with many luxury brands still doing well while low-end models are struggling more than expected.



Total Residential Construction (PRRESCONS)

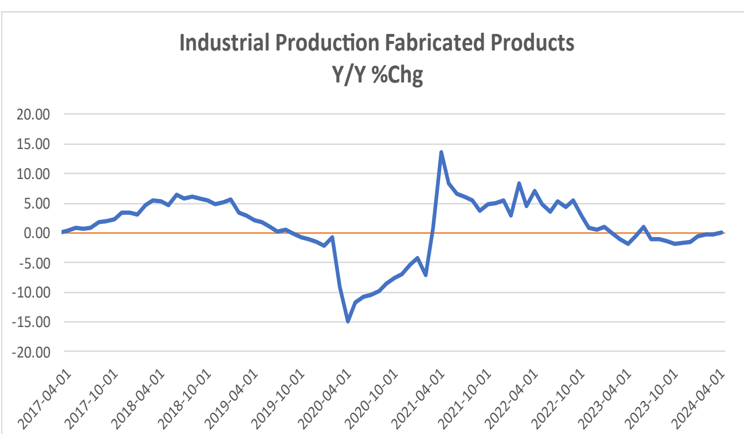
- Total residential construction in April (latest available), was up by 8.0% Y/Y (up 5.0% last month). It was up 3.0% M/M (-0.4% last month).
- **Outlook**: The residential construction sector is being driven heavily by single-family construction. Single-family construction spending was up 20.4% year-over-year and was 0.1% higher month-over-month. Further in the Monthly Economic Report are starts and permits by region. Multi-family was much weaker, however. On a month-over-month basis spending was down 0.3% while they were 2.3% higher year-over-year. Stripping out the impact of inflation, sales were likely down. Some financing pull-back has taken place in large multi-family projects in some markets.

PVF



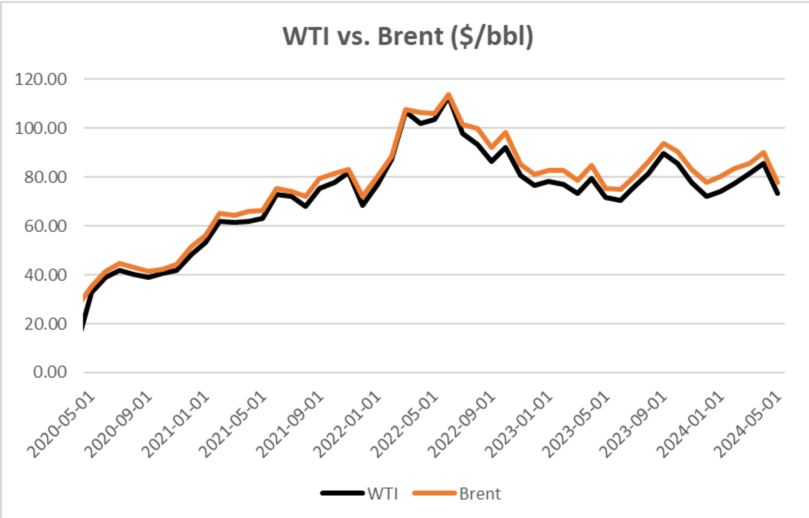
Industrial Production Primary Metals (IPG331S)

- Industrial production for primary metals was down 2.50% Y/Y through April (down 0.5% in the last update). It was down 2.0% M/M (up 0.1% M/M in the last update).
- **Outlook**: Again this month, the outlook for primary metal production looks to be weaker on a long-term basis. Outlooks are still showing a much weaker trend for primary metal manufacturing late in 2024 and early in 2025. That could change, this is one of the more volatile sectors for demand and historical swings in activity are common.



Industrial Production Fabricated Metals (IPG332S)

- Fabricated metal industrial production was up 0.1% Y/Y through April (down 0.2% last month). It was up 0.3% on a month-over-month basis, (up 0.1% in the last update).
- **Outlook**: Fabricated metal production is a key feeder into other sectors of manufacturing and activity through April was fairly flat overall. Models that forecast fabricated product manufacturing still show it improving through most of 2024 and even now into 2025. Growth in the sector (demand) is expected to remain stable despite some softness seen in some other sectors.



WTI and Brent

- WTI is currently at $73.36 a barrel ($81.28 last month) and Brent is at $77.59 ($85.41 last month).
- **Outlook:** What a difference a month makes. OPEC+ has decided to increase output and supply by Q4, and as a result of that announcement prices took a tumble in early June. Prices will remain volatile with two heavy conflicts still ongoing and what is supposed to be a strong hurricane season this year. There is also some chatter in the market about a new rule that would require some offshore oil production firms to carry more bond insurance to cover decommissioning and accident cleanup. The cost for those bonds could be too much for some small producers, potentially affecting up to 14% of US output in an extreme set of circumstances. That rule (which is expected to take effect in June) has not weighed on oil prices yet.

https://bakerhughesrigcount.gcs-web.com/rig-count-overview

	Last Count	Count	Change from Prior Count	Change from Last Year
U.S.	31-May-24	600	0	-96
Canada	31-May-24	128	8	31
International	Apr-24	978	7	31

Rotary Rig Counts (Baker Hughes)

- Baker Hughes US active rig counts were down 96 Y/Y (-143 in the last update) at 600 (1,049 in 2019); Canadian counts were up by 31 Y/Y (up 27 in the last update). International counts are up by 31 Y/Y (also +31 in the last update).
- **Outlook**: The EIA still shows the balance between global oil supply and demand to remain balanced through 2024, assuming the production of oil continues to grow at current rates. But in the US, even though rig counts are lower, modern wells are so much more efficient that total US output per day is higher (remaining near 13.1 million barrels per day). Strategic Petroleum Reserves are still lower, and the US will replenish them at a rate of 3 million per month in the near term (the maximum feasibly possible monthly - given storage limitations). A factor that could also weigh-in is the risk of an active hurricane season potentially in the Gulf could keep US production off-balance through part of the year. Although this has been one of the slowest starts to the hurricane season in some time.

Construction Outlook

Residential construction: 30-year national average mortgage rates fell through late May to 7.03% (7.22% in the last update). Home builder confidence was low in May according to the NAHB/Wells Fargo index, it fell to 45 points (down from the April reading of 51). The all-time high was 90 points in November of 2020. Builders' confidence retreated in the month as buyer contracts fell to multi-decade lows and economic data gives the Federal Reserve some challenges in trimming interest rates.

NAHB/Wells Fargo National and Regional Housing Market Index (HMI)

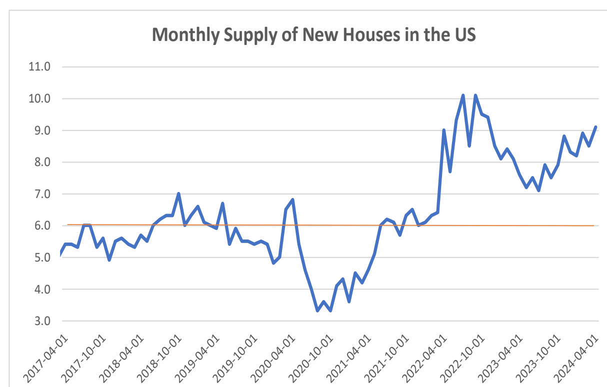
NATIONAL

(Seasonally Adjusted)	2023								2024						
	May	Jun	Jul	Aug	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar	Apr	May	M/M	Y/Y
												Revised	Prelim.		
Housing Market Index	**50**	**55**	**56**	**50**	**44**	**40**	**34**	**37**	**44**	**48**	**51**	**51**	**45**	-11.8%	-10.0%
Housing Market Index Components															
Single Family Sales: Present	56	61	62	57	50	46	40	41	48	52	56	57	**51**	-10.5%	-8.9%
Single Family Sales: Next 6 Months	56	62	59	55	49	44	39	45	57	60	62	60	**51**	-15.0%	-8.9%
Traffic of Prospective Buyers	33	37	40	35	30	26	21	24	29	32	34	34	**30**	-11.8%	-9.1%

REGIONAL HMI

(Seasonally Adjusted)	2023								2024						
	May	Jun	Jul	Aug	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar	Apr	May	M/M	Y/Y
												Revised	Prelim.		
Northeast	45	52	60	55	48	46	53	55	55	62	61	65	**58**	-10.8%	28.9%
Midwest	42	48	46	42	38	37	31	35	35	38	49	50	**49**	-2.0%	16.7%
South	56	60	58	55	48	43	35	39	49	50	52	50	**45**	-10.0%	-19.6%
West	48	50	54	46	42	36	28	29	38	47	45	48	**36**	-25.0%	-25.0%

On a year-over-year basis, the NAHB/Wells Fargo Housing Market Index was down 10.0% against May of 2023 (down 11.8% month-over-month).



Adjusted housing inventories increased in April (latest available), coming in at 9.3 months of inventory on hand. This is higher than the "ideal range" of 6 months of inventory on hand and is still marginally lower than the 9.5 month peak we saw last October.

The housing market is highly regionalized, and each region has different levels of housing activity, but macro demand is still being tempered by lack of affordable single-family housing inventories and steep housing prices which are only easing in some markets.

New housing starts are volatile right now and came in at a 1.360-million-unit rate on an annualized basis (in-line with last month's adjusted 1.321 million annual rate); and the outlook for the rest of 2024 is flat based on current industry trends.

Single family starts were lower in April by 0.4% M/M (latest available) but were up 17.7% Y/Y against easier comparisons. Multi-family starts are volatile and were up 31.4% M/M but were down 32.9% Y/Y.

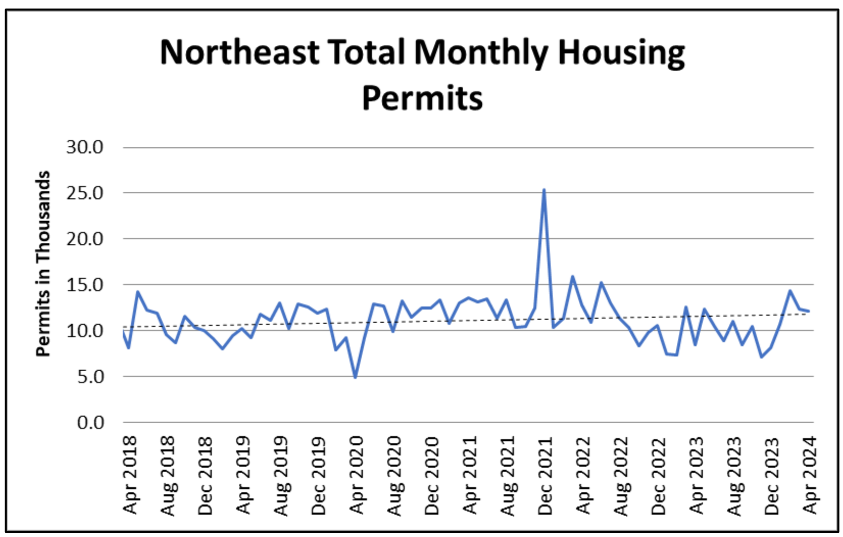
National Outlook: The Federal Reserve is in a stall and cannot decide when to start trimming interest rates. Inflation is cooling and came in at 2.9%, still above the Fed's 2% target rate. At the same time, economic growth remains stable, despite some continued slowing in consumer spending. If macroeconomic data continues to come in weaker than expected, that could free the Fed to start some mild easing of rates before the end of the year. Current Fed forecasts show that two rate cuts of a quarter point each are still possible. Some of the latest bank tightening data shows that fewer banks are tightening restrictions on lending for commercial projects for construction activity.

Housing and Interest Rate Forecast, 04/10/2024							
	2020	2021	2022	2023	2024	2025	2026
Housing Activity (000)							
Total Housing Starts	1,397	1,606	1,551	1,423	1,391	1,393	1,489
Single Family	1,003	1,132	1,004	946	1,026	1,048	1,104
Multifamily	394	474	547	476	365	345	385
New Single Family Sales	833	769	637	667	678	776	785
Existing Single-Family Home Sale	5,057	5,425	4,533	3,674	3,805	4,257	4,495
Interest Rates							
Federal Funds Rate	0.36%	0.08%	1.68%	5.03%	5.14%	3.89%	2.89%
Treasury Yield:							
Ten Year Maturity	0.89%	1.44%	2.95%	3.96%	4.08%	3.64%	3.50%
Freddie Mac Commitment Rate:							
Fixed Rate Mortgages	3.11%	2.96%	5.34%	6.81%	6.68%	6.01%	5.67%
Prime Rate	3.54%	3.25%	4.85%	8.19%	10.91%	9.90%	8.57%
For more forecast details, visit www.nahb.org.							

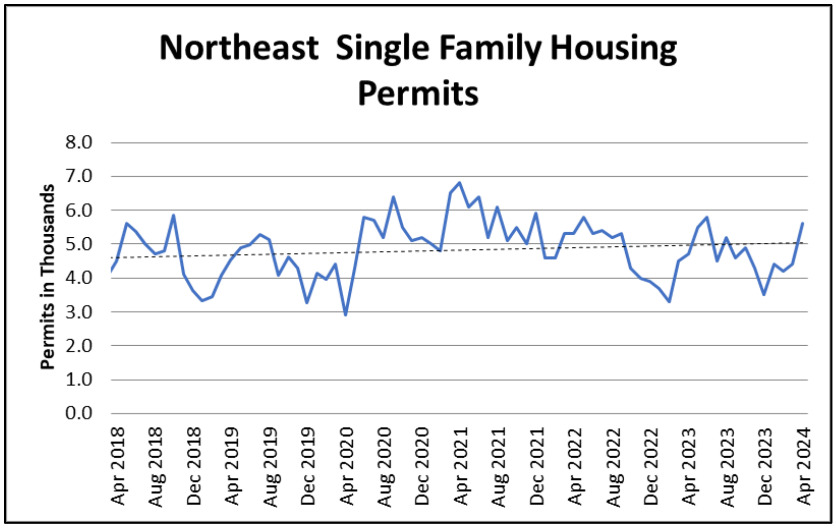
The following section provides monthly housing permit data for each major region in total, single family, and multi-family units.

Regional market outlook: Northeast

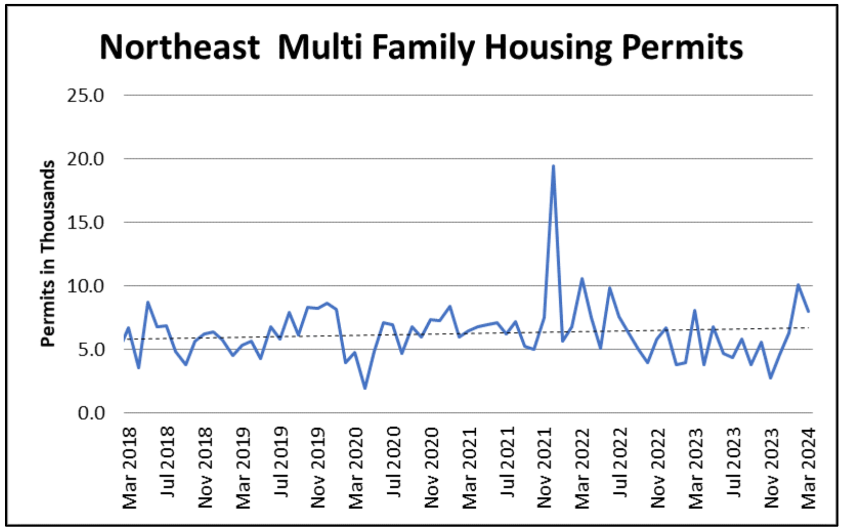
- Northeast total housing units authorized for construction were down in April by 2.4% M/M (-13.3% last month). April was the latest regional data available throughout this series.
- The 3-month moving monthly average was up 6.0% (+17.5% last month).
- On a year-over-year basis, permits were up 42.4% (-1.6% in the last update).



- Month-over-month single family permits were up 27.3% (+4.8% last month).
- On a 3-month moving average basis, permits were up 9.2% (+8.6% last month).
- Year-over-year permits were up 19.1% (-2.2% last month).

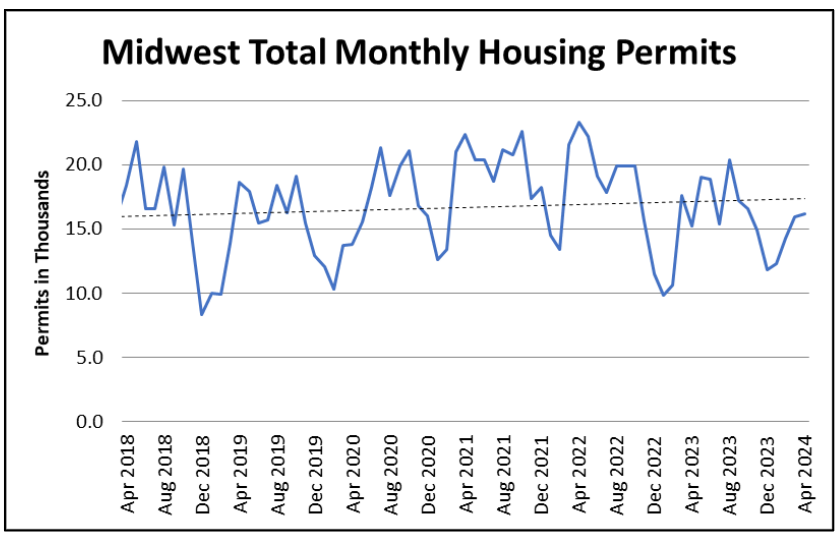


- Multi-family housing permits authorized for construction were down 18.8% M/M (-20.8% in the last update).
- They were up 6.9% on a rolling 3-month average (+25.5% last month).
- On a year-over-year basis, they were up 71.1% (-1.2% in the last update).
- These figures are based on a small number of units so the percentages can seem higher and more volatile.

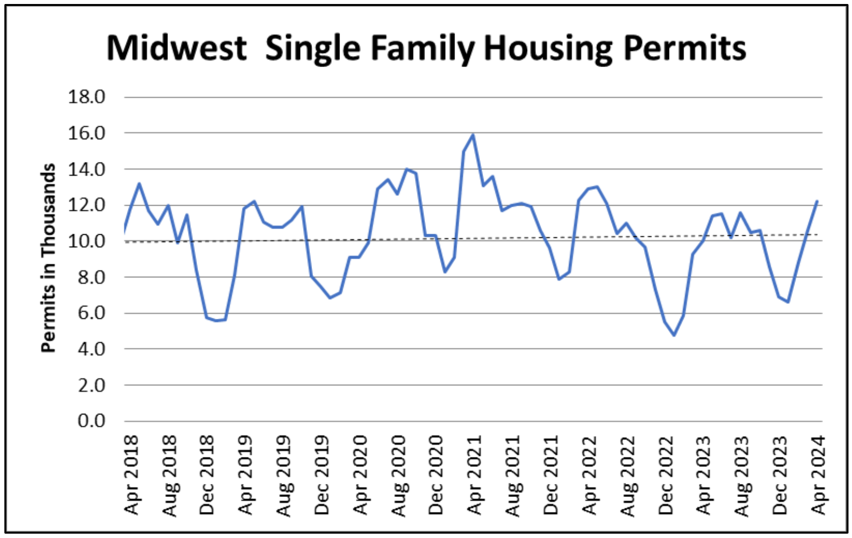


Regional market outlook: Midwest

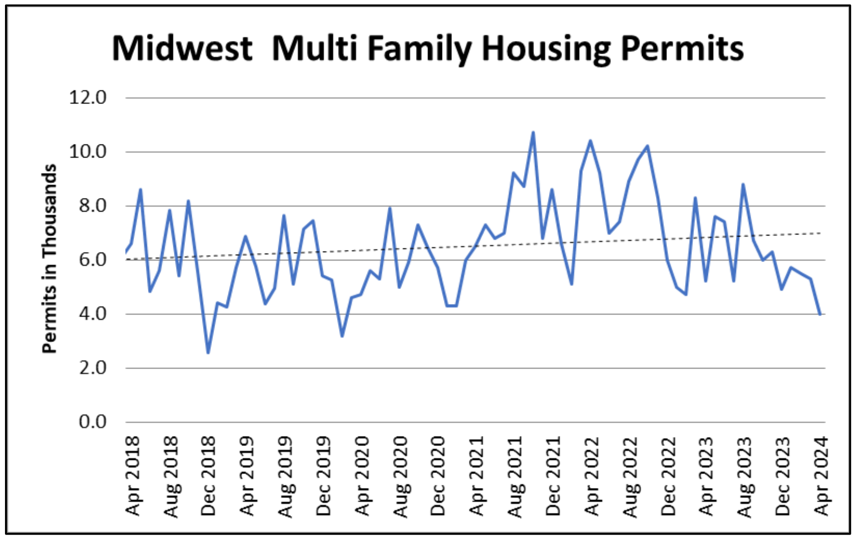
- Midwest total housing permits were up 1.9% month-over-month (+11.2% in the last update).
- The 3-month average was up 9.8% (+10.6% in the last update).
- On a year-over-year basis, permits were up 6.6% (-9.7% in the last update).



- M/M permit volumes were up 15.1% (+20.5% last month).
- The 3-month rolling average shows that permits were up 23.0% (+16.5% in the last update).
- Year-over-year, single family homes authorized by permits were up 22.0% (+14.0% in the last update).

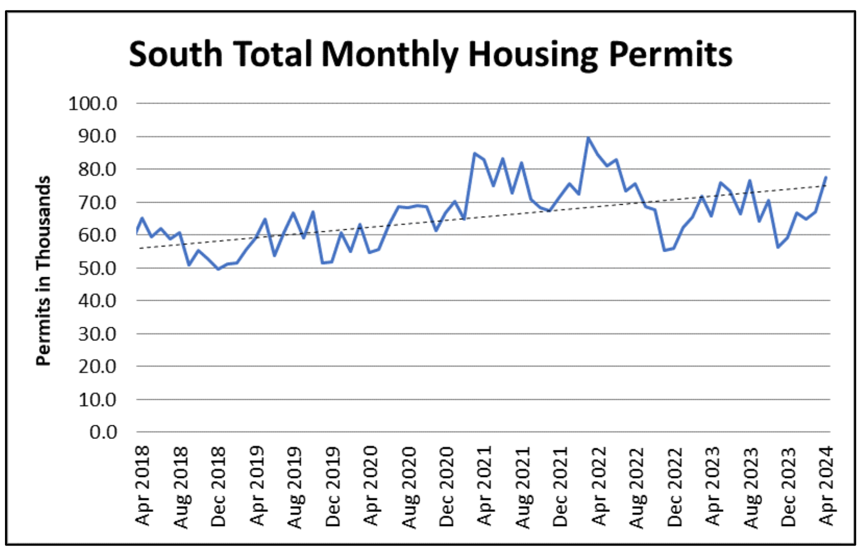


- Multi-family housing permits, again, are volatile month-over-month. This month, they were down 24.5% (-3.6% last month).
- On a 3-month rolling average basis, they were down 10.6% (+3.1% in the last update).
- On a year-over-year basis, permits were down 23.1% (-36.1% in the last update).

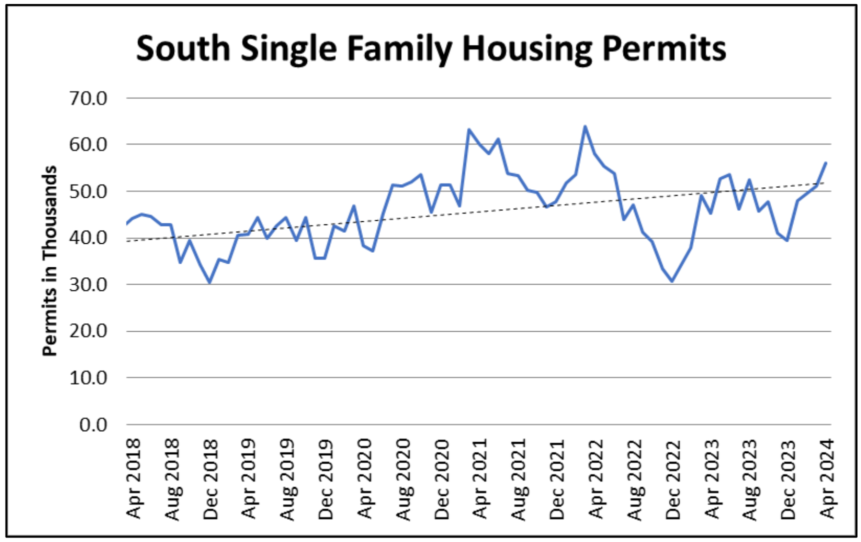


Regional market outlook: South

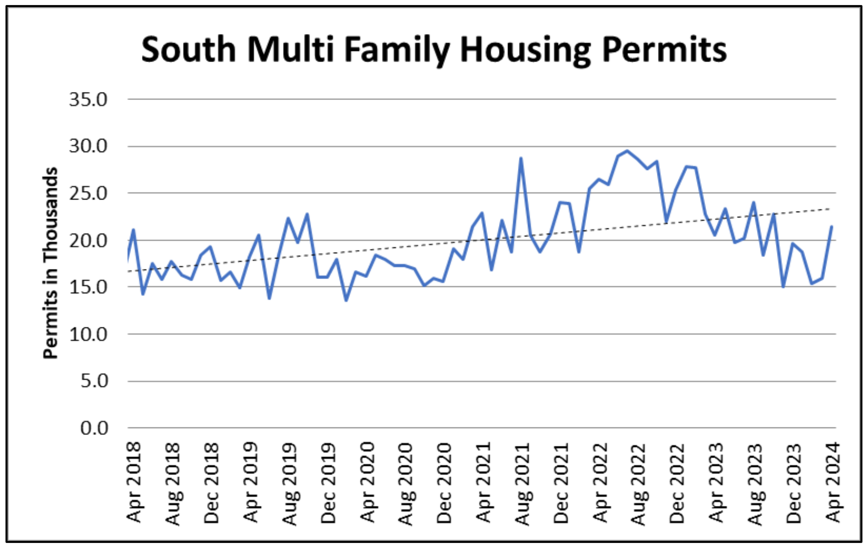
- Southern region housing permits were up 15.3% month-over-month (+3.5% in the last update).
- On a 3-month rolling average basis, permits were up 5.4% (+4.6% in the last update).
- On a year-over-year basis, total permits were up 17.6% (-6.4% in the last update).



- Southern region single family home permits were up 9.4% M/M (+3.4% last month).
- On a 3-month rolling average, they were up 5.3% (+9.5% in the last update).
- On a year-over-year basis, single family permits were up 23.6% (4.5% in the last update).

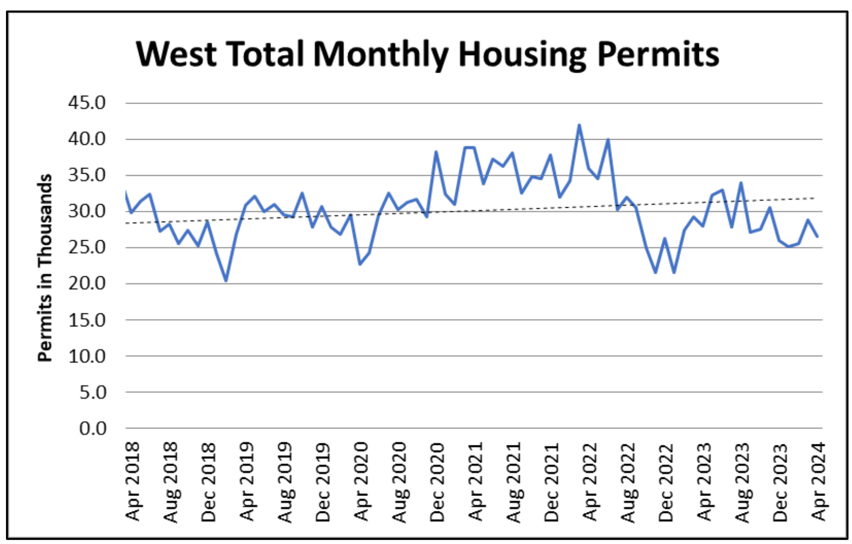


- Southern multi-family permits were up 34.4% M/M (+3.9% last month).
- On a 3-month rolling average basis, permits were up 6.9% (-6.3% last month).
- On a year-over-year basis, permits for multi-family housing were up 4.4% (-29.8% in the last update).

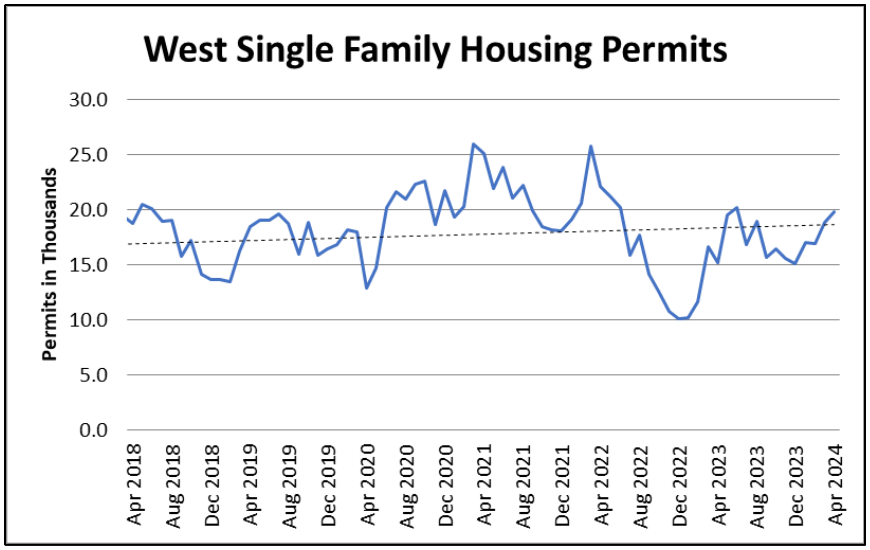


Regional market outlook: West

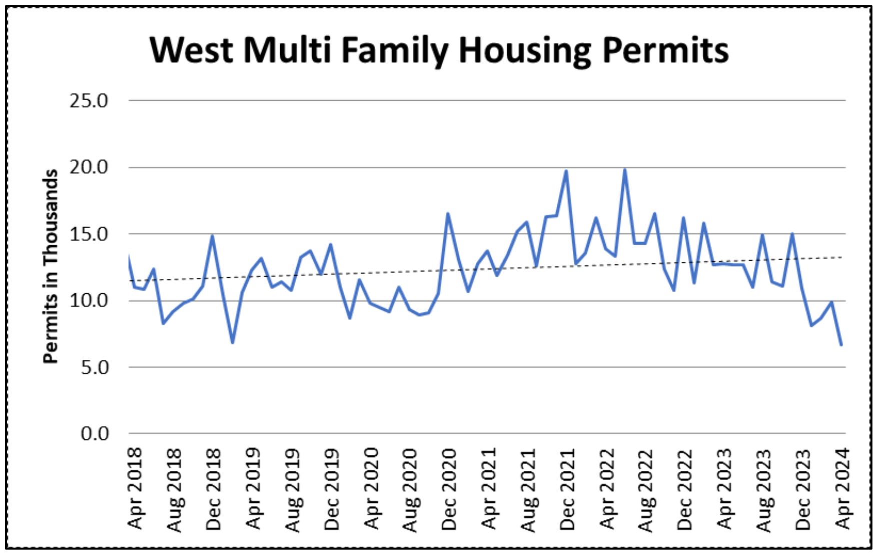
- Western region total monthly housing permits were down 8.0% M/M (+12.5% last month).
- On a 3-month rolling average basis, they were up 2.2% (+3.7% last month).
- On a year-over-year basis, permits were down 5.4% Y/Y (-1.7% in the last update).



- Single-family permits were up 4.8% M/M (+11.8% last month).
- On a 3-month moving average basis, permits were up 5.3% (+7.9% in the last update).
- Year-over-year, single family permits were up 30.3% (+13.9% in the last update).



- Multi-family permits were down 32.3% M/M (+13.8% in the last update).
- On a 3-month rolling average, it was down 3.7% (-1.5% in the last update).
- Year-over-year, multi-family unit permits were down 47.7% (-22.0% last month).



Industry Outlook

ASA Sales were higher by 10.2% Y/Y (-4.8% last month) in April (latest available). Year-to-date through April, sales were up 0.4% (-0.3% in the last update). For the trailing twelve months prior, sales were up 1.2% (1.3% in the last update). ASA Pulse Report findings are reported monthly. The following chart shows the breakdown by primary business type and region.

	April Y/Y % Change in Total Dollar Sales	YTD % Change vs. YTD 2023	Trailing Twelve Months % Change
All Businesses	**10.2%**	**0.4%**	**1.2%**
By Primary Business			
PHCP	9.3%	1.3%	1.6%
PVF	11.5%	-2.3%	0.5%
PHCP & PVF	11.0%	0.6%	1.2%
By Region			
1 (SWPD & WSA)	13.4%	4.0%	1.4%
2 (ASA Central)	10.3%	-1.8%	2.6%
3 (SWCD)	1.0%	-5.4%	ISD
4 (NCWA)	12.7%	2.4%	2.2%
5 (ASA Northeast)	5.5%	-5.5%	0.0%
6 (SWA)	9.2%	0.5%	0.6%
*ISD - Insufficient Data			

The US Transportation Services Freight Index (TSIFRGHT), which typically leads ASA Sales by about five months. The last report available was from February (new report is still delayed from the BTS) and it showed that the TSI was at 138.1 for freight, up 3.1% M/M but down 1.1% Y/Y (up 1.8% Y/Y last month).

More recent data (comparing similar industry data to the TSI) from other sources show much weaker data. DAT Trendlines was reporting at the end of May (latest available) that spot truck freight demand was **2.6% lower than it was a year ago**. Spot trucking rates have fallen 2.1% Y/Y, and now fuel surcharges are down -2.4% Y/Y.

There are a lot of moving parts in the global oil economy. OPEC+ has now decided to increase output by the fourth quarter, which likely means that many producers will be jumping ahead of that timeline. That news led to pressure on oil prices. Also as mentioned earlier in this month's report, the US is slowly replenishing Strategic Petroleum Reserves at a rate of 3 million barrels per month. In the overall scheme of things, that is not a lot of production taken out of circulation and oil prices have not adjusted as a result.

Analysts will still be keeping an eye on hurricane activity this year since forecasts show a potentially active Gulf storm season. In addition, a new rule released by the US administration could impact some offshore oil production taking place in Federal waters. The impact is still unknown, but requirements to increase bond assurance could lead to much higher operating costs for some producers to the point of pushing some out of production. The rule does not take effect until later in June, and the full impact may not be known for several months yet as enforcement could take some time to implement and assessments of those required to provide the additional insurance is still not known.

Retail sales were mixed again in April (latest available) across many categories' month-over-month. Total retail sales were flat month-over-month and were 3.0% higher year-over-year. Stripping out gas and automotive, they were still flat M/M but were 2.7% higher Y/Y.

When adjusted for inflation, sales were down month-over-month in April (falling by 0.3%) and were also down by 0.3% compared to last year at this time (they were down by 1.6% year-over-year last month). Again, this month, the divide between essential retail spending and discretionary categories was clear. Every discretionary sector except home improvement was lower month-over-month.

Kind of Business	Percent Change: Apr. 2024 Advance from -- Mar. 2024	Apr. 2023
Retail & food services, total	**0.0**	**3.0**
Retail	0.0	2.7
Motor vehicle & parts dealers	**-0.8**	**0.8**
Furniture & home furn. stores	**-0.5**	**-8.4**
Electronics & appliance stores	**1.5**	**0.8**
Building material & garden eq. & supplies dealers	**0.5**	**-1.0**
Food & beverage stores	**0.8**	**2.2**
Grocery stores	0.6	1.9
Health & personal care stores	**-0.6**	**-0.3**
Gasoline stations	**3.1**	**4.0**
Clothing & clothing accessories stores	**1.6**	**2.7**
Sporting goods, hobby, musical instrument, & book stores	**-0.9**	**-4.7**
General merchandise stores	**-0.3**	**3.7**
Department stores	0.5	-1.2
Nonstore retailers	**-1.2**	**7.5**
Food services & drinking places	**0.2**	**5.5**

Home improvement retail sales volumes rebounded slightly again in April with spring seasonal spending, they were higher by 0.5% M/M but they were lower by 1.0% against last year. Retailers noted that they were still experiencing lower volumes but expected smaller home improvement projects to pick up momentum in Q2 (normal seasonality).

Second quarter GDP has slowed considerably from early estimates. The quarter started out at 4.2% but has now fallen to 1.7% according to the GDPNow estimates from the Atlanta Federal Reserve. This is a rolling estimate and the Atlanta Fed stated that it was an unexpected slowing in consumer spending once again that was starting to weigh on overall growth. For the full year, if these trends continue, the full year will grow nearer to 2%.

There was a slight change in the outlook for Non-residential construction from last month, it is showing some slowing in the latter part of this year stretching into 2025. The forecast is not recessionary, but it could feel more sluggish than expected. Some private projects are being put on hold pending the Federal Reserve's decisions on interest rates and some uncertainty being created by the US election. Government investment from the Infrastructure Bill, CHIPs Act, and Inflation Reduction Act will likely keep construction spending steady in 2024.

As mentioned last month, much of this will depend on the Federal Reserve and interest rate policy moving forward (and easing of interest rates could spur more growth). The latest estimates from the Fed suggest that a higher for longer policy is likely – but prospects for one or two quarter-point cuts are still in the conversation. Economic activity is still stable, and inflation (most importantly) is still hotter than target rates. The Fed has set a longer term rate target of 2.5% to 3% - likely hitting that in late 2025 or early 2026.