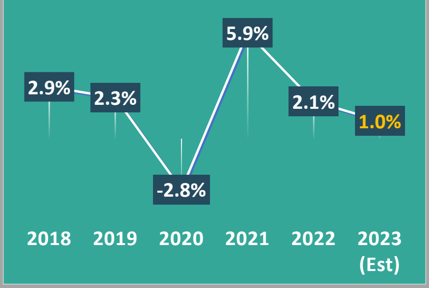
Selected Indices

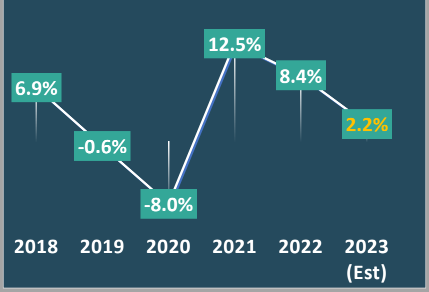
REAL GDP



INDUSTRIAL PRODUCTION

NEW HOUSING STARTS (MILLIONS)

BUSINESS INVESTMENT



Executive Summary – July '23

Big Items

GDP: The estimates for the nation's GDP have been off for over a year. The "consensus" view for Q3 and Q4 in 2022 was around .4%. The actual in Q3 was 2.6% and Q4 was 2.9%. Then there was "consensus" that Q1 of 2023 and Q2 would be in recession. The actual was 2.0% in the first quarter and 2.4% in the second. Now the estimate from GDPNow is 3.5% growth for the third quarter. This may be a little ambitious and the GDPNow data changes almost daily, but thus far there is considerable confidence in growth for the latter half of the year.

Industrial Production: Industrial production numbers are always a little complex as they must be compared month to month, quarter to quarter and annually. For the second straight month there was a decline – 0.5% in June. But there was an advance of 0.7% for the second quarter on an annual basis. Manufacturing output was down 0.3% in June but rose 1.5% in Q2. The numbers for mining and utilities were down 0.2%. Capacity utilization dropped to 78.9% and that is 0.8% below the long term trend. There is not a great deal of slack in the system but more than there should be and that inhibits new machine purchasing as well as hiring.

Housing Starts: Housing start numbers are still miserable. They were 8.0% below the revised numbers from the month prior and 8.1% below the rate notched a year ago. The biggest decline was seen in the single family category as has been the case for months. The multi-family sector has also slowed a bit. Permits were down by 3.7% from last month and a whopping 15.3% down from a year ago. The combination of high home prices and high mortgage rates are still taking their toll on the sector as well as the relative disinterest on the part of the Gen-Z and millennial buyer.

Home Improvement Retail: There has generally been good news in the retail sector as a whole. The key driver for retail spending is employment. As long as the jobless rate stays close to its current level of 3.6% the consumer has money to spend and confidence in their job security. The data on home improvement is steady as people who might have sold their homes are staying put and investing in their existing abode. The categories attracting the most attention are as they have been in past years – bathrooms, kitchens and lately an increased concern regarding closet space and storage.

Manufacturing: The trend as far as the Purchasing Managers' Index has not been what anybody would like to see. It is now standing at 46.4 and that is up slightly from the 46.0 notched the month prior. More importantly this is down from the 53.0 noted a year ago. That is a decline of 13.21% and there is little to suggest that it will trend back up anytime soon. The rest of the world is in roughly the same position as 19 nations are also under the 50-line that separates growth from contraction. Mexico is hanging on with readings of 50.9 and the hottest nation is India with a reading of 57.8.

Big Risks

Inflation and Recession Potential: The inflation risk is fading and so is the threat of recession. Now the focus is back on the issue of worker shortage and the lingering impact of the supply chain fiasco.

What to Watch

Supply Chain Issues – The overall supply chain situation has markedly improved, but the issue has not been solved. Now it is just a few key parts or assemblies but the lack of just a small number of key inputs can shut a whole system down.

Macroeconomic Viewpoints

- Dr. Chris Kuehl

ASA MER Contents:

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What Happened to the Promised Recession? – To be honest this is certainly one promise we would not mind seeing broken but why exactly has the mood shifted? Is the threat of a recession in 2023 really gone? What factors have led to this conclusion? There are basically three reasons to think that 2023 will not slide into recession and a couple of reasons to continue worrying about the possibility.

The most important of these factors has been the performance of the job market. The resilience should not really come as much of a shock given the persistence of the labor shortage. Even sectors where there have been layoffs have seen employees finding new positions in a matter of a few weeks. As long as the jobless rate is at 3.6% (or under 5.0%) there will be general confidence in the economy on the part of workers. If people feel confident about job security, they are confident enough to spend money and make long term plans such as buying a home or car. The overall retail numbers have remained far higher than would have been expected in advance of a recession or even a serious downturn.

This leads to the second factor mitigating against a recession has been the continued escalation of capital spending. The growth has slowed a bit from last year, but it is still up by 2.5% and is still in record territory. The data shows nearly $74 billion in spending on new orders for capital goods. This is something we have discussed many times. The two prime motivations for this spending include the surge in reshoring activity and the need to deploy robotics and technology as finding skilled labor has been so hard. In a recent survey of small to mid-size manufacturers it was revealed that over 70% were on track to do capital spending in the next quarter or two (essentially by the end of the year).

A third factor to consider is the dip in the inflation threat. This decline has not yet manifested in the Fed's preferred measure of inflation (Personal Consumption Expenditures), but it has manifested in the Consumer Price Index. It stands at 2.97% and that is compared to 4.05% notched last month and 9.06% at this time last year. The Fed still insists the goal is 2.0% (at the PCE level) but as they made their latest decision on interest rate hikes, they indicated they had no plans to push them any higher. This has convinced many in the investment community there is an opportunity for some future growth.

What could trigger a recession? The US relies on exports for 20% of its GDP growth and many of the key trading partners are still in economic distress. A recession in Europe or Asia would affect the US. There are also lingering issues from the last few years that could impact economic activity. The supply chain crisis is over for the most part but it left behind an issue of inventory to sales ratios that are out of sync. One third of the population is living paycheck to paycheck and are very vulnerable. Inflation may be easing but prices are still prohibitively high.

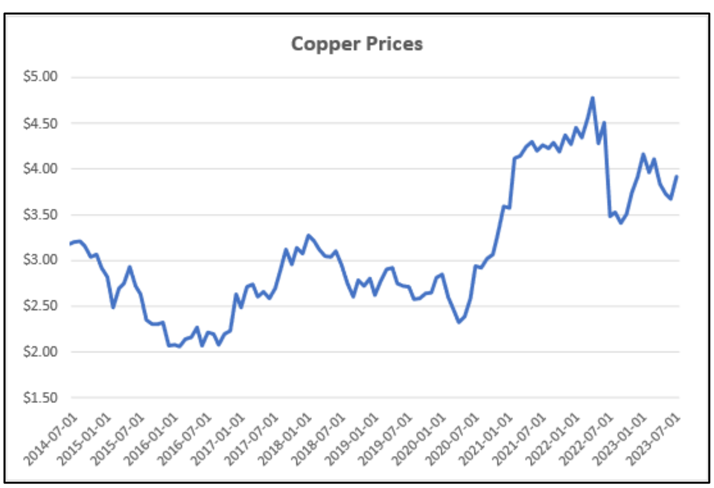
Reader Question of the Month

Q: What is Going on with Transportation These Days?

A: The announcement that Yellow Freight was going out of business was a shock to some but certainly not to those in the transportation and logistics sector. In fact, the demise of the company was sealed as customers and 3PLs were forced to abandon the company weeks in advance to stem risk. The reasons for the bankruptcy are many and varied with the failed negotiations with the IBT as the final straw. The deeper issues are what concerns the members of the ASA. Transportation has been on a true roller coaster since 2020 and the impact is still being felt. In 2020 the industry was hammered by an almost complete lack of demand for traditional freight. The surge in on-line buying benefited the likes of FedEx, UPS and Amazon but the lockdowns crushed the trucking and rail industry as a whole. Then came the recovery year in 2021 and demand outpaced the ability of the sector to react. At one point there were 14 loads available for every truck on the road. This prompted the entry of some 65,000 new trucking companies – most of them very small operations taking advantage of the opportunity. Now these new entrants are coming out of the industry as fast as they went in as there are just 2.9 loads per truck. Logistics costs are falling fast and for all modes. This is due in part to all the excess inventory that accumulated as companies adjusted to the supply chain disruption. The exit of Yellow will not affect the sector dramatically as there is spare capacity, but some sectors will be affected more than others. Yellow was a key carrier for the US military as its personnel had hazmat certification. Most of the other carriers lack this and many refuse to haul for the DOD as it is not financially lucrative. Yellow was also the carrier that would take awkward and unusual freight that others refused. - 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 $3.85/lb. ($3.67/lb. last month).
- The Producer Price Index (PPI) for June (latest PPI available) was 503.287, down month-over-month by 0.7% (-2.7% last month). It was down 7.5% year-over-year (-6.8 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 at the LME continue to be near multi-year lows. The latest data shows inventories at 68,350 tons, just before the pandemic in 2018 inventories were above 280,000 tongs and touched 340,000 tons in November of 2019. Since the pandemic, inventories have not recovered. Prices are not higher only because global demand is weaker.

General Commodities Discussion:

Nickel:

- LME Nickel Prices have risen over the past 30 days and were @$9.66 per lb. ($8.90 in the last update). Warehouse levels inched up this month to 37,536 tons (39,348 tons in the last update) and are below lows not seen since 2007.
- **Outlook**: "There are some softer raw prices showing with domestic mills as nickel had been averaging slightly lower over the past month. Overall projects continue to show strength in most areas." Nearly 20 countries still have manufacturing sectors in contraction and European manufacturing sectors are in deep recession, demand on a global basis has slipped for nickel in the short term. Long term, forecasts will still show that nickel demand is likely to outpace supply for many categories of the metal. But until this global slowdown is worked through, there is still pressure on nickel prices – which should start to help pull down input prices.

Carbon Steel: (WPU101706)

- NYMEX Domestic Hot-rolled Coil steel prices (CRU-HRCc1) were lower over the past 30 days and were $825 per ton in early August ($887 per ton in the last update). This is down from a peak of $1,943 hit in August of 2021.
- Producer Prices for steel pipe and tube somewhat flat in the latest data from the end of June (latest available). They were down 5.0% month-over-month (up 0.5% last month). Year-over-year, the PPI was 20.0% lower (-15.9% Y/Y in the last update) against much more difficult comparisons.
- **Outlook**: "Carbon steel pricing, specifically hot rolled coil, has fallen just over 10% off in the last month. Steel producers have attempted to stabilize pricing by implementing some small increases, but that has had no effect on spot pricing. Demand remains relatively flat as to inventories. Couple this with the reality that any type of shortage fears has likely been extinguished, and we are left with a relatively soft market for carbon steel. One steel producer saw average transaction prices fall 16% compared with last year."

Stainless Steel: (WPU10170674)

- The Producer Price Index for stainless pipe and tube were down in June (latest available). Producer prices for stainless pipe fell by 1.1% month-over-month (down 3.0% last month); and they were down 11.8% Y/Y (down 12.4% last month).
- **Outlook**: "The market for stainless weld fittings is still showing strong demand with prices continuing to remain consistent."

Ferrous Metal Scrap: (PPI: PCU4299304299301)

- Producer prices for ferrous metal scrap finally dipped in June vs. the prior month, coming in with an index of 468.2 (523.7 last month). This was lower by 12.1% M/M (-8.2% last month). Year-over-year it was down by 21.3% Y/Y (-21.1% in the last update). The highest producer price prior to this was in July of 2008 when the index hit 731.4 points.

  Outlook: Weaker demand continued to weigh on the scrap market. Inventories continue to grow. Prices are finally easing back into a range that is consistent with periods prior to the pandemic.

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

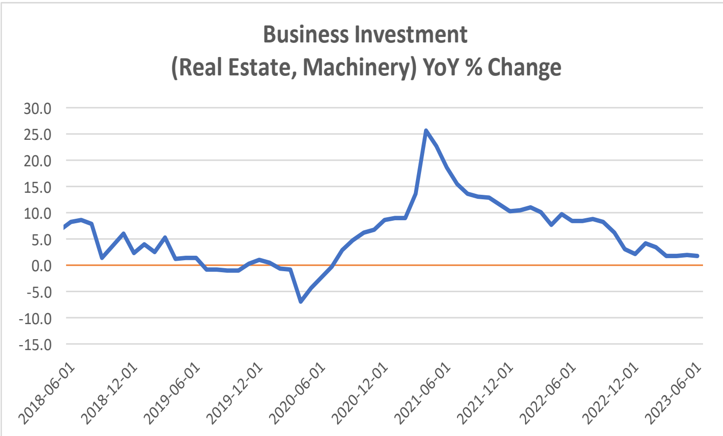
Producer Price Index – Key Industry Products

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

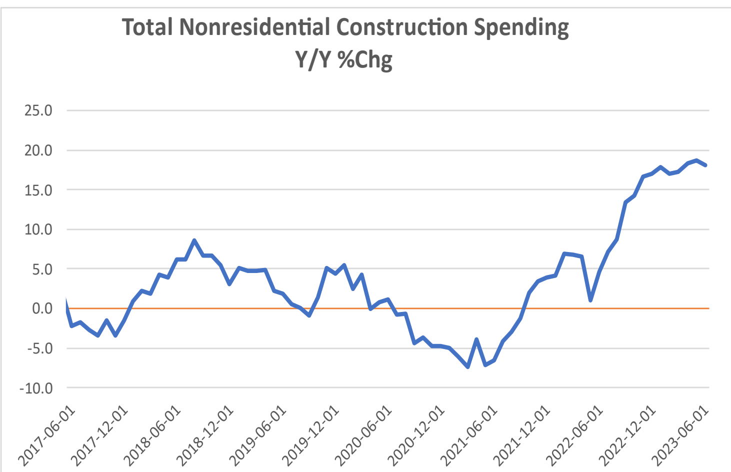
Category	PPI Code	Jun-23	May-23	M/M% Chg	Jun-22	Y/Y % Chg
Pipe, Valves and Fittings						
Metal valves, except fluid power	WPU114902	435.1	435.1	0.0%	405.4	7.3%
Gates, globes, angles and check valves	WPU114902011	165.9	165.9	0.0%	155.4	6.7%
Ball valves	WPU11490202	557.9	557.9	0.0%	536.4	4.0%
Butterfly valves (formerly W2421490203)	WPU11490203	303.1	303.1	0.0%	274.9	10.3%
Industrial plug valves	WPU11490204	317.1	317.1	0.0%	268.2	18.2%
Plumbing and heating valves (low pressure)	WPU11490205	393.4	393.4	0.0%	372.9	5.5%
Solenoid valves	WPU11490208	372.2	372.2	0.0%	372.2	0.0%
Other industrial valves, including nuclear	WPU11490209	405.5	405.5	0.0%	370.5	9.5%
Automatic valves	WPU11490211	248.9	248.9	0.0%	232.0	7.3%
Metal pipe fittings, flanges and unions	WPU11490301	483.0	483.0	0.0%	463.3	4.2%
Steel pipe and tube	WPU101706	406.8	428.3	**-5.0%**	508.7	**-20.0%**
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	149.6	151.3	**-1.1%**	169.5	**-11.8%**
Copper & copper-base alloy pipe and tube	WPU10250239	349.9	366.5	**-4.5%**	378.7	**-7.6%**
Plastic pipe	WPU07210603	199.5	202.0	**-1.2%**	216.3	**-7.8%**
Plastic pipe fittings and unions	WPU07210604	314.6	317.3	**-0.9%**	321.1	**-2.0%**
Plumbing Fixtures, Fittings and Trim	WPU105402	395.0	395.0	0.0%	383.8	2.9%
Bath and shower fittings	WPU10540211	276.7	286.7	**-3.5%**	286.7	**-3.5%**
Lavatory and sink fittings	WPU10540218	204.6	204.6	0.0%	192.3	6.4%
Enameled iron and metal sanitary ware	WPU1056	290.6	289.2	0.5%	289.2	0.5%
Steam and Hot Water Equipment	WPU1061	419.6	419.6	0.0%	380.1	10.4%
Cast iron heating boilers, radiators and convectors	WPU10610106	289.7	289.7	0.0%	261.1	11.0%
Domestic water heaters	WPU106601	570.6	570.6	0.0%	569.1	0.3%
Electric water heaters	WPU10660101	564.3	564.3	0.0%	563.9	0.1%
Non-electric water heaters	WPU10660114	347.7	347.7	0.0%	346.3	0.4%
Warehousing, Storage and Relates Services	WPU321	132.9	134.8	**-1.4%**	125.3	6.0%

PHCP & PVF



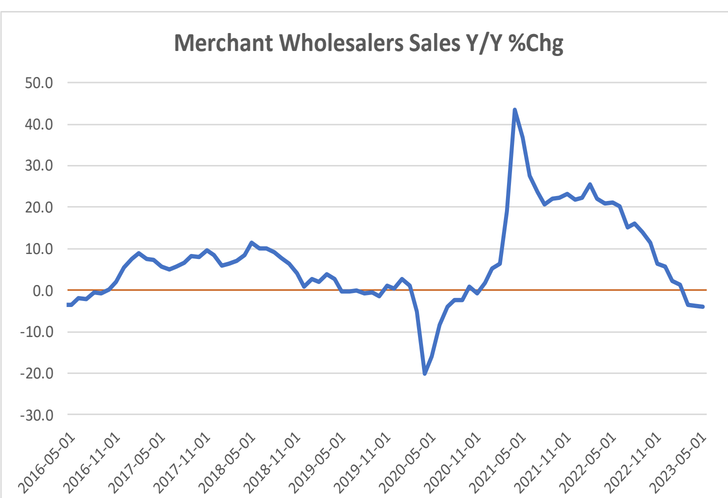
Capital Goods New Orders (NEWORDER)

- The value of manufacturers' new orders for capital goods was mixed in June (latest available), spending was down by 0.1% sequentially M/M (up 0.1% last month). But they remained up by 1.9% Y/Y (up 2.0% last month) and continued to be stable overall.
- **Outlook**: The decline in overall business investment has been anticipated for several months as it has been sitting at levels not seen in decades. There was a peak in 2020-2021 due to factors like reshoring, shift to technology etc. but even with the retreat the numbers are respectable and close to the norms in 2018-2019. The bottom line is that investment continues and for the reasons discussed – especially the move to robotics.



Total Non-Residential Construction (TLNRESCONS)

- Total Non-Residential Construction activity in June (latest available) was 18.1% higher than it was a year ago (18.7% higher last month) and was 0.6% lower M/M (up 0.4% in the last report). Overall spending was at a new all-time high of $1.053T (the prior annualized run rate peak of $900B was in September of 2022).
- **Outlook**: Nonresidential construction is still strong but there are concerns building within the construction sector. They still have a great deal of work this year and likely into the early part of 2024, but the reports suggest the pipeline of new projects has diminished. This could set up a more strained 2024. There is some sign of leveling off already. The one issue to watch is the pace of infrastructure development as federal money flows.

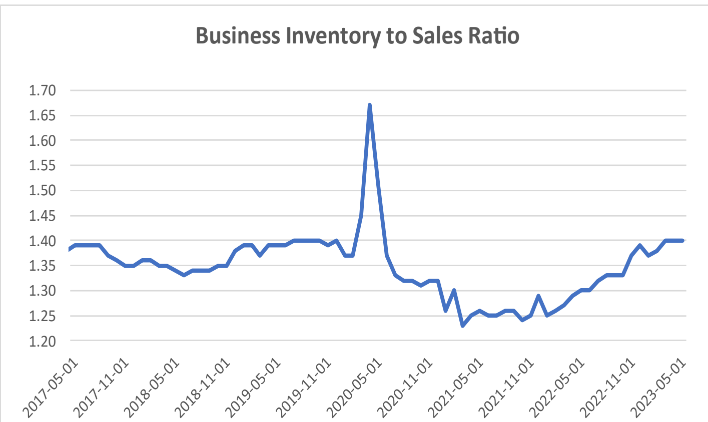


Wholesale Trade (WHLSLRSMSA, WHLSLRIMSA)

- Merchant wholesalers' sales were down 4.0% Y/Y through June (latest available; down 3.7% Y/Y in the last update). Month-over-month, sales were declining by 0.3% (-0.2% last month).
- Wholesale inventories were up 3.7% year-over-year in June (up 6.1% last month).
- **Outlook**: Relative to sales, inventory levels are significantly off. This has been detailed in examining the inventory to sales numbers. The massive build up in response to supply chain concerns has left most of the wholesalers sitting on inventory that is not moving fast enough. The estimate has been that over 65% of businesses are in overstock and that has altered the usual reorder cycle. There has been steady retail demand, but it has not been enough to bring levels down. The optimists see a balance returning by late Q3, but pessimists believe it will be middle of 2024.

Manufacturing (AMTMNO)

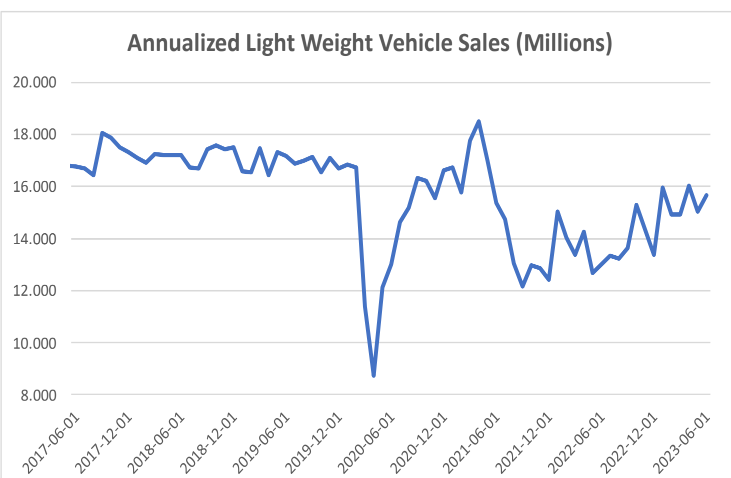
- Federal data on manufacturing was down 1.0% Y/Y (up 0.0% last month) through June (latest available). It was also down sequentially by 1.0% month-over-month (-0.5% last month).
- The S&P Global US manufacturing PMI came in at 49.0 in July, up from 46.3 in June.
- **Outlook**: The data for the purchasing managers' indices (all of them) has been sinking into the contraction zone. Most are showing the US in the mid-40s and that doesn't constitute an immediate crisis, but these are trending in the wrong direction. Mexico has been hanging on to expansion by a thread with numbers just over 50. Canada is down with the US and that is the case for 19 other nations. This is not a deep collapse as in 2020 but it is back to low levels seen in 2019.



Business Inventory to Sales Ratio (ISRATIO)

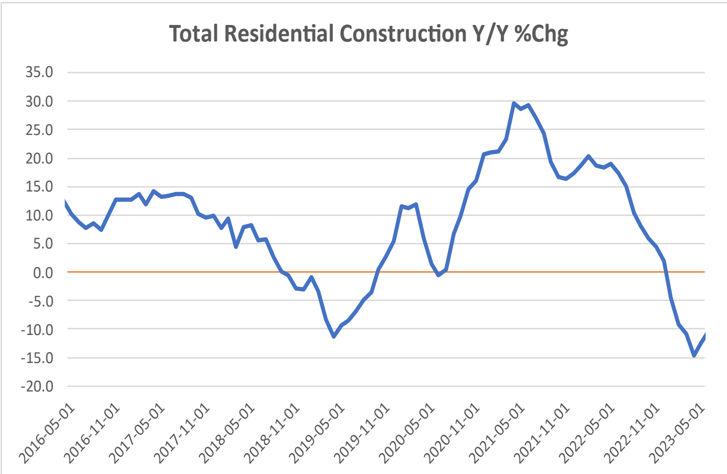
- The current inventory to sales ratio for all businesses is at 1.40 months of inventory on hand in June (latest available; 1.40 last month). Relative to sales, inventories are elevated, once again this month's ratio was 6.9% higher Y/Y (also 6.9% higher last month).
- **Outlook:** There has been some improvement in the inventory to sales ratio, but these have been sector-specific with some catching up and others still deep in overstocks. There has been a reduced threat of a broken supply chain overall but there are still many assemblers that can't get access to all the parts they need to finish a product. This has especially been the case with automotive, aerospace and machinery in general. The consumer wants 100% of the product.

PHCP



Auto Sales (ALTSALES; AISRSA)

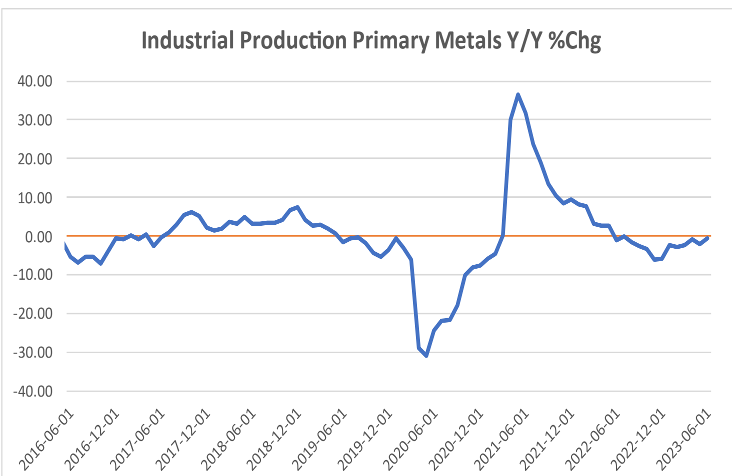
- US auto sales were trending at a 15.657-million-unit annual rate (15.053 M last month) through June (latest available). This is up 19.6% year-over-year (+11.4% in the last update).
- The domestic auto inventory to sales ratio was up 52.4% Y/Y in June (latest available). On a monthly basis, it was 4.3% higher (up 5.5% last month).
- **Outlook**: Auto prices have remained at record highs, but this has not materially affected demand at this point. The worry is that conditions could abruptly change. The driver for all this consumption at high prices has been the availability of credit and banks are getting stingier. There is still pent-up demand as the average age of a vehicle is now over 12.5 years but the bottom third of income earners will be hard pressed to buy a new car. The used car market continues to boom as many are priced out when average costs are around $65,000.



Total Residential Construction (PRRESCONS)

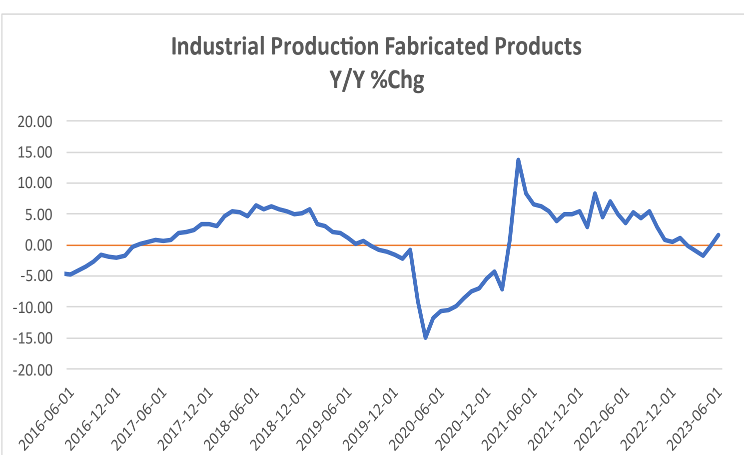
- Total residential construction in June (latest available), was down by 10.4% Y/Y (down 12.5% last month). It was up 2.1% M/M (2.1% last month).
- **Outlook**: Data shows a very small rebound in the residential market, but this has been almost entirely down to the multi-family market. Single family home demand is still down by more than 20% on an annual basis while multi-family has been up by about 22%. Figures vary considerably by region. Beyond the issue of home prices and mortgage rates there is the issue of age cohort and demand. The Gen-Z buyer has been even more reluctant to enter the market than was the Millennial. They have been slow to even leave their parent's home and when they do, they are looking at multi-family almost exclusively.

PVF



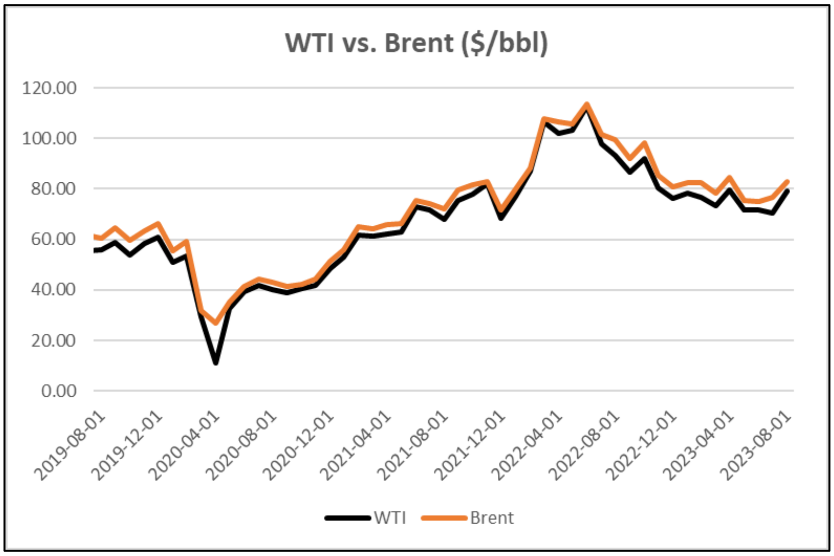
Industrial Production Primary Metals (IPG331S)

- Industrial production for primary metals was down 0.7% Y/Y through June (-2.1% in the last update). It was up 1.4% M/M (down 1.2% M/M in the last update).
- **Outlook**: Primary metal demand has started to strengthen a bit but some of this appears to be speculative. Steel producers are starting to anticipate the infrastructure work later this year and into next and they are buying inventory now. Copper continues to be affected by geopolitics as stability in Chilean and Peruvian production has yet to materialize. Demand has started to return to normal levels but there remains confusion regarding Chinese demand and output. As their manufacturing sector slows, they demand less and are more likely to dump their output on the global market.



Industrial Production Fabricated Metals (IPG332S)

- Fabricated metal industrial production was up 1.6% Y/Y through June (down 0.2% last month). It was also up 1.8% on a month-over-month basis, (1.5% in the last update).
- **Outlook**: Fabricated metal production is a key feeder into other sectors of manufacturing and activity through June was flat year-over-year but was still trailing slightly behind last year’s volumes. Many sectors that feed the fabricated metals sector are showing some slight improvements in demand heading into the peak retail season. That could boost overall activity.



WTI and Brent

- WTI is currently at $79.30 a barrel ($70.25 in the last update) and Brent is at $82.98 ($76.46 in the last update).
- **Outlook:** New data from the Energy Information Administration shows that 2023 and 2024 are likely to show a net reduction in inventories (net drawdown). Both global output and demand are expected to increase, but a combination of replenishing the Strategic Petroleum Reserves at some point and increasing demand will lead to a greater imbalance than expected. The US dollar is also getting weaker, which is typically one of the catalysts for pushing oil prices higher. Oil inventories are still expected to trend largely in the middle of the 5-year average while diesel prices will trend at the low end of the 5-year average and gasoline will likely trend on the upper end of that curve.

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

	Last Count	Count	Change from Prior Count	Change from Last Year
U.S.	28-Jul-23	664	-5	-103
Canada	28-Jul-23	193	6	-11
International	Jun-23	967	2	143

Rotary Rig Counts (Baker Hughes)

- Baker Hughes US active rig counts were down 103 Y/Y (-77 in the last update) at 664 (1,049 in 2019); Canadian counts were down by 11 Y/Y (+15 in the last update). International counts are up by 143 Y/Y (+148 in the last update).
- **Outlook**: New forecasts for global oil production show it rising throughout 2023 and into 2024 and we can see the global markets outpacing the US. The US has reduced the number of active rigs, but new data suggests that total oil output is still stable, and oil inventories remain in the middle of the 5-year average. The EIA reported that oil production averaged 12.6 million barrels per day midway through 2023 and it will approach 12.8 million barrels per day in 2024. The bottom line is that there are no forecasts currently showing a slowdown in production. Weather systems also appear to be favorable for continuous production, an expected lack of storms in the Gulf will keep production stable. Some weather patterns are changing, and it will be important to keep an eye on the Gulf as waters remain overheated and strong storm formation possibilities are improving.

Construction Outlook

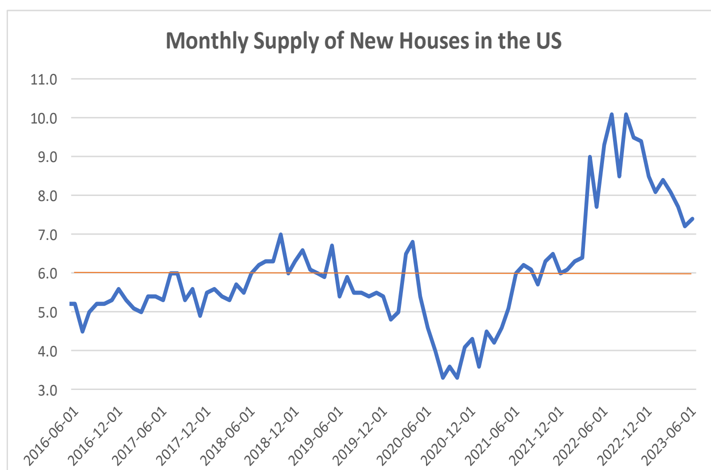
Residential construction: 30-year national average mortgage rates were slightly higher in early July at 6.81% (6.71% in the last update). Home builder confidence moved up again M/M in July by 1.8% according to the NAHB/Wells Fargo index, it increased to 56 points (up from the June reading of 55). The all-time high was 90 points in November of 2020. Builders are feeling more optimistic despite continued Federal tightening of interest rates. Input prices are also still elevated, and reports suggest some materials are still in short supply. But demand continues to be better than expected.

Table 1. NAHB/Wells Fargo National and Regional Housing Market Index (HMI)

NATIONAL										
(Seasonally Adjusted)	2022	2023								
	Jul.	Jan.	Feb.	Mar.	Apr.	May	Jun Revised	Jul Prelim.	M/M	Y/Y
Housing Market Index	55	35	42	44	45	50	55	56	1.8%	1.8%
Housing Market Index Components										
Single Family Sales: Present	64	40	47	49	51	56	61	62	1.6%	-3.1%
Single Family Sales: Next 6 Months	49	37	48	47	50	56	62	60	-3.2%	22.4%
Traffic of Prospective Buyers	37	23	28	31	31	33	37	40	8.1%	8.1%
REGIONAL HMI										
(Seasonally Adjusted)	2022	2023								
	Jul.	Jan.	Feb.	Mar.	Apr.	May	Jun Revised	Jul Prelim.	M/M	Y/Y
Northeast	57	34	46	46	44	45	52	60	15.4%	5.3%
Midwest	49	32	36	36	40	42	48	46	-4.2%	-6.1%
South	60	39	46	50	50	56	60	59	-1.7%	-1.7%
West	47	29	37	36	40	48	50	54	8.0%	14.9%

On a year-over-year basis, the NAHB/Wells Fargo Housing Market Index was up 1.8% against July of 2022 (down 17.9% last month).

Adjusted housing inventories were higher in June (latest available), coming in at 7.4 months of inventory on hand. This is closer to the "ideal range" of 6 months of inventory on hand and is much lower than the 9.5 months we saw in 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 1.434-million-unit rate on an annualized basis (a drop from last month's adjusted 1.559 million annual rate); but the outlook for the rest of 2023 is mixed based on lack of inventory of affordable homes.

Single family starts were down sharply in June by 7.0% M/M (latest available) and were down 7.4% Y/Y. Multi-family starts are volatile and were down 11.6% M/M and remained 11.2% lower Y/Y.

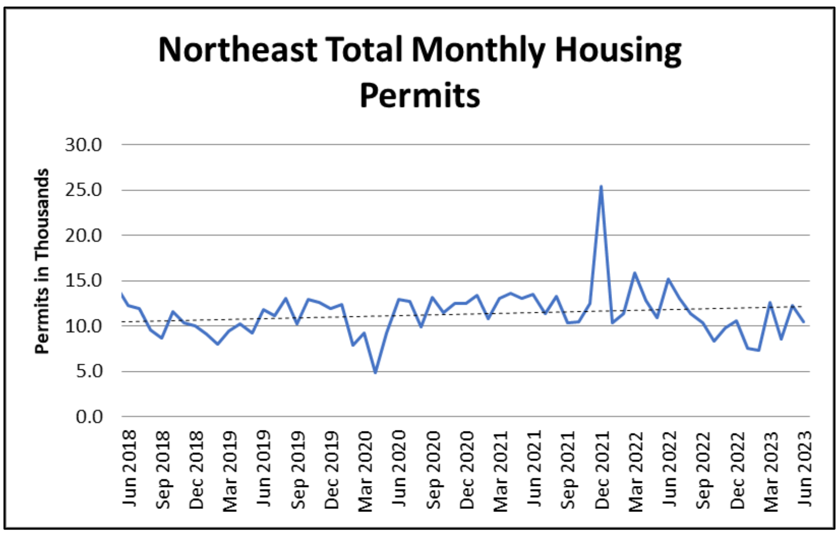
National Outlook: The Federal Reserve hiked rates by 25 basis points at its July meeting as expected, and one more quarter-point hike is possible according to notes by Fed Governors. With rates approaching levels that we have not seen since 1999, the threat of tighter financial factors is weighing on construction forecasts. Surveys have started to show that lack of access to financial funding is the primary hindrance to many non-residential projects. That has superseded the lack of availability of labor and products used in construction activity.

Housing and Interest Rate Forecast, 07/11/2023							
	2019	2020	2021	2022	2023	2024	2025
Housing Activity (000)							
Total Housing Starts	1,292	1,397	1,606	1,551	1,368	1,329	1,463
Single Family	889	1,003	1,132	1,004	875	928	1,040
Multifamily	403	394	474	547	493	401	423
New Single Family Sales	685	833	769	637	676	727	801
Existing Single-Family Hor	4,746	5,057	5,420	4,530	3,882	4,308	4,543
Interest Rates							
Federal Funds Rate	2.16%	0.36%	0.08%	1.68%	5.07%	5.08%	3.52%
Fixed Rate Mortgages	3.94%	3.11%	2.96%	5.34%	6.61%	6.21%	5.52%
Prime Rate	5.28%	3.54%	3.25%	4.85%	10.88%	11.29%	9.04%
For more forecast details, visit www.nahb.org.							

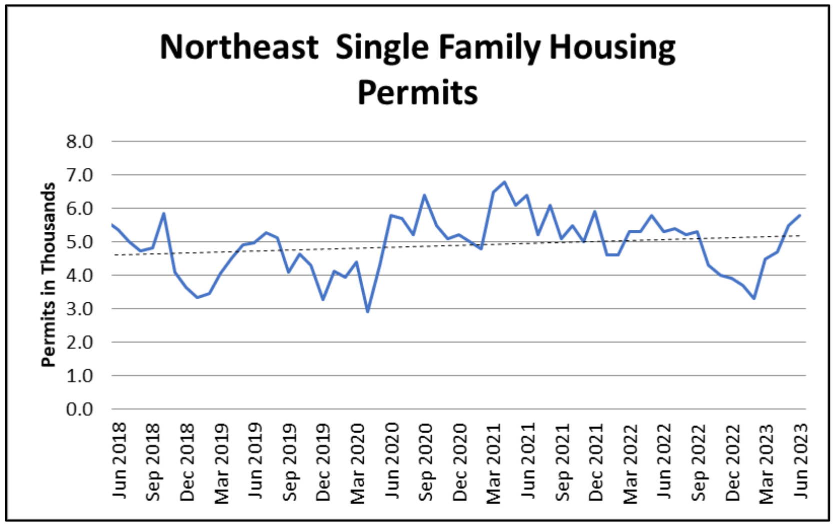
The following section provides monthly housing permit data for each major region in total, single family, and multi-family units.

Regional market outlook: Northeast

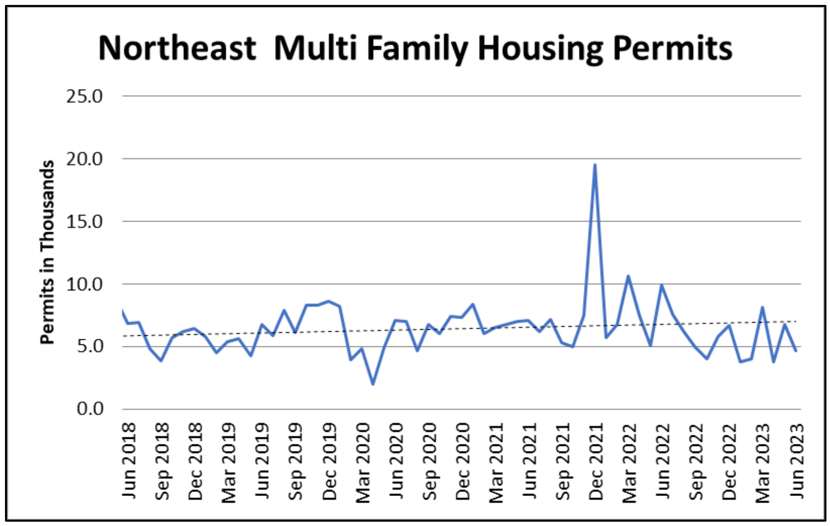
- Northeast total housing units authorized for construction were down in June by 14.6% M/M (+44.7% last month). June was the latest regional data available throughout this series.
- The 3-month moving monthly average was down 0.8% (28.3% last month).
- On a year-over-year basis, permits were down 30.9% (12.8% in the last update).



- Month-over-month single family permits were up 5.5% (17.0% last month).
- On a 3-month moving average basis, permits were up 9.0% (19.3% last month).
- Year-over-year permits were up 9.4% (-5.2% last month).

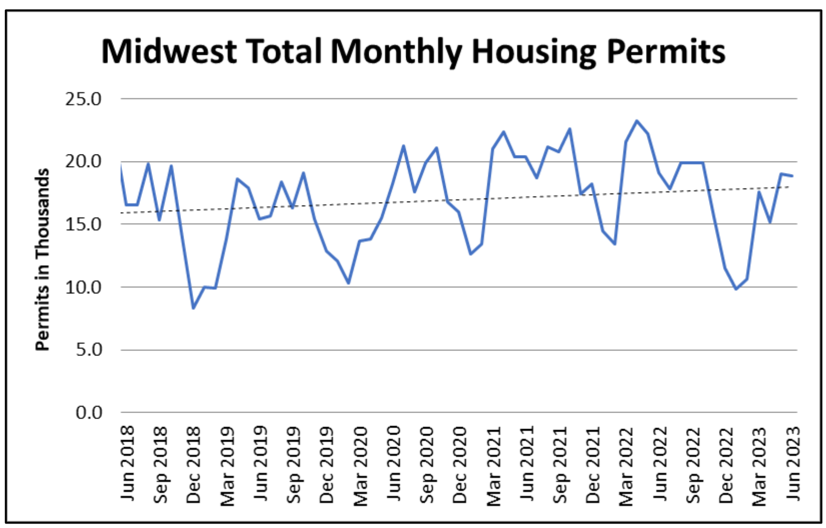


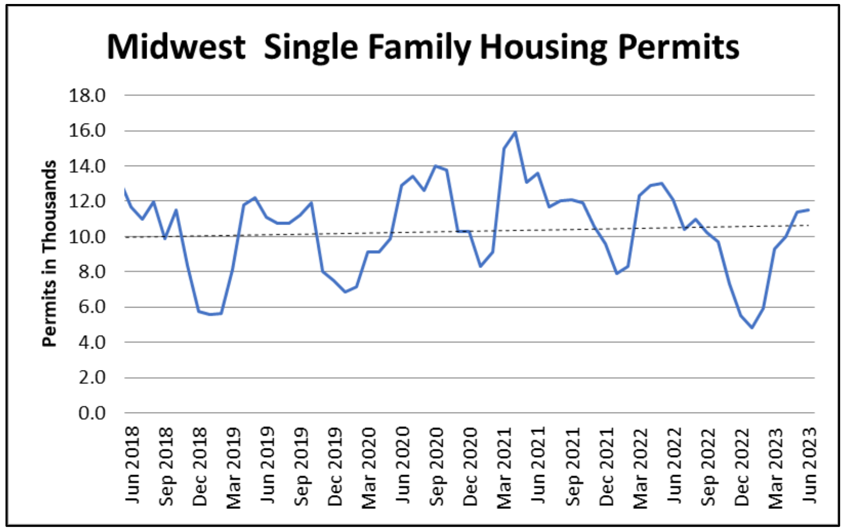
- Multi-family housing permits authorized for construction were down 30.9% M/M (78.9% in the last update).
- They were down 1.7% on a rolling 3-month average (42.8% last month).
- On a year-over-year basis, they were down 52.5% (33.3% in the last update).
- These figures are based on a small number of units so the percentages can seem higher and more volatile.



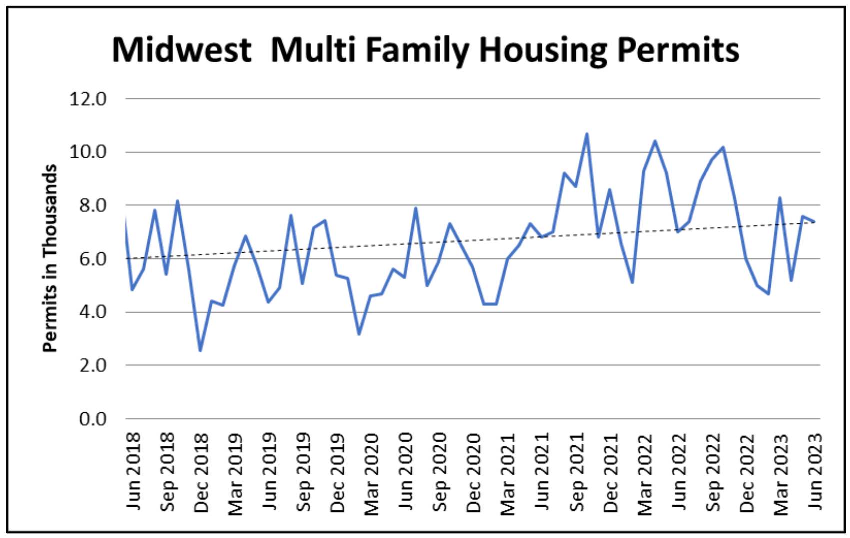
Regional market outlook: Midwest

- Midwest total housing permits were down 0.5% month-over-month (25.0% in the last update).
- The 3-month average was up 3.6% (25.8% in the last update).
- On a year-over-year basis, permits were down 1.0% (-14.4% in the last update).



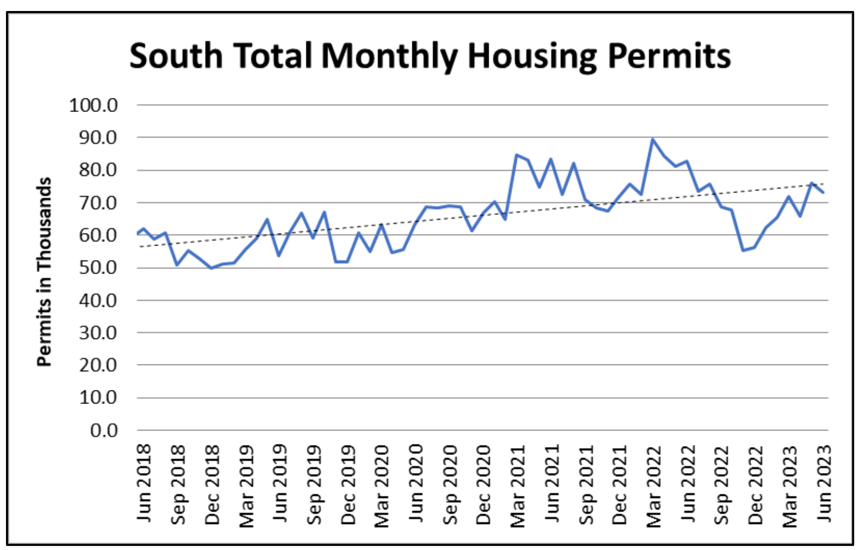


- M/M permit volumes were up 0.9% (14.0% last month).
- The 3-month rolling average shows that permits were up 7.5% (26.4% in the last update).
- Year-over-year, single family homes authorized by permits were down 5.0% (-12.3% in the last update).



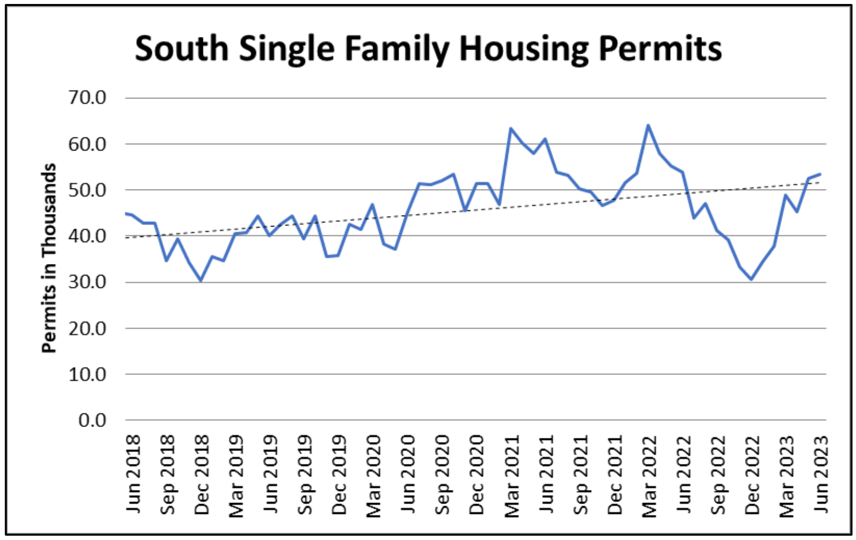
- Multi-family housing permits, again, are volatile month-over-month. This month, they were down 2.6% (46.2% last month).
- On a 3-month rolling average basis, they were up 2.1% (28.5% in the last update).
- On a year-over-year basis, permits were up 5.7% (-17.4% in the last update).

Regional market outlook: South

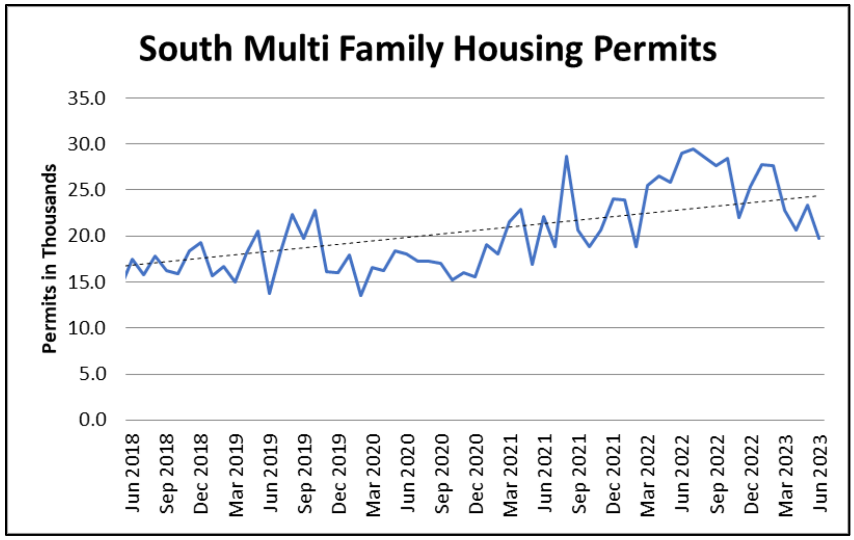


- Southern region housing permits were down 3.6% month-over-month (15.3% in the last update).
- On a 3-month rolling average basis, permits were up 1.2% (5.6% in the last update).
- On a year-over-year basis, total permits were down 11.6% (-6.4% in the last update).

- Southern region single family home permits were up 1.7% M/M (16.1% last month).
- On a 3-month rolling average, they were up 3.4% (12.7% in the last update).
- On a year-over-year basis, single family permits were down 0.7% (-4.9% in the last update).

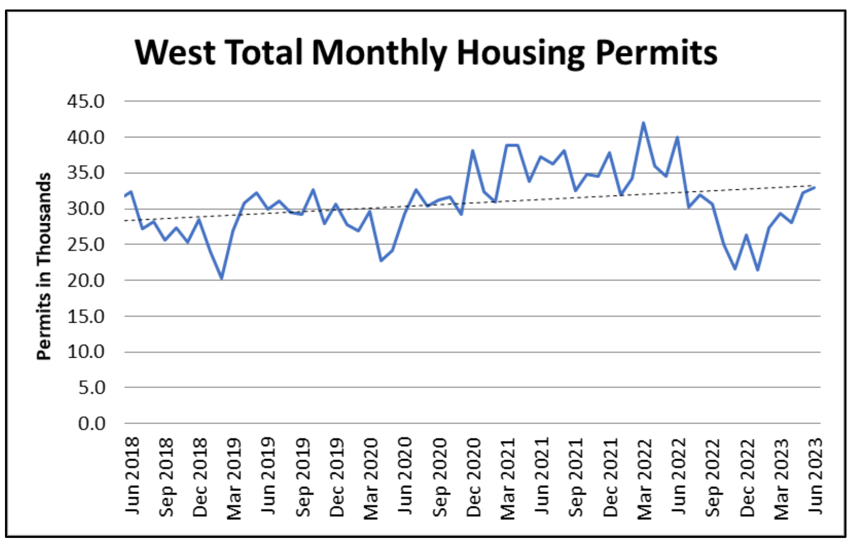


- Southern multi-family permits were down 15.4% M/M (13.6% last month).
- On a 3-month rolling average basis, permits were down 3.8% (-4.6% last month).
- On a year-over-year basis, permits for multi-family housing were down 31.7% (-9.7% in the last update).

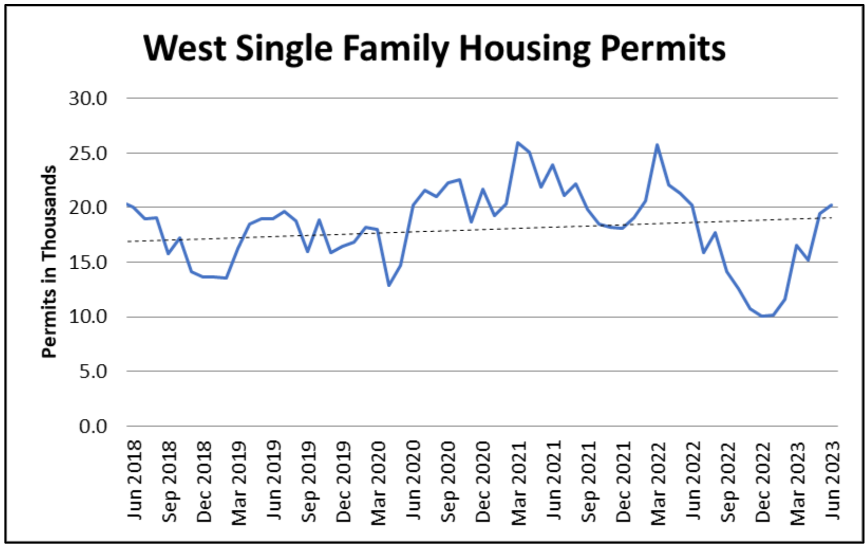


Regional market outlook: West

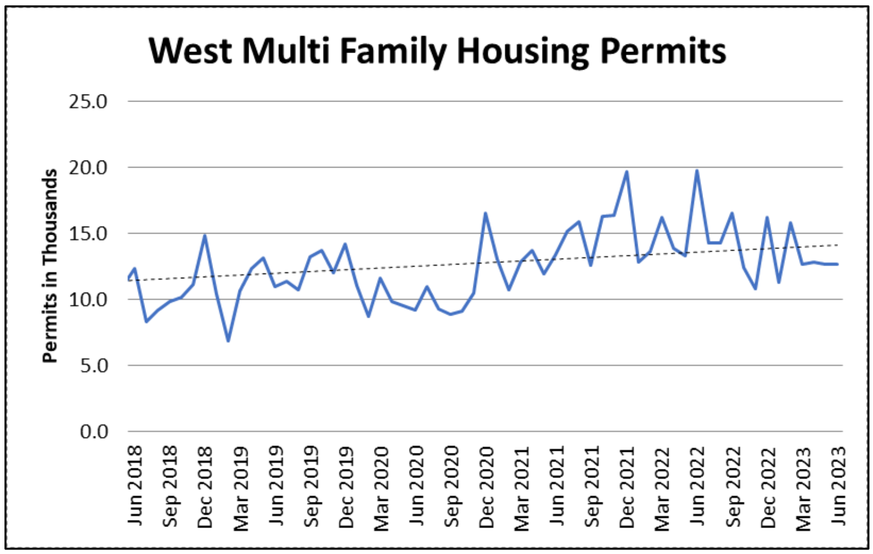
- Western region total monthly housing permits were up 2.2% M/M (15.0% last month).
- On a 3-month rolling average basis, they were up 4.2% (5.8% last month).
- On a year-over-year basis, permits were down 17.8% Y/Y (-6.9% in the last update).



- Single-family permits were up 3.6% M/M (-28.3% last month).
- On a 3-month moving average basis, permits were up 7.8% (21.0% in the last update).
- Year-over-year, single family permits were flat (-8.5% in the last update).



- Multi-family permits were flat M/M (-0.8% in the last update).
- On a 3-month rolling average, it was also flat (-6.5% in the last update).
- Year-over-year, multi-family unit permits were down 35.9% (-4.5% last month).



Industry Outlook

ASA Sales were stronger by 2.2% Y/Y (+7.6% last month) in June (latest available). Year-to-date through June, sales were up 5.9% (+7.0%in the last update). For the trailing twelve months prior, sales were up 10.0% (12.5% in the last update). ASA Pulse Report findings are reported monthly. The following chart shows the breakdown by primary business type and region.

	June Y/Y % Change in Total Dollar Sales	YTD % Change vs. YTD 2022	Trailing Twelve Months % Change
All Businesses	**2.2%**	**5.9%**	**10.0%**
By Primary Business			
PHCP	0.4%	2.9%	6.4%
PVF	7.0%	8.7%	15.6%
PHCP & PVF	2.8%	9.6%	12.4%
By Region			
1 (SWPD & WSA)	-0.2%	1.4%	7.8%
2 (ASA Central)	4.6%	7.7%	11.9%
3 (SWCD)	1.0%	5.8%	14.2%
4 (NCWA)	2.0%	8.7%	9.5%
5 (ASA Northeast)	5.7%	3.7%	10.0%
6 (SWA)	1.2%	6.7%	9.3%
*ISD - Insufficient Data			

The US Transportation Services Freight Index (TSIFRGHT), which typically leads ASA Sales by about five months, was mixed in May (latest available yet to be updated). The report showed that the TSI was at 137.6 for freight, up 1.2% M/M and was down by 1.4% Y/Y (down 2.5% 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 June (latest available) that spot truck freight demand was **54.4% lower than it was a year ago**. Spot trucking rates have fallen 22.6% Y/Y, and now fuel surcharges are down -33.9% Y/Y.

New data shows that oil production in the US is expected to now hit 12.6 million barrels per day and will touch 12.8 million in 2024. Total oil inventories are running in the middle of the 5-year range, and the Strategic Petroleum Reserves are still at the lowest levels since the mid 1980's and rebuilding activity must begin at some point.

OPEC production as expected but there is some speculation that much of those proposed cuts may not be effective. That aside, oil prices are rising at a moderate rate and crude oil is expected to hover at about that rate through the end of the year and through much of next year. Avoiding these peaks and valleys in prices will allow the sector to better plan investments.

Retail sales inched up in June across many categories month-over-month, but some sectors were starting to show some pressures on a year-over-year basis (even with inflation still boosting some of them).

When adjusted for inflation, sales were flat month-over-month in June, but were lower by 1.6% year-over-year.

Home improvement retail sales volumes were weaker in June on seasonal spending, falling by 1.2% M/M and they remained marginally lower by 3.2% against last year. Again, when adjusted for inflation, sales were likely lower year-over-year.

Economic growth is still expected to be flat in 2023 (roughly 0.7% for the full year). Construction is still doing well for non-residential, and that momentum will continue to keep the supply industry chasing opportunities. Many durable goods sectors are also still experiencing growth and consumer spending was still very strong through Q2 on a strong jobs market. That is expected to continue in Q3 and if the labor market holds steady, will likely push further into Q4.

Kind of Business	Percent Change Jun. 2023 Advance from --	
	May 2023	Jun. 2022
Retail & food services, total	**0.2**	**1.5**
Retail	0.2	0.5
Motor vehicle & parts dealers	**0.3**	**5.3**
Furniture & home furn. stores	**1.4**	**-4.6**
Electronics & appliance stores	**1.1**	**0.9**
Building material & garden eq. & supplies dealers	**-1.2**	**-3.2**
Food & beverage stores	**-0.7**	**1.3**
Grocery stores	-0.7	1.1
Health & personal care stores	**-0.1**	**6.3**
Gasoline stations	**-1.4**	**-22.7**
Clothing & clothing accessories stores	**0.6**	**0.7**
Sporting goods, hobby, musical instrument, & book stores	**-1.0**	**-1.3**
General merchandise stores	**-0.1**	**0.5**
Department stores	-2.4	-5.2
E-Commerce retailers	**1.9**	**9.4**
Food services & drinking places	**0.1**	**8.4**

The Federal Reserve will likely increase interest rates again before the end of the year, and that could have an impact on investment and spending in 2024. Again, many new projects are facing some difficulties in getting funding in place, that could carry over into 2024.