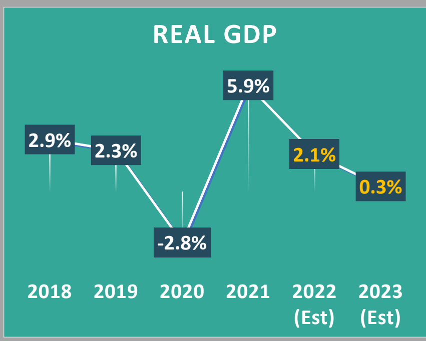
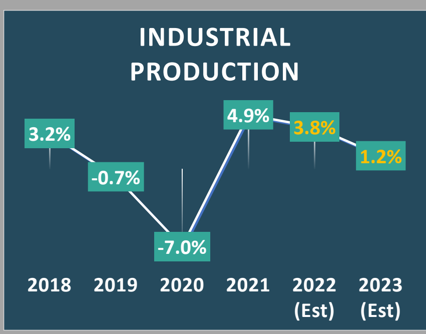
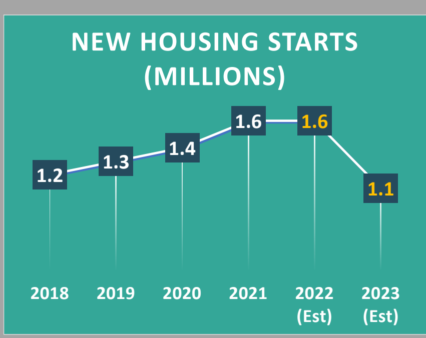
Monthly Economic Report (MER)

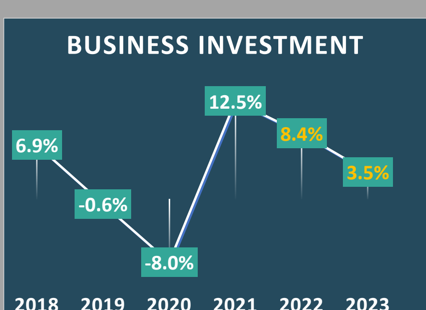
February 2023

Selected Indices









Executive Summary – February '23

Big Items

GDP: There have been more than a few gloomy prognostications regarding the start of 2023. There are charts in circulation that assert the first quarter will dip into negative territory but the latest estimates from the GDPNow system employed by the Atlanta Fed show a gain of 2.5% for Q1. This would be very consistent with the performance of the last half of last year (2.6% in Q3 and 2.9% in Q4). Growth rates in this range have been the norm for the US economy for the last 25 years.

Industrial Production: Industrial production data stabilized a bit this month. The data was essentially unchanged from past readings but those were down somewhat from what they had been. Manufacturing was up by 1.0% and mining was up by 2.0%. The big drop was noted in the utility sector – down by 9.9% as the unusually cold weather started to ease. These readings will be lower for the next several months – until the summer weather brings demand for cooling.

Housing Starts: Housing starts are also starting to show some stabilization, but at a low rate. The starts were up 0.1% over the revised December data but that is cold comfort as they are still 22% below the levels seen a year ago. There is still a wide variance between the level of single-family expansion and multi-family. The growth in multi-family is still at a pace that rivals the activity seen in the 1980s. The reality is that there is still a national shortage of over 2 million homes. The problem is that little progress has been made as far as affordable housing.

Home Improvement Retail: Home renovation and remodeling continues but the motivations are changing and that has been affecting the kind of work being done. There is less activity around selling the house and more attention to making changes for the current residents. Most of the work is still aimed at bathrooms and kitchens. The rush to develop home offices has faded considerably and there has been less attention paid to retrofitting for elderly relatives or kids that refuse to move out.

Manufacturing: The latest PMI tracked a little lower than it was in December and sits at 47.4. This is not miserable as these are still numbers within reach of the expansion zone (readings above 50), but they are still dipping. The services data has been improving but the big issue for manufacturing is that many companies are sitting on too much inventory. They bought aggressively as they dealt with supply chain fears but now have too much and are not interested in adding to that total.

Big Risks

Inflation and Recession Potential: These are still the big issues but in the most recent polls of corporate leadership the dominant concern is labor supply. This is a multi-pronged worry. Not only is there worry about getting the needed workforce but there is also the issue of wage inflation as these workers have never had this much leverage. The solutions are not readily at hand and that means the labor challenge could be dominant for years to come.

What to Watch

Geopolitics: The Ukraine conflict has deteriorated into a war of attrition and looks likely to last for years. The alliance against Russia has held but there are still many nations in the world who have been unwilling to apply pressure and that has allowed Russia to escape most of the sanction pressure. The drain on western economies has been severe but Russia is in much more serious economic distress.

Macroeconomic Viewpoints

- Dr. Chris Kuehl

ASA MER Contents:

What Are the Real Threats in 2023? – Over the last few weeks there has been something of an outbreak of enthusiasm regarding the 2023 economy. But it is not at a historically strong level of enthusiasm or confidence at this stage and there are many who still hold some pessimistic views, but it appears that global inflation has peaked towards the end of last year and there continue to be positive developments such as strong retail, low levels of unemployment, and so on. Is there still a reason to assert that 2023 will feature a deep recession? Is the forecast now calling for nothing more drastic than a slowdown and a "soft landing"? Not to play the role of the dismal scientist, but there are three real threats to be aware of as the year progresses.

The first and most obvious is the continued effort by the Fed to manage inflation. There has been progress towards lowering the inflation threat and it is evident that a peak was reached as far as commodity prices, logistics, and the like. A peak doesn't mean that a decline follows immediately. Inflation reached record levels and the numbers show that these levels have not receded much. The Fed still has a battle on its hands if it wants to bring the level of Personal Consumption Expenditures (PCE) measured inflation down to 2.0%. Core inflation stands at 4.7% with the newest data just released. Since it bounced back up, it signals that the Fed may have a long slog ahead.

Related to the performance of the PCE is the rate of unemployment. The central banks have always operated under a set of rules that suggests they raise rates until something breaks and then they set about lowering rates to fix what they broke. The trick is knowing when they slow conditions enough to justify a halt in rate hikes. They usually use employment as the gauge. When the rate eventually goes up, they know they have done their job. But the jobless rate has remained stubbornly low. The Fed now must search for other indicators and the messages have been mixed. Given the turmoil in the job market it may be impossible to use unemployment as the gauge and this introduces a lot more uncertainty. The Fed itself is giving mixed signals with comments from both the hawks and doves.

The third threat is related to the issue of employment in a familiar context. The worker shortage has been chronic for years and continues to create major issues. The most obvious is that companies can't find the people they need and that ends up distorting the entire system. One of the reasons that employment numbers have become less trustworthy is that companies are reluctant to let workers go – even if there has been a slowdown in business. It took so long to find these employees they are not about to lose them now. There is also the issue of worker leverage. They can demand higher wages (and are) as well as better benefits. They know that getting fired is a remote possibility and that finding a new job will be easy. This affects overall attitude as well as loyalty patterns. It is most definitely a period during which the employee has the upper hand. This makes wage inflation the prime driver for higher prices going forward. The impact of the supply chain crisis and the stark hike in commodity prices have indeed faded and that is good news as far as inflation control is concerned, but the wage pressure is threatening to negate these advantages.

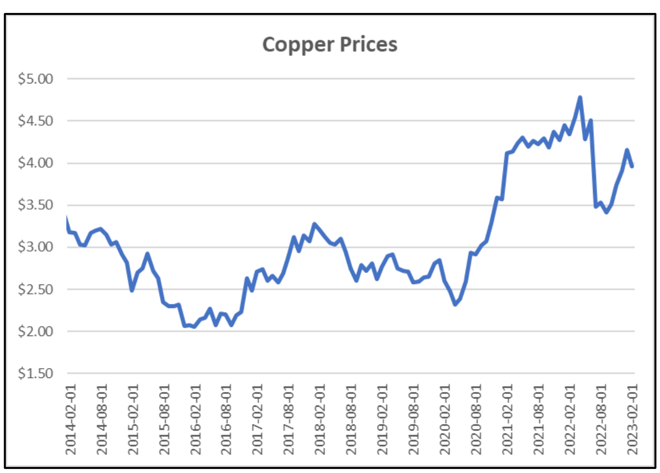
Reader Question of the Month

Q: Could a changed immigration policy make a difference on worker shortages?

A: The short answer is yes. But the longer and more complicated answer is that it will all depend on what kind of changes are suggested. In past decades, the US was able to take almost any level of education in the immigrant population. The majority of those that entered the US had limited skills, education, or English language skills but the US could be patient. There were plenty of basic jobs that could be done by the new arrivals and the country really counted on the next generation as they would be assimilated and able to take on more important roles. The US has far fewer of these basic jobs now and the need is for skilled and educated immigrants – the same people every other nation is trying to recruit. The reform that is needed most is one that expands the ability to hire skilled and educated people – essentially the people that would qualify for the H1B visa. There is also a continued need for the seasonal labor in demand from agriculture and construction. The worker shortage in the US is acute and getting worse as more Boomers retire. The immigrant that is needed by the US is the one that plans to make a new start in the US. They would need to remain here permanently as opposed to working short term and returning home. The illegal immigration issue is complicated by the motivations for this surge. Unlike in past years when people were simply seeking a way to make money, the current wave is better understood as refugees. They are fleeing drug violence and political persecution and really don't want to leave their country. They have little choice and that means they will be eager to return home if conditions there allow it. Far too often they are not the ones that plan to start a new life in the US and settle into long term employment. - CK

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 $3.97/lb. ($4.16/lb. last month).
- The Producer Price Index (PPI) for January (latest PPI available) was 520.2, up month-over-month by 3.6% (1.2% last month). It was down 5.5% year-over-year (-3.7% last month). The ten-year index high was 572.0 in May 2022 and the low was 302.9 in 2016.
- **Looking Ahead**: Copper inventories are still near decade lows according to the LME. Mining operations in the US are still finding it difficult to attract workers, but foreign mining operations are starting to see some slight improvements in hiring and output is returning to pre-pandemic levels. Other disruptions in output are keeping inventories low for now, but demand is down.

General Commodities Discussion:

Nickel:

- Nickel Prices have been weaker over the past 30 days and were @$11.29 per lb. ($12.86 in the last update). Despite that, LME warehouse levels fell again this month to 44,514 tons (50,638 tons in the last update) and remain at lows not seen since November 2007 (at 42,091 tons).
- **Outlook**: As mentioned last month, the impact of decelerating global manufacturing activity continues to outweigh 16-year lows for global inventories (based on LME inventories), and prices were softening. Nickel supply is complex and "refined nickel" supplies are dwindling while Class I nickel ore is being produced rapidly by Indonesia, and inventories of unrefined nickel is growing. EV demand will continue to build, and the competition for nickel will grow with it.

Carbon Steel: (WPU101706)

- NYMEX Domestic Hot-rolled Coil steel prices (CRU-HRCc1) were higher over the past 30 days and were $1,010 per ton in late February ($780 per ton in the last update). This is down from a peak of $1,943 hit in August of 2021.
- However, Producer Prices for steel pipe and tube continued to drop in the latest data from the end of January (latest available). They were down 1.3% month-over-month (down 2.9% last month). Year-over-year, the PPI was 10.0% lower (-4.8% Y/Y in the last update) against much more difficult comparisons.
- **Outlook**: The Producer Price Index suggests that street demand for carbon steel is softening slightly, but wholesale steel prices are rising at a macro level based on the NYMEX data. Some non-residential construction activity remains very strong (manufacturing, commercial, certain utilities, and infrastructure), which causes steel demand to surge at times and is keeping the industry volatile. Some weather-related impacts and reduced material coming out of the Ukraine/Russia region have kept supply sporadic. The Producer Price Index for construction materials is still 39.9% higher vs. pre-pandemic levels.

Stainless Steel: (WPU10170674)

- The Producer Price Index for stainless pipe and tube inched up in January (latest available). Producer prices for stainless pipe inched up by 1.0% month-over-month (down 1.3% last month); and they were still up 7.5% Y/Y (up 11.4% last month).
- **Outlook**: Many stainless-steel material applications were still seeing some stable demand in early 2023. Pockets of construction that rely heavily on stainless steel were just beginning to see some improvements in demand. Health care construction had inched up by 10.3% year-over-year, despite some profit pressures for hospital systems throughout 2022. Other pockets of stainless use (lodging and professional equipment) were also seeing double-digit year-over-year growth through December.

Ferrous Metal Scrap: (PPI: PCU4299304299301)

- Producer prices for ferrous metal scrap continued to rebound in January, coming in with an index of 520.5 (464.8 last month). This was higher by 12.0% M/M (8.6% last month). Year-over-year it was down by 13.7% Y/Y (-27.8% in the last update). The highest producer price prior to this was in July of 2008 when the index hit 731.4 points.
- **Outlook**: As mentioned last month, sources are pointing to the trend of conversions from blast furnaces to EAF (electric arc furnace) as one of the trends that will increase scrap demand. This is a longer-term trend, and many analysts are asking whether the scrap industry can keep pace with this shift in process, EAF of course creating more demand for metal scrap.

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

Producer Price Index – Key Industry Products

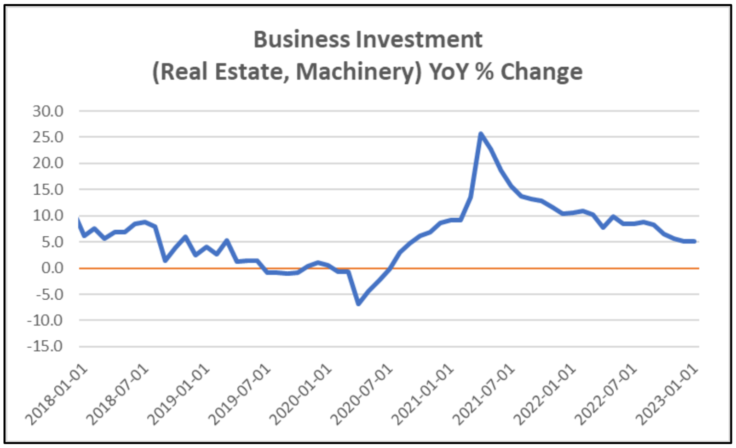
The Producer Price Index (PPI) for key supply industry metrics is listed in the chart below including month-over-month and year-over-year comparisons. To the degree that the PPI is derived from monthly Government Surveys of actual purchasers and users of the following products, it provides a more accurate 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	Jan-23	Dec-22	M/M% Chg	Jan-22	Y/Y % Chg
Pipe, Valves and Fittings						
Metal valves, except fluid power	WPU114902	428.5	423.4	1.2%	378.2	13.3%
Gates, globes, angles and check valves	WPU114902011	163.4	159.6	2.4%	148.0	10.4%
Ball valves	WPU11490202	557.9	557.9	0.0%	483.0	15.5%
Butterfly valves (formerly W2421490203)	WPU11490203	301.0	292.0	3.1%	263.2	14.4%
Industrial plug valves	WPU11490204	297.7	297.7	0.0%	257.3	15.7%
Plumbing and heating valves (low pressure)	WPU11490205	376.4	376.4	0.0%	374.3	0.5%
Solenoid valves	WPU11490208	372.2	372.2	0.0%	372.2	0.0%
Other industrial valves, including nuclear	WPU11490209	394.6	392.4	0.5%	346.9	13.7%
Automatic valves	WPU11490211	249.9	248.9	0.4%	220.6	13.2%
Metal pipe fittings, flanges and unions	WPU11490301	476.8	476.0	0.2%	420.3	13.4%
Steel pipe and tube	WPU101706	448.3	454.1	**-1.3%**	498.0	**-10.0%**
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	153.0	151.5	1.0%	142.3	7.5%
Copper & copper-base alloy pipe and tube	WPU10250239	341.1	331.8	2.8%	361.5	**-5.7%**
Plastic pipe	WPU07210603	212.6	214.1	**-0.7%**	201.5	5.5%
Plastic pipe fittings and unions	WPU07210604	318.5	319.5	**-0.3%**	290.5	9.6%
Plumbing Fixtures, Fittings and Trim	WPU105402	394.6	388.5	1.6%	383.8	2.8%
Bath and shower fittings	WPU10540211	286.7	286.7	0.0%	286.7	0.0%
Lavatory and sink fittings	WPU10540218	203.5	197.3	3.1%	190.3	7.0%
Enameled iron and metal sanitary ware	WPU1056	290.6	286.2	1.5%	256.3	13.3%
Steam and Hot Water Equipment	WPU1061	393.3	393.3	0.0%	371.4	5.9%
Cast iron heating boilers, radiators and convectors	WPU10610106	269.9	269.9	0.0%	250.1	7.9%
Domestic water heaters	WPU106601	569.4	569.4	0.0%	566.6	0.5%
Electric water heaters	WPU10660101	563.9	563.9	0.0%	561.4	0.5%
Non-electric water heaters	WPU10660114	346.7	346.7	0.0%	344.9	0.5%
Warehousing, Storage and Relates Services	WPU321	140.9	138.6	1.7%	127.6	10.4%

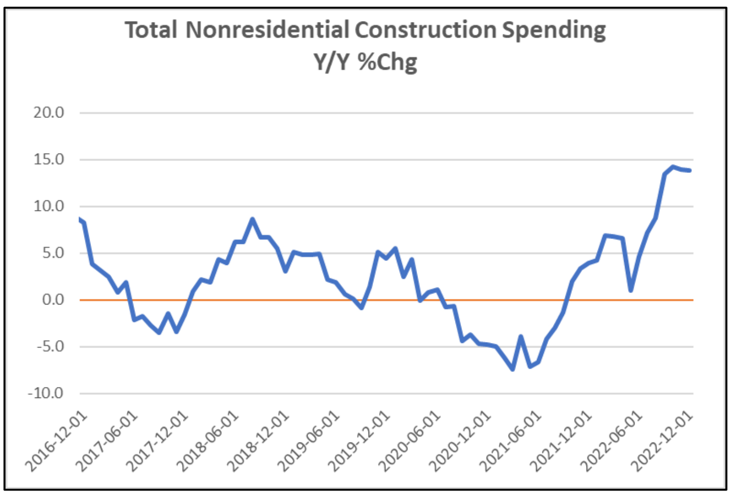
PHCP & PVF

Capital Goods New Orders (NEWORDER)



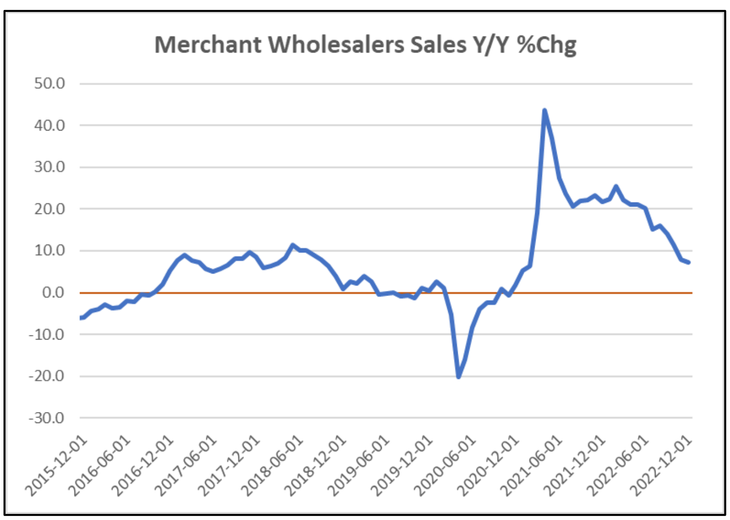
- The value of manufacturers' new orders for capital goods remained stable again in January (latest available), spending was down slightly by 0.1% sequentially M/M (-0.2% last month). But they remained up by 5.1% Y/Y (up 5.2% last month) and continued to be stable overall.
- **Outlook**: Businesses were still spending at an annual rate of @$74.9 billion in capex. Again, some of this is due to inflationary factors, but even when stripping out the impact of inflation, spending is still historically high. Said in simplest terms: 1) corporate spending remains stronger than expected 2) growth rates have flattened of late but 3) they remain historically high as mentioned.

Total Non-Residential Construction (TLNRESCONS)

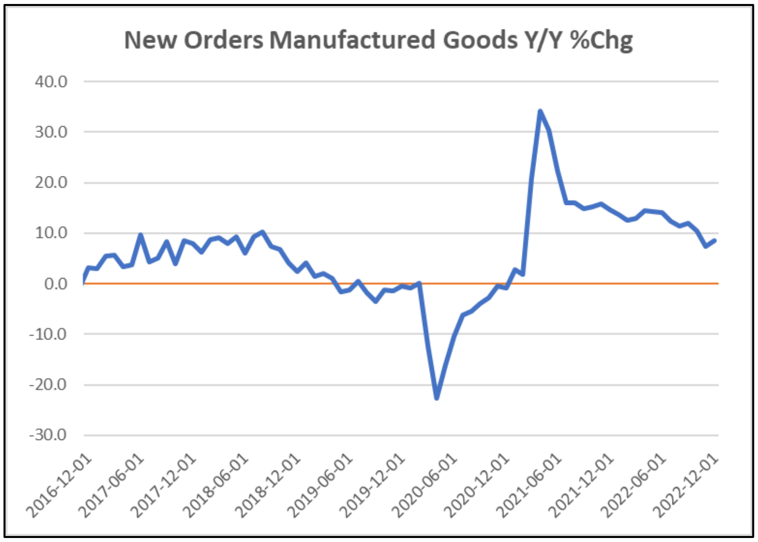


- Total Non-Residential Construction activity in December (latest available) was 13.8% higher than it was a year ago (13.9% higher last month) but was 0.5% lower M/M (-0.3% in the last report). Overall spending was at an annual rate of $943B (the prior annualized run rate peak of $900B was hit in September of 2022).
- **Outlook**: Nonresidential construction continues to set new records (with some inflation impact involved). But there are undoubtedly some strong trends pushing areas like industrial manufacturing construction, commercial, lodging and entertainment, and multi-family construction trends. Other sectors of nonresidential construction are poised to gain momentum, health care, infrastructure, and perhaps education in some states.

Wholesale Trade (WHLSLRSMSA, WHLSLRIMSA)

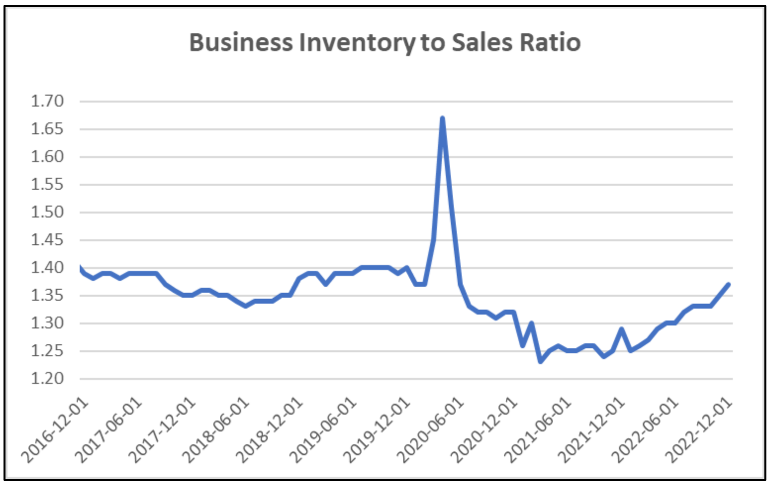


- Merchant wholesalers' sales were up 7.3% Y/Y through December (latest available; up 8.7% Y/Y in the last update). Month-over-month, sales were flat (down 0.6% last month).
- Wholesale inventories were up 17.6% year-over-year in October (up 20.9% last month).
- **Outlook**: Relative to sales, the inventory to sales ratio for wholesalers is 9.7% higher year-over-year (11.6% higher last month) through December (latest available). Wholesalers are still generally "heavy" with inventories sitting higher relative to historical levels. This slows reorder activity and is one of the factors that has led to the global slowing of manufacturing. Sales are still stable for now, but wholesalers must work through much of this inventory.



Manufacturing (AMTMNO)

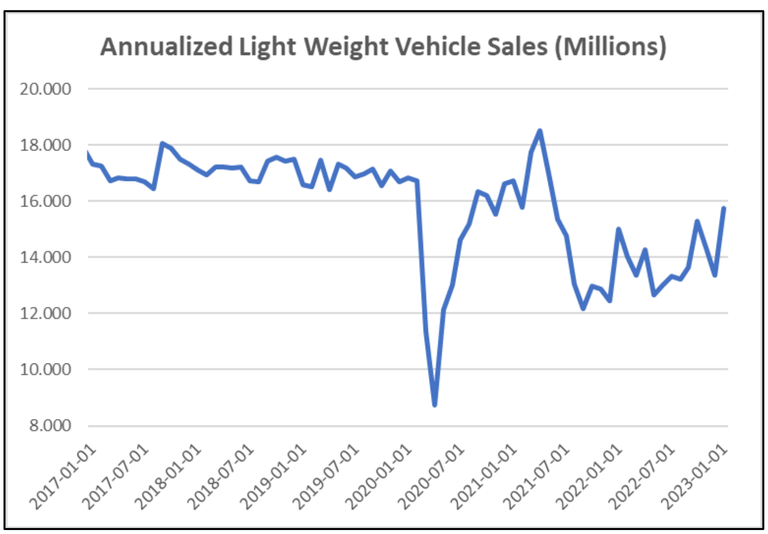
- Federal data on manufacturing was up 8.6% Y/Y (up 7.3% last month) through December (latest available). It was up sequentially by 1.8% month-over-month (-1.8% last month).
- The S&P Global US manufacturing PMI came in at 46.9 in January, down from 46.2 in December.
- **Outlook**: A PMI reading over 50 is evidence of a sector that is expanding and growing. New orders were pulling heavily on the overall index, new orders fell across a broad swath of the market. Manufacturers were also continuing to trim hiring activity and were cost cutting through attrition according to some sources heading into what many believe could be a sluggish first half of 2023. Prices remained elevated, although some softening of input prices was noted. Many manufacturers are clearing backlogs but are concerned about how quickly new orders will pick up pace.



Business Inventory to Sales Ratio (ISRATIO)

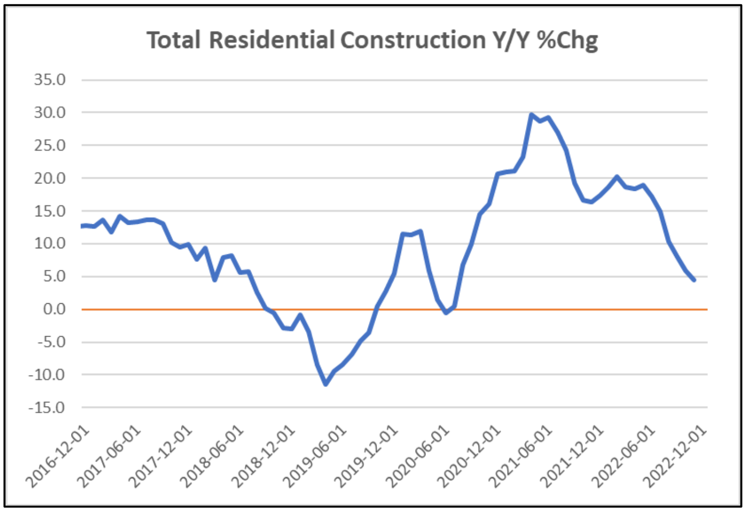
- The current inventory to sales ratio for all businesses remained at 1.37 months of inventory on hand in December (latest available; 1.35 last month). Relative to sales, inventories are finally hitting balanced levels, this month's ratio was 6.2% higher Y/Y (7.1% higher last month).
- **Outlook:** How quickly conditions can change. Businesses overall have gone from two years of supply chain challenges, bottlenecks, and shortages to now sitting with inventories too high. As the Federal Reserve pushes interest rates higher, the cost of carrying this inventory also rises and profit margins are going to get squeezed. Individual sectors are showing varying degrees of overstocks, macro data shows roughly 70% of the product moving industry in an overstock situation.

PHCP



Auto Sales (ALTSALES; AISRSA)

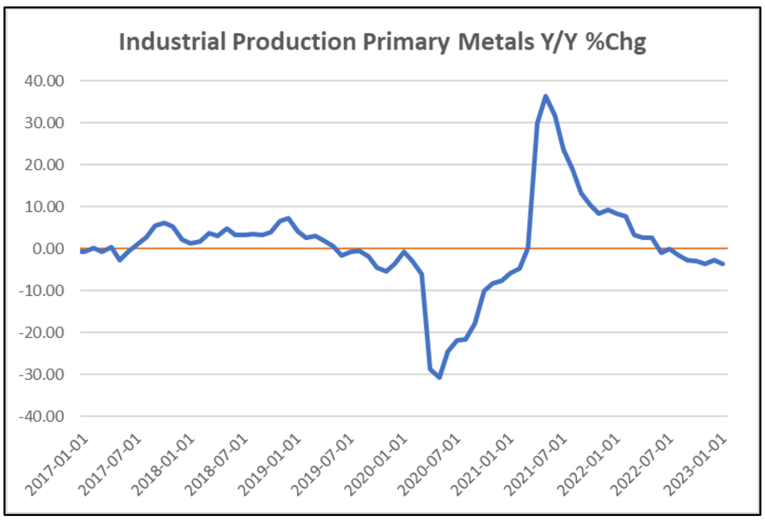
- US auto sales were trending at a 15.738-million-unit annual rate (13.374M last month) through January (latest available). This is up 4.1% year-over-year against moderate comps (+4.7% in the last update).
- The domestic auto inventory to sales ratio was up 45.5% Y/Y in December (latest available). On a monthly basis, it was 23.5% higher than it was last month.
- **Outlook**: Despite auto inventory data showing some improvements on a percent change basis, the inventory to sales ratio is still sitting at historically low levels. OEMs are still trying to rebuild new car inventories to get the "purchase and drive" sales spurred on dealership lots. Many dealers will still have to build inventories well into 2024 to get enough inventory on showroom floors to enable cash-and-drive sales to take place.



Total Residential Construction (PRRESCONS)

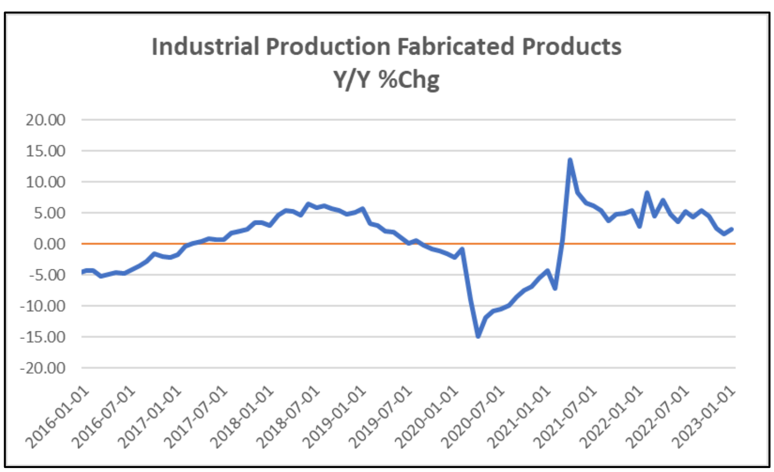
- Total residential construction in December (latest available), was up by 1.7% Y/Y (up 8.6% last month). It was down 0.3% M/M (also down 0.3% last month).
- **Outlook**: As expected, the housing sector was decelerating through the end of the year as interest rates hit 15-year highs. Multi-family construction in pockets of the country remains very strong, and there were some hints of improvements in single-family activity month-over-month as interest rates softened slightly at the end of the year. Pressure is expected to remain higher on housing throughout much of 2023. But as the Federal Reserve hints that interest rate hikes will perhaps peak this summer, there is renewed hope that the single family housing market may see some moderate improvements.

PVF



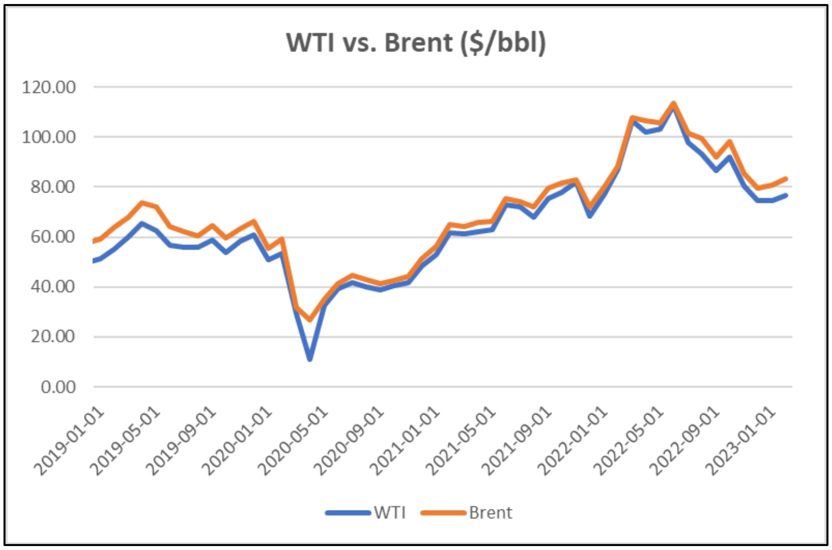
Industrial Production Primary Metals (IPG331S)

- Industrial production for primary metals was down 3.6% Y/Y through January (-2.8% in the last update). It was up 0.1% M/M (+0.8% M/M in the last update).
- **Outlook**: Primary metals demand continued to be sluggish again this month on the back of global manufacturing slowdowns. Commodity inventories remain low however, and the reopening of China will have to be watched closely. Any surge in demand throughout Asia would have an impact on commodity prices, especially with inventories so low. Europe will also emerge this spring from an energy-shortage induced slowdown in production. Ramping up industrial production in Europe will also increase consumption of raw materials.



Industrial Production Fabricated Metals (IPG332S)

- Fabricated metal industrial production was up 2.4% Y/Y through January (up 1.7% last month). It was also up 0.4% on a month-over-month basis, (-1.3% in the last update).
- **Outlook**: Fabricated metal production is a key feeder into other sectors of manufacturing and there is a significant amount of durable goods demand that helped keep production volumes strong again this month. Forecasts for the rest of 2023 show the outlook for machinery, computers, electronic equipment, and other durables weakening through Q3 with a slight improvement headed into the end of the year.



WTI and Brent

- WTI is currently at $76.45 a barrel ($76.24 in the last update) and Brent is at $83.18 ($82.51 in the last update).
- **Outlook:** The global petroleum market is still difficult to understand, and getting clarity on the situation in Russia is very difficult. Some reports show output from Russia falling and difficulties in getting petroleum distributed is running some countries lower than expected on inputs. But slowing global economic activity has been masking that shortfall through the winter months. As much of the world enters springtime and consumers start traveling again, companies are moving more products, and the real impact of Europe reopening and China's post-Covid situation are better understood, petroleum prices may inflate again. For now, prices in the $70's and $80's are keeping production stable.

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

	Last Count	Count	Change from Prior Count	Change from Last Year
U.S.	24-Feb-23	753	-7	103
Canada	24-Feb-23	244	-4	20
International	Jan-23	901	1	60

Rotary Rig Counts **(Baker Hughes)**

- Baker Hughes US active rig counts were up 103 Y/Y (up 161 in the last update) at 753 (1,049 in 2019); Canadian counts were up by 20 Y/Y (+30 in the last update). International counts are up by 60 Y/Y (+66 in the last update).
- **Outlook**: The EIA believes that the US is still on track to hit nearly 12.5 million barrels per day in 2023 but could now fall short of expectations for hitting 13 million barrels per day in 2023. Projections on gasoline inventories show the US staying in the mid-range of the 5-year average in 2023 (after spending the last year at the bottom of the 5-year average). There is some skepticism that this can happen if refinery operators must undergo extensive maintenance in Q1/Q2 after running the past two years heavy. Diesel refinery output is in a similar situation but is expected to run at the bottom of the five-year inventory average.

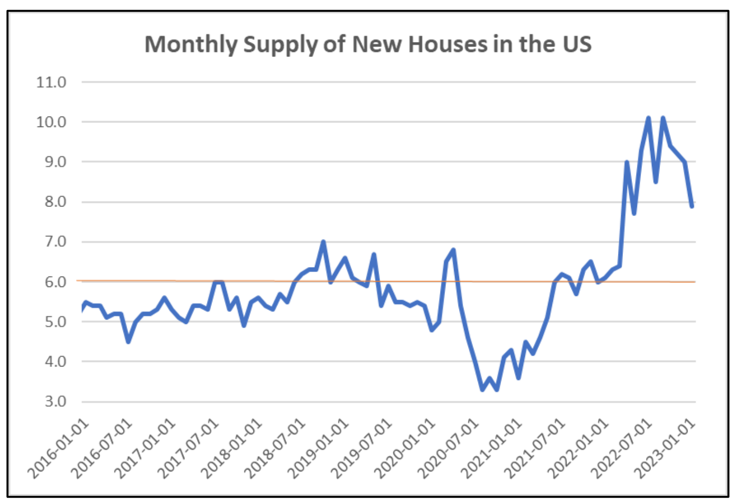
Construction Outlook

Residential construction: 30-year national average mortgage rates reversed course and increased late in February to 6.50% (6.13% in the last update). Home builder confidence moved up again M/M in February by 20%, it increased to 42 points (up from the January reading of 35). The all-time high was 90 points in November of 2020. Builders are still concerned about a Fed-induced recession on the back of higher interest rates. But, some improved weather conditions, clearing of backorders, and a stable jobs market helped boost near term sentiment.

NAHB/Wells Fargo National and Regional Housing Market Index (HMI)						
NATIONAL						
(Seasonally Adjusted)	2022		2023		M/M	Y/Y
	Feb.	Dec.	Jan.	Feb.		
			Revised	Prelim.		
Housing Market Index	81	31	35	42	20.0%	-48.1%
Housing Market Index Components						
Single Family Sales: Present	89	36	40	46	15.0%	-48.3%
Single Family Sales: Next 6 Months	80	35	37	48	29.7%	-40.0%
Traffic of Prospective Buyers	65	20	23	29	26.1%	-55.4%
REGIONAL HMI						
(Seasonally Adjusted)	2022		2023		M/M	Y/Y
	Feb.	Dec.	Jan.	Feb.		
			Revised	Prelim.		
Northeast	76	32	34	46	35.3%	-39.5%
Midwest	71	30	32	36	12.5%	-49.3%
South	84	35	39	45	15.4%	-46.4%
West	91	25	29	37	27.6%	-59.3%

On a year-over-year basis, the NAHB/Wells Fargo Housing Market Index was down 48.1% against February of 2022 (down 57.8% last month).

Housing inventories declined sharply in January, coming in at 7.9 months of inventory on hand. This is still above the "ideal range" of 6 months of inventory on hand, but this is lower than the 9 months we saw last month.



The housing market is highly regionalized, and each region has different levels of housing activity, but macro demand is still being tempered by rising interest rates and steep housing prices which are slow to start easing.

New housing starts came in at a 1.309-million-unit rate on an annualized basis (down from last month's 1.382 million annual rate); but the outlook for the rest of 2023 is obviously still weaker on interest rate pressures.

Single family starts were down in January by 4.3% M/M (latest available) and were down 27.3% Y/Y. Multi-family starts were also down 5.4% M/M and were 8.4% lower Y/Y.

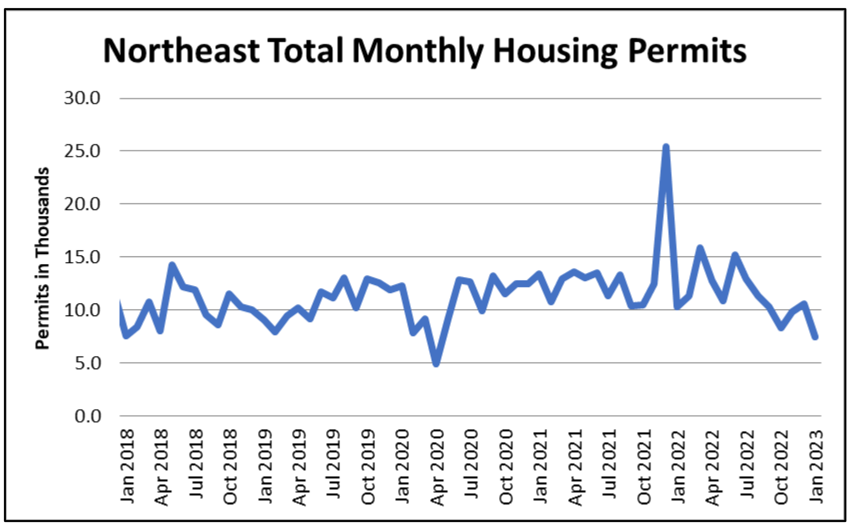
National Outlook: The theme continues, the Federal Reserve is moving higher on interest rate policy to tame inflation. Sixty-four percent of the households in the US are living check-to-check according to LendingClub and the Fed must get inflation under control to ease pressures on these households. After a quarter-point hike on 2/1/23, the Fed is likely to take one more quarter-point hike before summer then perhaps pause and read the data. Hotter inflation data and a stronger jobs market is adding pressure on the Federal Reserve. The chart below (latest available) from the NAHB shows a forecast for housing and interest rates.

Housing and Interest Rate Forecast, 01/04/2023							
	2018	2019	2020	2021	2022	2023	2024
Housing Activity (000)							
Total Housing Starts	1,247	1,291	1,395	1,605	1,542	1,135	1,299
Single Family	871	889	1,002	1,131	997	744	925
Multifamily	376	402	393	474	545	391	374
New Single Family Sales	614	683	831	769	597	508	681
Existing Single-Family Home Sales	4,736	4,746	5,059	5,418	4,569	3,850	4,257
Interest Rates							
Federal Funds Rate	1.83%	2.16%	0.36%	0.08%	1.75%	4.77%	4.33%
Fixed Rate Mortgages	4.54%	3.94%	3.11%	2.96%	5.46%	7.16%	6.23%
Prime Rate	4.90%	5.28%	3.54%	3.25%	5.90%	11.93%	10.55%
For more forecast details, visit www.nahb.org.							

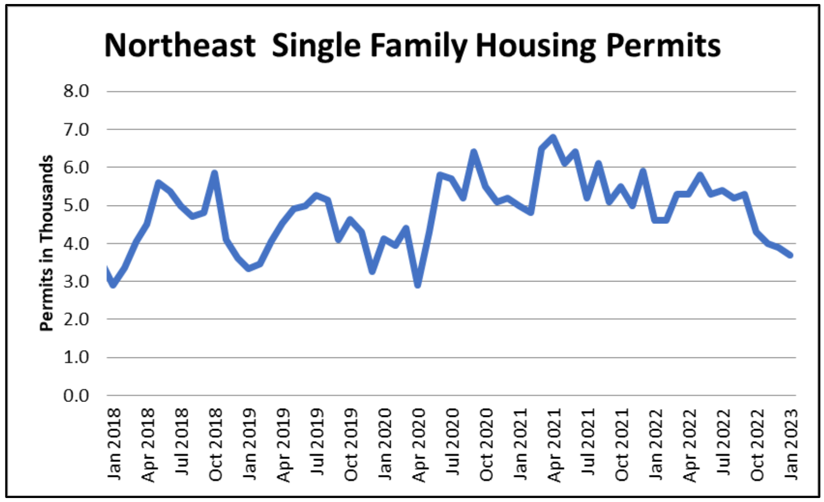
The following section provides monthly housing permit data for each major region in total, single family, and multi-family units.

Regional market outlook: Northeast

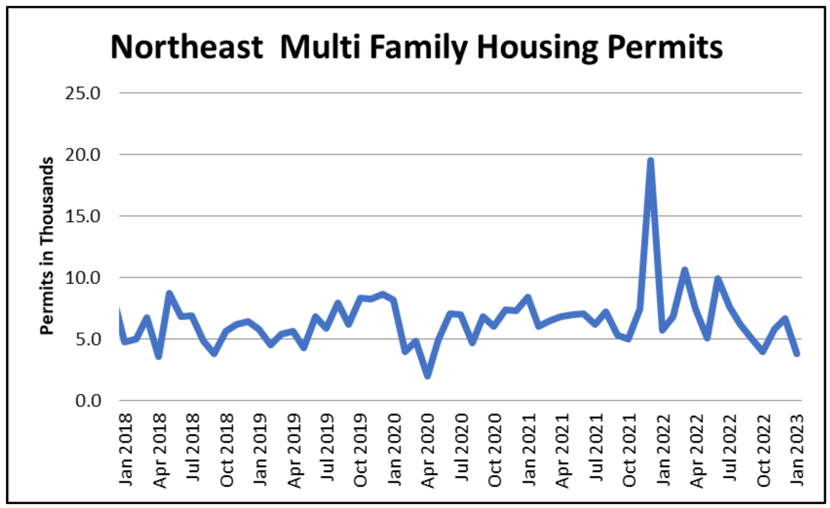
- Northeast total housing units authorized for construction fell in January by 29.2% M/M (8.2% last month). January was the latest regional data available throughout this series.
- The 3-month moving monthly average was down 1.0% (+2.3% last month).
- On a year-over-year basis, permits were down 27.2% (-58.3% in the last update).



- Month-over-month single family permits were down 5.1% (-2.5% last month).
- On a 3-month moving average basis, permits were down 4.9% (-9.4% last month).
- Year-over-year permits were down 19.6% (-33.9% last month).

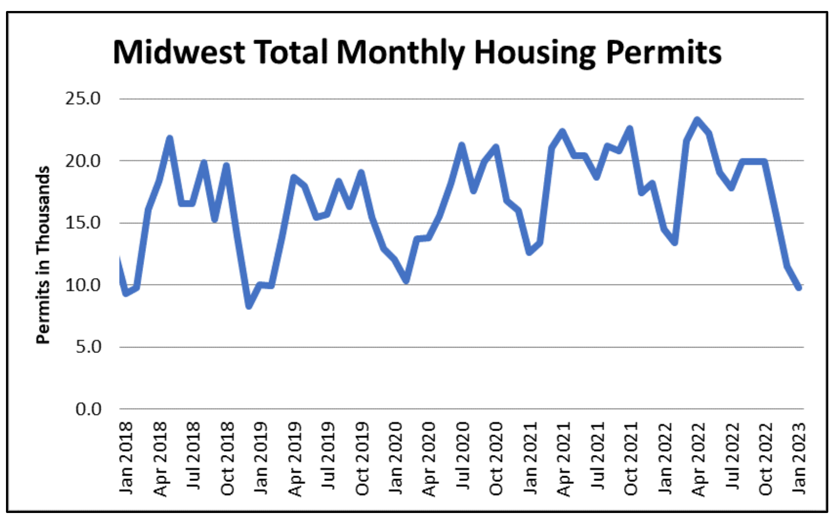


- Multi-family housing permits authorized for construction were down 43.3% M/M (+15.5% in the last update).
- They were up 5.7% on a rolling 3-month average (+13.5% last month).
- On a year-over-year basis, they were down 33.3% (-65.6% in the last update).
- These figures are based on a small number of units so the percentages can seem higher and more volatile.

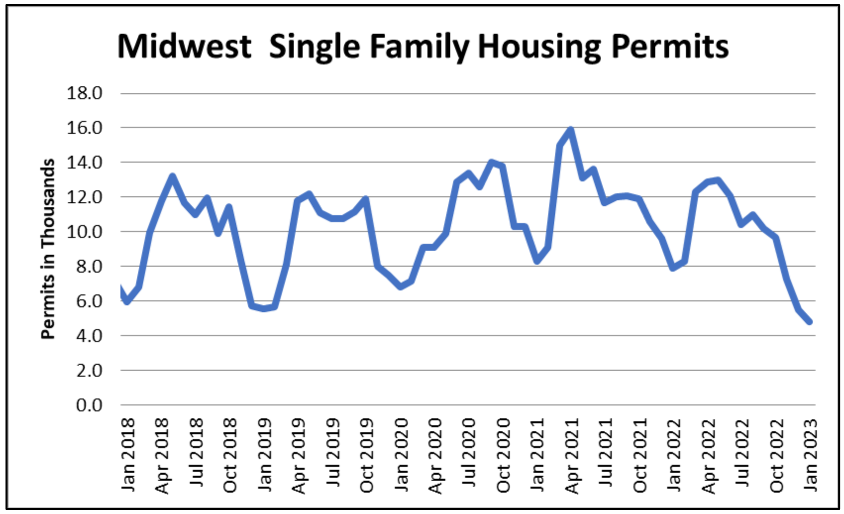


Regional market outlook: Midwest

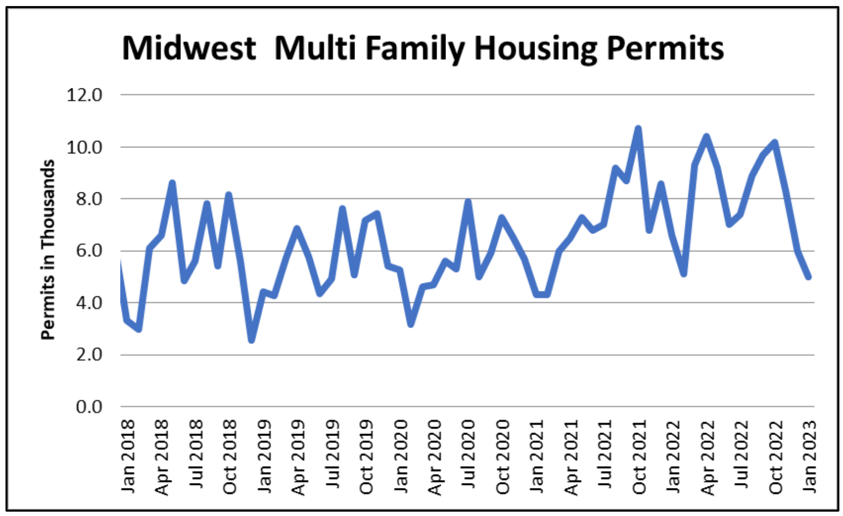
- Midwest total housing permits were down 14.8% month-over-month (-26.3% in the last update).
- The 3-month average was down 20.9% (-16.0% in the last update).
- On a year-over-year basis, permits were down 32.4% (-36.8% in the last update).



- M/M permit volumes were down 12.7% (-24.7% last month).
- The 3-month rolling average shows that permits were down 20.7% (-18.1% in the last update).
- Year-over-year, single family homes authorized by permits were down 39.2% (-42.7% in the last update).

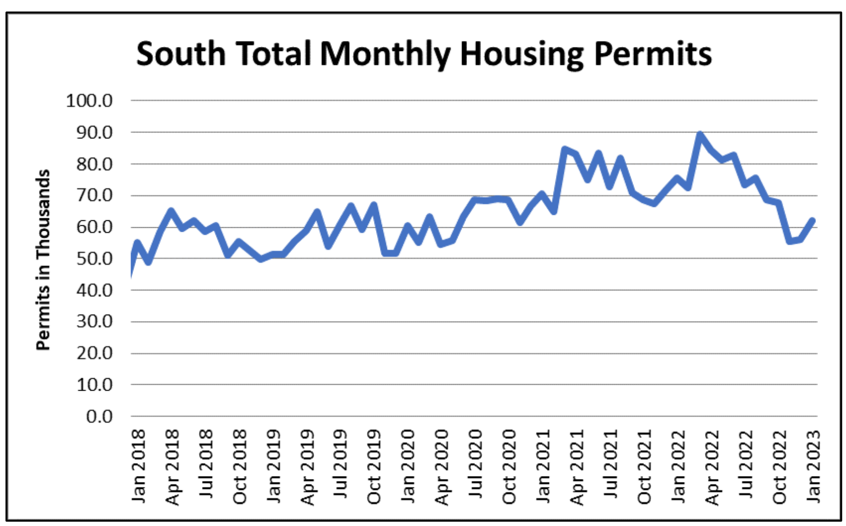


- Multi-family housing permits, again, are volatile month-over-month. This month, they were down 16.7% (-27.7% last month).
- On a 3-month rolling average basis, they were down 21.0% (-13.7% in the last update).
- On a year-over-year basis, permits were down 24.2% (-30.2% in the last update).

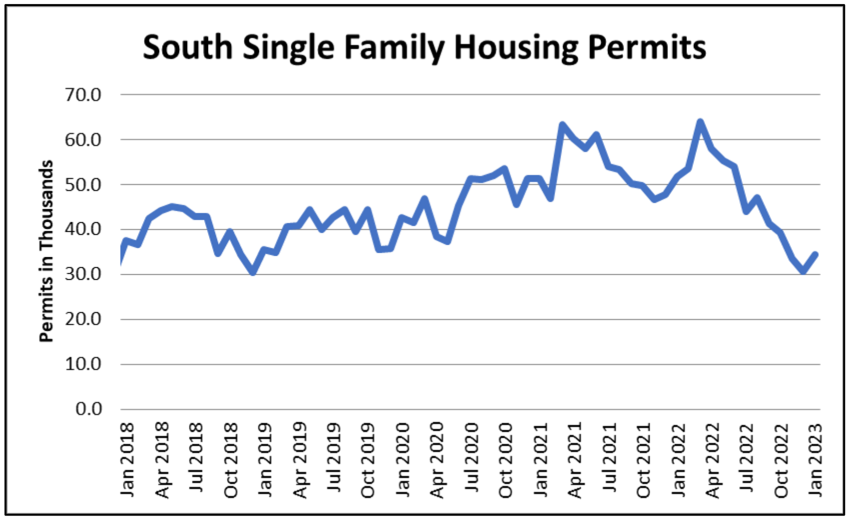


Regional market outlook: South

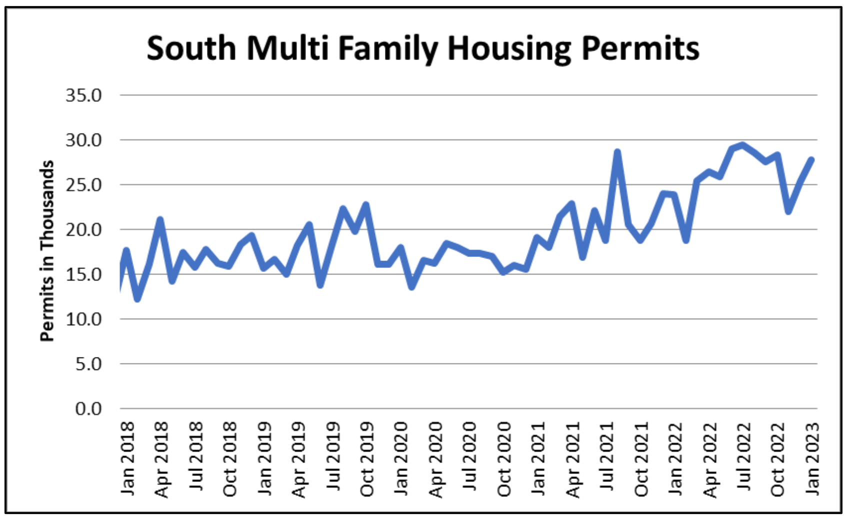
- Southern region housing permits were up 10.9% month-over-month (+1.3% in the last update).
- On a 3-month rolling average basis, permits were down 2.0% (-6.2% in the last update).
- On a year-over-year basis, total permits were down 17.7% (-21.8% in the last update).



- Southern region single family home permits were up 12.1% M/M (-8.1% last month).
- On a 3-month rolling average, they were down 3.6% (-9.2% in the last update).
- On a year-over-year basis, single family permits were down 33.5% (-35.6% in the last update).

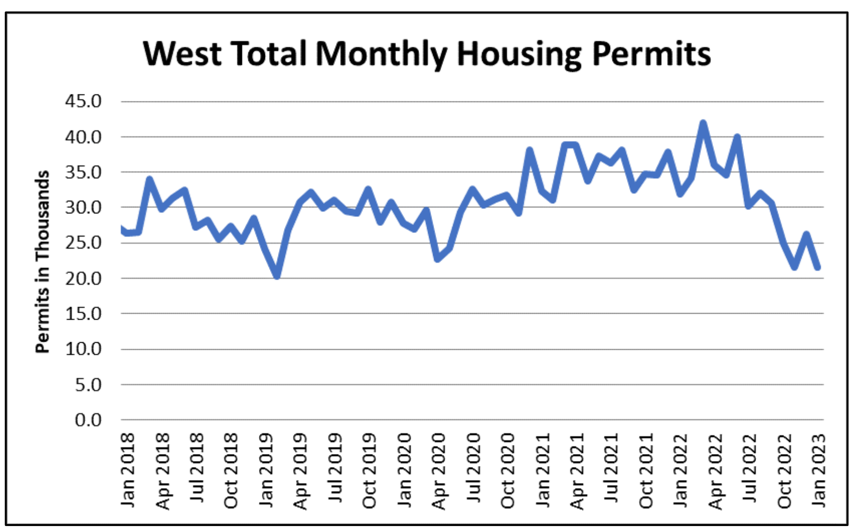


- Southern multi-family permits were up 9.4% M/M (+15.5% last month).
- On a 3-month rolling average basis, permits were up 0.8% (-1.4% last month).
- On a year-over-year basis, permits for multi-family housing were up 16.3% (+5.8% in the last update).

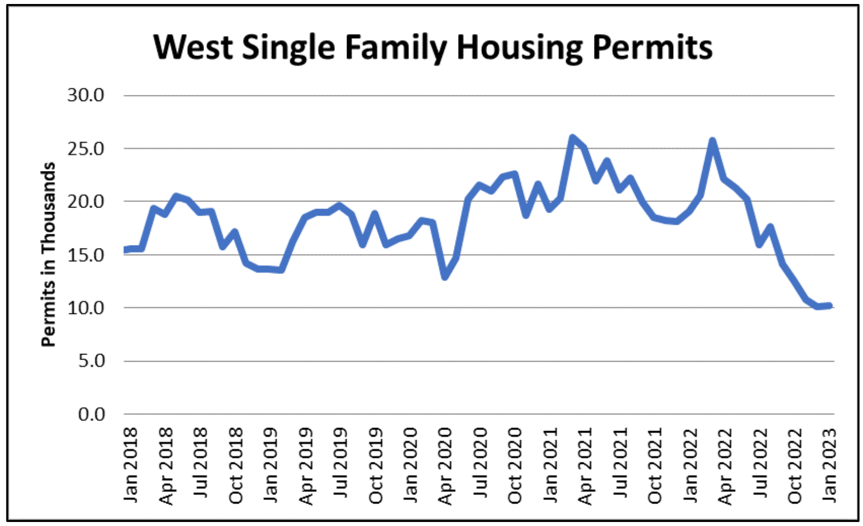


Regional market outlook: West

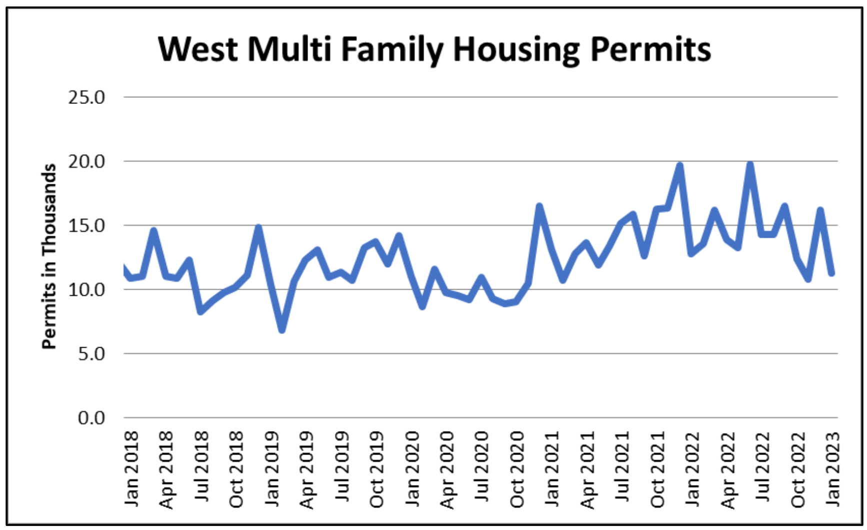
- Western region total monthly housing permits were down 18.3% M/M (+21.8% last month).
- On a 3-month rolling average basis, they were down 3.4% (also -3.4% last month).
- On a year-over-year basis, permits were down 32.6% Y/Y (-30.4% in the last update).



- Single-family permits were up 1.0% M/M (-6.5% last month).
- On a 3-month moving average basis, permits were down 6.6% (-10.5% in the last update).
- Year-over-year, single family permits were down 46.6% (-44.2% in the last update).



- Multi-family permits were down 30.2% M/M (+50.0% in the last update).
- On a 3-month rolling average, it was up 2.3% (+4.1% in the last update).
- Year-over-year, multi-family unit permits were down 11.7% (-17.8% last month).



Industry Outlook

ASA Sales were stronger by 19.0% Y/Y (+5.4% last month) in January (latest available). Year-to-date through January, sales were up 19.0% (+19.5%in the last update). For the trailing twelve months prior, sales were up 18.8% (19.5% in the last update). ASA Pulse Report findings are reported monthly. The following chart shows the breakdown by primary business type and region.

	January Y/Y % Change in Total Dollar Sales	YTD % Change vs. YTD 2022	Trailing Twelve Months % Change
All Businesses	**19.0%**	**19.0%**	**18.8%**
By Primary Business			
PHCP	15.0%	15.0%	12.4%
PVF	19.2%	19.2%	29.9%
PHCP & PVF	26.2%	26.2%	20.4%
By Region			
1 (SWPD)	12.3%	12.3%	19.6%
2 (MWD)	18.4%	18.4%	15.1%
3 (SWCD)	22.0%	22.0%	31.1%
4 (NCWA)	18.9%	18.9%	15.0%
5 (ASA Northeast)	16.0%	16.0%	17.5%
6 (SWA)	32.6%	32.6%	21.5%
*ISD - Insufficient Data			

The US Transportation Services Freight Index (TSIFRGHT), which typically leads ASA Sales by about five months, was up in December (latest available). The report showed that the TSI was at 138.7 for freight, up 0.6% M/M and was up by 0.5% Y/Y (0.1% 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 January that spot truck freight demand was **68.5% lower than it was a year ago**. Spot trucking rates have fallen 23.1% Y/Y, but fuel surcharges are still high (22.9% higher Y/Y).

Oil output in 2023 is expected to approach 12.5 million barrels per day (lower than the 13 million bpd estimates). Total oil inventories were slowly improving but remain at the lower end of the historic range, and the Strategic Petroleum Reserves are still at the lowest levels since the mid 1980’s and rebuilding activity must begin. This will continue to keep production steady through most of 2023 barring a significant global drop in demand (an event worse than a mild global recession). Current inventory outlooks for oil, gasoline, and diesel generally show them remaining near the bottom of the 5-year average for 2023, which will keep production demand steady and prices elevated on a historical basis.

Retail sales rebounded in January across all categories, and many sectors remained stronger on a year-over-year basis.

When adjusted for inflation, sales were 2.4% higher month-over-month in January, and were flat year-over-year.

As we mentioned last month, approximately 64% of US households are under pressure and have little credit or savings to fall back on (vs. 61% a year ago at this time). Consumer use of credit cards is still rising at one of the fastest rates on record, and among these households that are living check-to-check, credit card balances are still running at 97% of their credit limits. Credit card interest rates have also hit an all-time high above a national average of 19%. And yet, those pressures do not appear to be hitting retail at a dramatic level currently.

Home improvement retail sales volumes were slightly better in January, rising by 0.3% M/M and remained somewhat stable by rising 1.1% against last year. When adjusted for inflation, sales were likely lower year-over-year.

Kind of Business	Percent Change Jan. 2023 Advance from --	
	Dec. 2022	Jan. 2022
Retail & food services, total	**3.0**	**6.4**
Retail	2.3	3.9
Motor vehicle & parts dealers	**5.9**	**2.8**
Furniture & home furn. stores	**4.4**	**3.8**
Electronics & appliance stores	**3.5**	**-6.3**
Building material & garden eq. & supplies dealers	**0.3**	**1.1**
Food & beverage stores	**0.1**	**6.2**
Grocery stores	0.1	6.6
Health & personal care stores	**1.9**	**3.6**
Gasoline stations	**0.0**	**5.7**
Clothing & clothing accessories stores	**2.5**	**6.3**
Sporting goods, hobby, musical instrument, & book stores	**0.2**	**6.9**
General merchandise stores	**3.2**	**4.5**
Department stores	17.5	5.4
Nonstore retailers	**1.3**	**3.0**
Food services & drinking places	**7.2**	**25.2**

Economic growth is still expected to be flat in 2023 with some recession risk growing into Q2 and Q3. Much of that will depend on additional Federal Reserve interest rate hikes (based on inflation if it remains higher) and a stable jobs market.