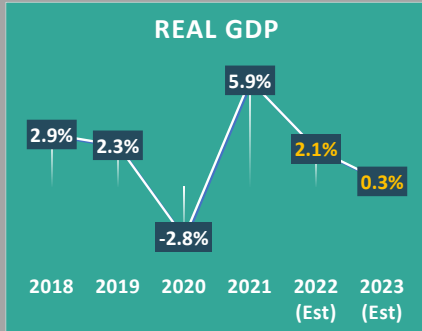
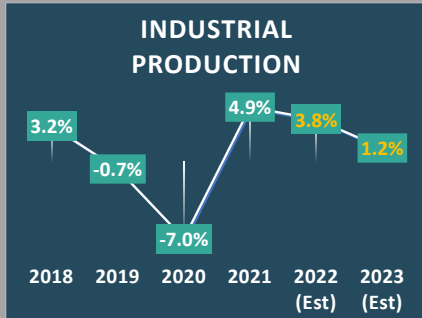
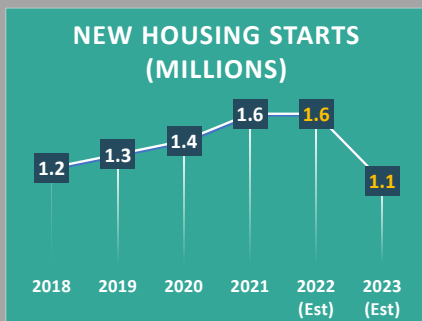
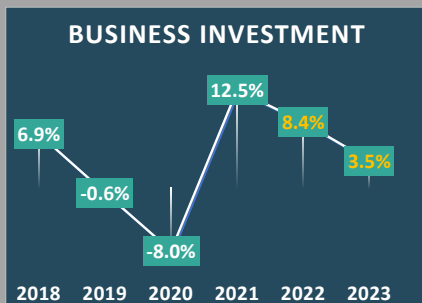


Selected Indices



Big Items

GDP: The last few estimates regarding GDP have been significantly off. I know the definition of an economist is someone who explains tomorrow why the predictions they made yesterday did not come true today, but these really missed the mark. Q3 of 2022 was supposed to be less than 0.4 and Q4 was thought to be less than 0.5%. Instead, third quarter finished at 2.6% and fourth quarter was at 2.9%. What do we see for 2023? Many estimates were asserting a negative rate but Atlanta's GDPNow estimate now sees Q1 at 3.2%. Take your pick – glass half full or half empty. We are leaning towards the 3.2% estimate.

Industrial Production: Industrial production changed very little this month, manufacturing alone actually improved a bit – by 0.1%. There was a gain in the utilities data as the winter weather finally managed to make an appearance, but mining data fell by 0.6%. This decline reflects the overall decline in commodity prices and that seems connected to the reduction in driving seen in winter and some reduction in freight movement. Air travel was up and that increased demand for jet fuel. Manufacturing seemed to respond to a repaired supply chain.

Housing Starts: Housing starts improved over January's data but are still well below what they were a year ago. They are up 13.8% from January's revised number and 17.9% below a year ago. The gains have been attributed to more benign weather in the Northeast than was expected and this allowed an extension of the construction season. Overall, the housing sector has been affected by the higher mortgage rates and the continued high price of homes – new and existing. There is some suggestion that mortgage rates are coming off their peak and prices have started to dip in some regions as demand starts to flag.

Home Improvement Retail: Home improvement has started to stall. There are fewer existing homeowners doing improvements with an eye towards selling and there are fewer with the money to undertake major renovation projects. The drivers of this activity are still kitchens and bathrooms. There has been a sharp decline in the development of home offices or apartments for relatives in the home even though 27% of Gen-Z males assert they do not intend to leave their parent's home until they are in their 30s.

Manufacturing: The latest PMI numbers beat expectations by quite a lot – breaking a four-month run of reduced performance. It came in at 49.1 in the flash estimate and that is the highest mark in five months. The service sector PMI performed better yet. It reached a level of 55.1 and escaped the contraction zone altogether. Internationally there has been similar progress. There were 19 nations under the 50-mark (contracting) last month and this month the number was down to 12.

Big Risks

Inflation and Recession Potential: The big risk has appeared rather suddenly. The bank crisis is not exactly a "black swan" as many have seen this coming for a while. The basic issue is that higher interest rates affect the bond market and banks that have not dealt with the threat of "duration risk" get in trouble. Now that the dust has settled a bit the panic has subsided, but banks are far more stressed now than they were a few weeks ago.

What to Watch

Geopolitics: The issue of the moment is still banking as these issues have affected Europe as well as the US. Credit Suisse also had specific issues and has now been taken over by UBS.

Macroeconomic Viewpoints

- Dr. Chris Kuehl

The Bank Fiasco - Nearly every economic assumption and forecast has been thrown into disarray and it is still an evolving situation. What the heck happened to the banks this time and was this as unanticipated as the pandemic or the Russian invasion of Ukraine? In fact, this latest debacle was not altogether unexpected and there had been warnings issued for months by regulators and analysts. It is doubtful that anybody expected the severity and the speed of the meltdown as that is down to the reactions of notoriously fickle investors and depositors. The vagaries of the banking system have only a tangential impact on the world of the ASA member, but these issues are reverberating through the economy.

The most predictable part of this issue is the reaction to increasing interest rates by the central banks. The motivation for the hike is to combat inflation through the limitation of cash. Loan standards tighten, credit gets more expensive, and presumably business becomes more frugal and that usually entails laying people off. It is a blunt instrument at best. It also has a major impact on the bond market as it makes them more expensive. Over the last decade many banks invested heavily in bonds when they were cheap – these formed their asset base. As the price of these bonds rose, the banks were required to sell their cheaper bonds and then buy more expensive bonds to maintain their asset base. Most banks were able to handle this transition, but some were far too exposed and one of these was Silicon Valley Bank. Their business model was high risk to begin with as they specialized in lending to high tech start-ups. The failure rate for tech start-ups is well over 90%. This is not to say that SVB had a loan failure rate that high, but they faced more issues than most. More importantly they had been repeatedly warned by the Federal Reserve to change their approach and process. The Fed lacks the ability to force that change but the warnings were issued numerous times.

The collapse of SVB along with others such as Signature Bank and Republic Bank triggered a dual stampede of both investors and depositors fearing big losses. Agencies such as the FDIC and the Fed reacted very quickly to backstop these banks and protect the depositors, but mob mentality is hard to influence with logic. The crisis spread to Europe as the long-standing issues affecting Credit Suisse came to a head. So, the anticipated problems in the banking sector finally manifested. What does this mean for the non-banking community?

The number one question is what this means to inflation fighting. The trigger for this whole mess was the Fed's decision to raise rates – an action they were expected to take and an action they must take. The question now is whether this latest financial sector debacle forces a reversal of central bank strategy. Just a few weeks ago the consensus view was that rates would continue to increase. The Fed would push through another half point hike and similar increases would be taking place with the other central banks. Today there is less than a 50-50 chance. The fear is that ever higher rates will make the banking situation worse, and more banks will join the ranks of SVB. On the other hand, there are loud voices insisting that rates continue to rise if the inflation threat persists. They assert that much of this bank destruction is the inevitable outcome of "creative destruction". The idea behind hiking rates is to force economic slowdown and that means pressure sufficient to drive banks and businesses to tighten spending. - CK

ASA MER Contents:

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Reader Question of the Month

Q: What will all this banking mess mean for my local bank?

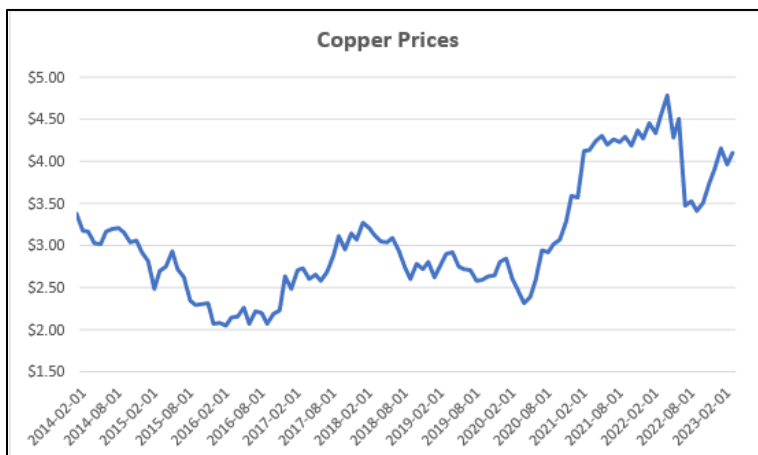
A: Over the last couple of weeks, I have been in a rather unique position as regards this question. I have been on an FHLB “road show” as their economic speaker. For those not familiar with the Federal Home Loan Bank, it is a government bank that backstops local and community banks and credit unions. The mandate is to help these banks make housing and community development loans and to help these banks maintain liquidity. I have been in rooms with hundreds of small and regional banks throughout this fiasco and there are three takeaways.

The first is very few of these banks engaged in the bond buying activity that threatened the bigger banks. They make their money the old-fashioned way. They make loans and they attract depositors. The second takeaway was that they did not see depositors bolting. Only about 20% saw any withdrawal at all. Those that did pull money out came back to these banks a week or so later. The third takeaway was that the FHLB was prepared to handle the crisis. There was a very inaccurate story circulating at the start of the crisis stating that member banks had been denied requests for liquidity help by the FHLB. This was utterly untrue – every single member bank that requested help from the FHLB was granted everything they needed or requested.

The system worked exactly as it was designed to. These smaller banks never felt much of the stress and even gained some depositors and investors who were fleeing the larger banks they had lost faith in. The media frenzy that engulfed the sector fed panic and fear and much of this was unjustified. Many of the ASA members work with these smaller institutions and at this stage the security of these banks remains very solid. - 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 \$4.11/lb. (\$3.96/lb. last month).
- The Producer Price Index (PPI) for January (latest PPI available) was 535.2, up month-over-month by 1.9% (3.6% last month). It was down 3.2% year-over-year (-- 5.5% 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 only slightly higher month-over-month but are still near multi-decade lows according to the LME. Other disruptions in output are keeping inventories low for now, but demand is down, which is keeping the price for copper likely lower than it should be. Again, watching what happens in China with the reopening process and if that increases demand.

General Commodities Discussion:

Nickel:

- Nickel Prices have been weaker over the past 30 days and were @\$10.64 per lb. (\$11.29 in the last update). Despite that, LME warehouse levels fell slightly this month to 44,454 tons (44,514 tons in the last update) and remain at lows not seen since November 2007 (at 42,091 tons).
- **Outlook:** Nickel inventories in LME warehouses were still near 16-year lows, but prices were still 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. But for now, global slowing and a sluggish start to China’s reopening are still hampering demand. Shanghai nickel was starting to show some slight upticks, perhaps a sign that some building of inventory is about to start more aggressively.

Carbon Steel: (WPU101706)

- NYMEX Domestic Hot-rolled Coil steel prices ([CRU-HRCc1](#)) were slightly higher over the past 30 days and were \$1,060 per ton in late March (\$1,010 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 February (latest available). They were down 4.8% month-over-month (down 1.3% last month). Year-over-year, the PPI was 16.0% lower (-10.0% Y/Y in the last update) against much more difficult comparisons.
- **Outlook:** The Producer Price Index still suggests that street demand for carbon steel was still softening, but once again 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). Infrastructure spending was also building broad momentum, and the competition for certain types of steel that go into roads and bridges, pipe and tube, and other infrastructure materials is seeing more demand. The Producer Price Index for construction materials was 40.6% higher vs. pre-pandemic levels once again this month.

Stainless Steel: (WPU10170674)

- The Producer Price Index for stainless pipe and tube were mixed in February (latest available). Producer prices for stainless pipe fell by 0.3% month-over-month (up 1.0% last month); but they were up 3.3% Y/Y (up 7.5% last month).
- **Outlook:** Falling nickel prices were having an impact on stainless steel prices, pushing them slightly lower. Demand was still stable in some industries, but global recession risk was weighing on prices. Manufacturing on a global basis is still soft and US indexes were still struggling in February and early March. But some hints have surfaced that demand could uptick, the Baltic Dry Index is showing some life and rose nearly 27.6% in the past 30 days.

Ferrous Metal Scrap: (PPI: PCU4299304299301)

- Producer prices for ferrous metal scrap continued to rebound in February, coming in with an index of 550.1 (520.5 last month). This was higher by 5.6% M/M (12.0% last month). Year-over-year it was down by 8.7% Y/Y (-13.7% 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.

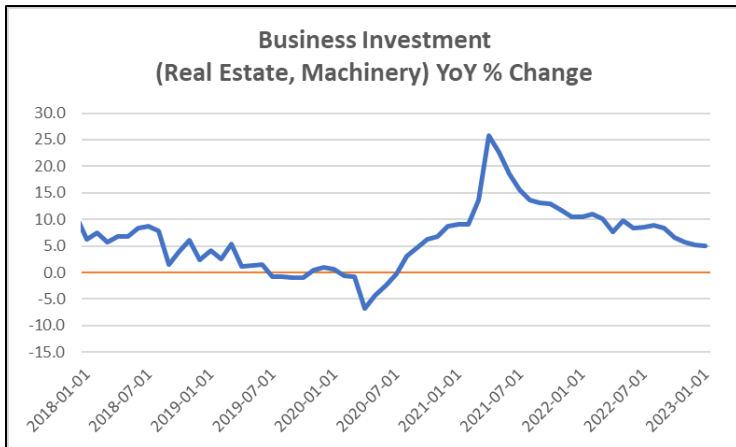
Additional commodities and finished product pricing are addressed in the Producer Price Index review on the next page.

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.

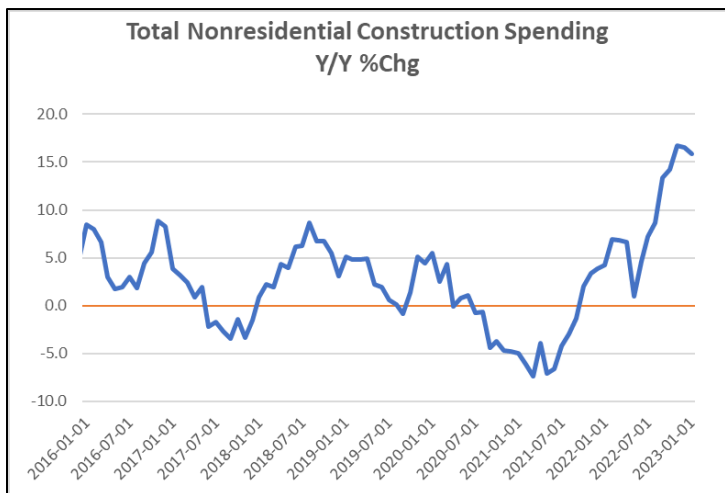
Producer Price Index - Key Industry Products						
Category	PPI Code	Feb-23	Jan-23	M/M% Chg	Feb-22	Y/Y % Chg
Pipe, Valves and Fittings						
Metal valves, except fluid power	WPU114902	427.0	427.0	0.0%	383.8	11.3%
Gates, globes, angles and check valves	WPU114902011	163.3	163.3	0.0%	150.8	8.3%
Ball valves	WPU11490202	557.9	558.3	-0.1%	489.6	14.0%
Butterfly valves (formerly W2421490203)	WPU11490203	297.4	297.4	0.0%	265.9	11.8%
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	394.5	394.5	0.0%	354.0	11.5%
Automatic valves	WPU11490211	248.9	248.9	0.0%	227.7	9.3%
Metal pipe fittings, flanges and unions	WPU11490301	493.2	476.9	3.4%	422.5	16.7%
Steel pipe and tube	WPU101706	427.0	448.3	-4.8%	508.5	-16.0%
Steel pipe and tube, alloy	WPU10170673	109.5	109.5	0.0%	109.5	0.0%
Steel pipe and tube, stainless	WPU10170674	152.5	153.0	-0.3%	147.7	3.3%
Copper & copper-base alloy pipe and tube	WPU10250239	371.9	359.0	3.6%	366.3	1.5%
Plastic pipe	WPU07210603	206.0	212.6	-3.1%	203.2	1.4%
Plastic pipe fittings and unions	WPU07210604	317.4	323.8	-2.0%	293.3	8.2%
Plumbing Fixtures, Fittings and Trim	WPU105402	394.6	394.6	0.0%	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	203.5	0.0%	190.3	7.0%
Enameled iron and metal sanitary ware	WPU1056	290.6	284.9	2.0%	254.3	14.3%
Steam and Hot Water Equipment	WPU1061	404.5	404.5	0.0%	375.5	7.7%
Cast iron heating boilers, radiators and convectors	WPU10610106	279.2	279.2	0.0%	251.7	10.9%
Domestic water heaters	WPU106601	571.8	569.4	0.4%	566.6	0.9%
Electric water heaters	WPU10660101	564.7	563.9	0.1%	561.4	0.6%
Non-electric water heaters	WPU10660114	348.6	346.7	0.6%	344.9	1.1%
Warehousing, Storage and Related Services	WPU321	144.4	140.5	2.8%	122.0	18.4%

PHCP & PVF



Capital Goods New Orders (NEWORDER)

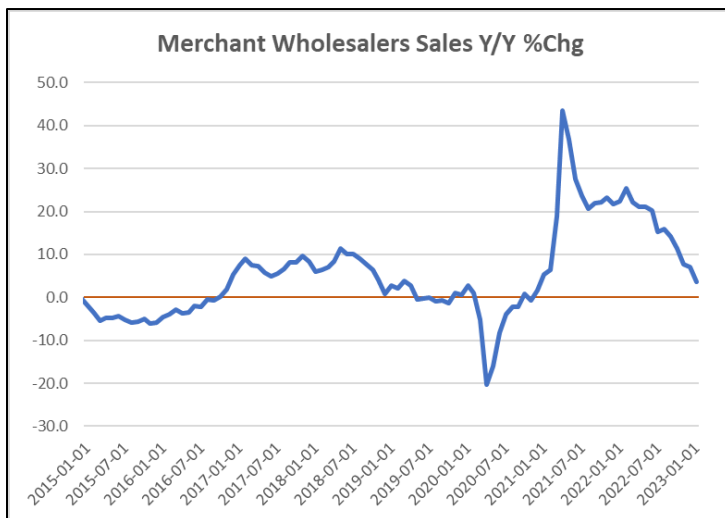
- The value of manufacturers' new orders for capital goods remained stable again in February (latest available), spending was up by 0.4% sequentially M/M (-1.1% last month). And they remained up by 4.3% Y/Y (up 3.9% last month) and continued to be stable overall.
- Outlook:** Businesses were still spending at an annual rate of @\$75.2 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. In short: 1) corporate spending remains stronger than expected (up 4.3% Y/Y as mentioned) 2) growth rates have flattened of late but 3) they remain historically high as mentioned.



Total Non-Residential Construction

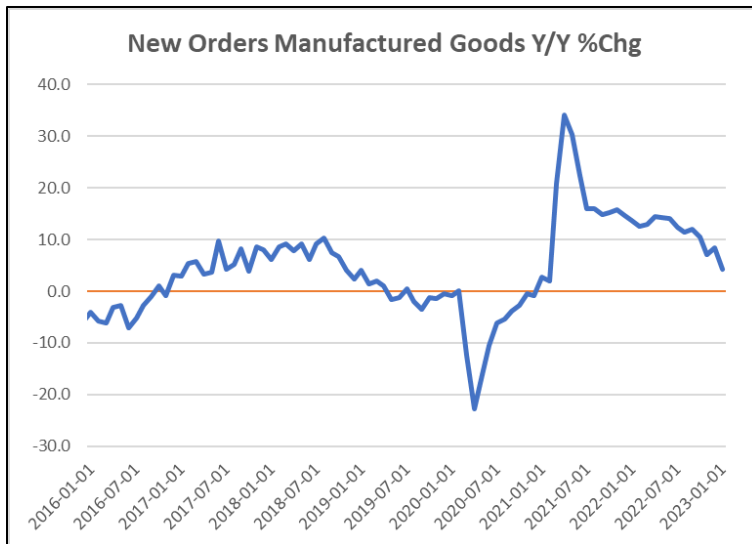
(TLNRECONS)

- Total Non-Residential Construction activity in January (latest available) was 15.9% higher than it was a year ago (16.5% higher last month) but was 0.6% lower M/M (-0.2% in the last report). Overall spending was at a new high annual rate of \$969B (the prior annualized run rate peak of \$970B was hit in November 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 (WHLSLRMSA, WHLSLRMSA)

- Merchant wholesalers' sales were up 7.1% Y/Y through January (latest available; up 7.8% Y/Y in the last update). Month-over-month, sales were declining (down 3.5% last month).
- Wholesale inventories were up 15.8% year-over-year in October (up 17.6% last month).
- Outlook:** Relative to sales, the inventory to sales ratio for wholesalers is 11.7% higher year-over-year (9.7% higher last month) through January (latest available). Hardware, plumbing, and heating wholesalers are still sitting 25.5% heavier with inventory than they were prior to the pandemic. Construction material wholesalers were also 12.1% higher than they had in inventories in 2019.



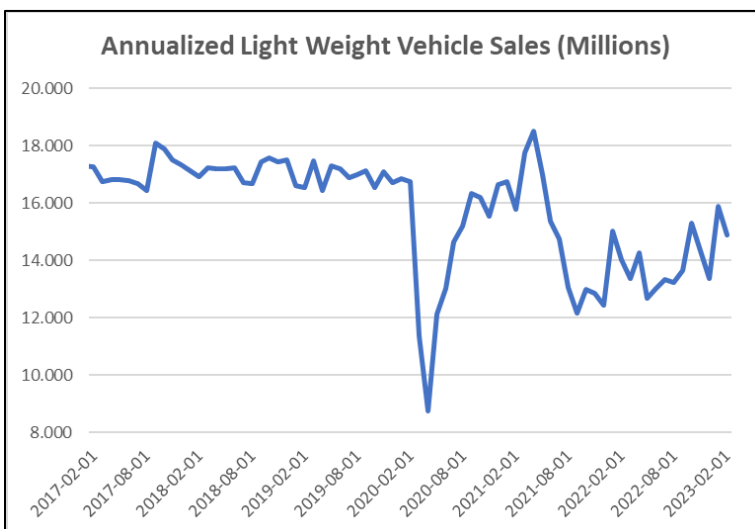
Manufacturing (AMTMNO)

- Federal data on manufacturing was up 4.3% Y/Y (up 7.3% last month) through January (latest available). It was down sequentially by 4.1% month-over-month (+1.3% last month).
- The S&P Global US manufacturing PMI came in at 47.3 in February, down from 46.9 in January.
- Outlook:** A PMI reading over 50 is evidence of a sector that is expanding and growing, and this measure continued to contract in February. New orders were pulling heavily on the overall index, new orders fell across a broad swath of the market again in February. Manufacturers were also continuing to trim hiring activity and were cost cutting through attrition according to some sources continuing what many believe could be a sluggish first half of 2023. Prices remained elevated, although some softening of input prices was noted.

Business Inventory to Sales Ratio (ISRATIO)

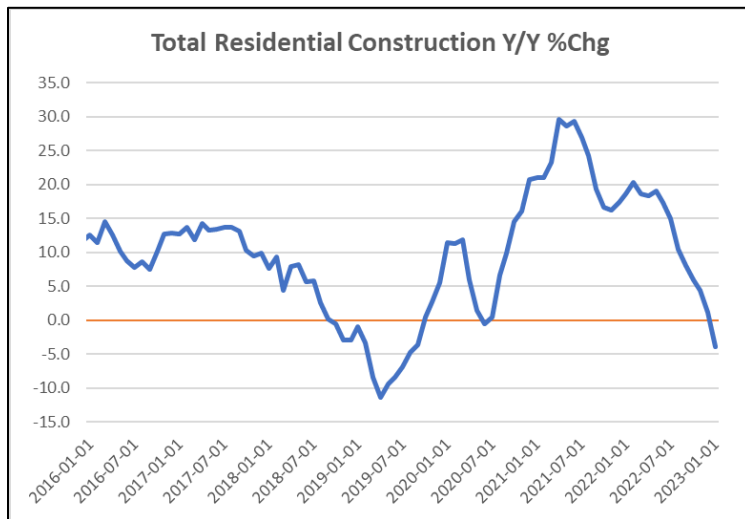
- The current inventory to sales ratio for all businesses remained at 1.34 months of inventory on hand in January (latest available; 1.36 last month). Relative to sales, inventories are finally hitting balanced levels, this month's ratio was 5.5% higher Y/Y (7% higher last month).
- Outlook:** How quickly 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 65% of the product-moving industry in an overstock situation.

PHCP



Auto Sales (ALTSALES; AISRSA)

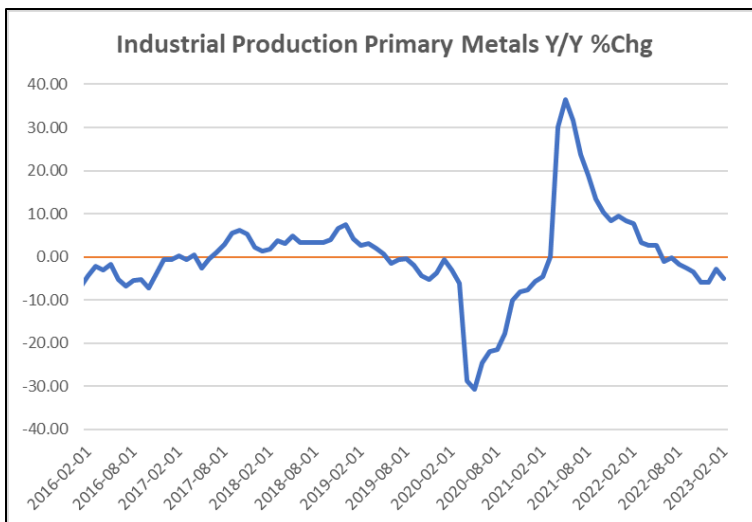
- US auto sales were trending at a 14.886-million-unit annual rate (15.875M last month) through February (latest available). This is up 4.8% year-over-year against moderate comps (+4.1% in the last update).
- The domestic auto inventory to sales ratio was up 49.2% Y/Y in January (latest available). On a monthly basis, it was 15.5% lower 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. It is estimated that OEMs might have to produce vehicles at a faster rate over the next four years to get inventories back to levels that allow dealers to have enough options on lots in order to allow customers to walk on, purchase, and drive away a new vehicle. Production will continue to be strong for some time.



Total Residential Construction (PRESCONS)

- Total residential construction in January (latest available), was down by 3.9% Y/Y (up 1.1% last month). It was down 2.8% M/M (also down 3.3% last month).
- **Outlook:** Other housing data shows a mix of events in January and into February. Single family housing saw buyers jump back into the market temporarily as interest rates softened. But that was temporary. New starts on multi-family construction continue to be sporadic, but they are still in a range that is the strongest since the early 1980's. Looking forward, there is still some pressure on the financial side of course that the industry is going to be dealing with, but the hike in interest rates may be approaching a peak. Sub-prime loans will be under more intense pressure, but other types of lending (jumbos, Government-backed) may continue to be fluid.

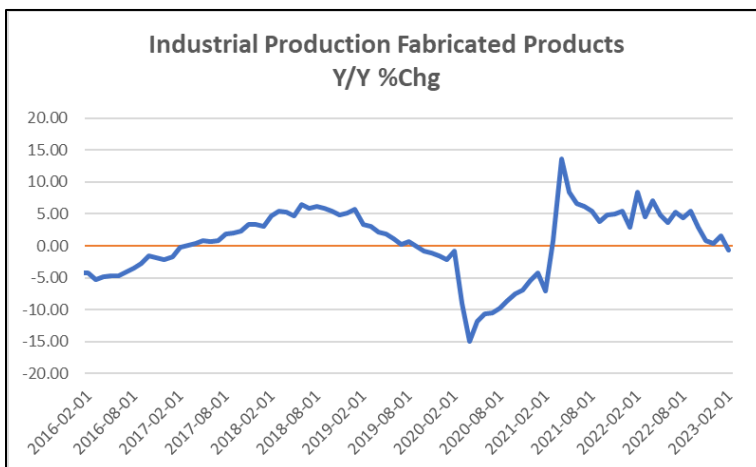
PVF



Industrial Production Primary Metals

(IPG331S)

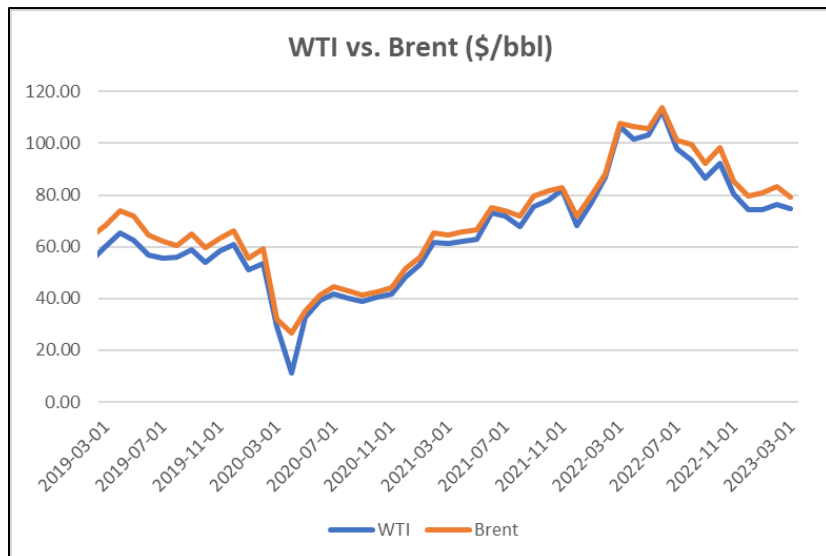
- Industrial production for primary metals was down 5.10% Y/Y through February (-2.8% in the last update). It was down 3.7% M/M (+3.1% M/M in the last update).
- **Outlook:** Primary metals demand continued to be sluggish again this month on the back of global manufacturing slowdowns. Commodity inventories 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. Some evidence in the Baltic Dry Index over the past thirty days shows shipments of commodities were growing by nearly 44% over that time. Products are moving.



Industrial Production Fabricated

Metals (IPG332S)

- Fabricated metal industrial production was down 0.70% Y/Y through January (up 1.6% last month). It was also down 2.3% on a month-over-month basis, (+1.2% 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 and now continuing into Q4 and the end of the year.



WTI and Brent

- WTI is currently at \$74.75 a barrel (\$76.45 in the last update) and Brent is at \$79.37 (\$83.18 in the last update).
- Outlook:** Russia has found a way to get around sanctions and in the most recent data available, is exporting a record amount of oil by tanker. Although this oil hits mostly foreign markets, it adds to the global supply of oil and increases inventories which ultimately changes the global demand and distribution patterns. Overall, the EIA still shows global production keeping pace with demand and perhaps outpacing it slightly. Purchasing oil to replenish the Strategic Petroleum Reserves at some point in time will consume some of the oil that would otherwise go into refineries. This will keep the price of oil in a band between \$65 and \$75 a barrel for the next one to two years.

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

	Last Count	Count	Change from Prior Count	Change from Last Year
U.S.	24-Mar-23	758	4	88
Canada	24-Mar-23	165	-42	25
International	Feb-23	915	14	102

Rotary Rig Counts (Baker Hughes)

- Baker Hughes US active rig counts were up 88 Y/Y (up 103 in the last update) at 758 (1,049 in 2019); Canadian counts were up by 25 Y/Y (+20 in the last update). International counts are up by 102 Y/Y (+60 in the last update).
- Outlook:** New forecasts for global oil production shows it rising throughout 2023 and into 2024. The US is also expected to increase output during that period of time and will approach 12.5 to 13 mbpd. But global consumption will slightly weaker, keeping the global balance of oil intact. New areas of drilling will eventually be opened up, but it will take years for many of those leases to get developed. In the meantime, getting more production out of existing wells and smaller incremental increases in regional well activity is likely to add some demand for materials overall.

Construction Outlook

Residential construction: 30-year national average mortgage rates reversed course and increased late in March to 6.32% (6.50% in the last update). Home builder confidence moved up again M/M in March by 4.8%, it increased to 44 points (up from the February reading of 42). 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.

Table 1. NAHB/Wells Fargo National and Regional Housing Market Index (HMI)							
NATIONAL							
(Seasonally Adjusted)	2022		2023				
	Mar.	Dec.	Jan.	Feb. Revised	Mar. Prelim.	M/M	Y/Y
Housing Market Index	79	31	35	42	44	4.8%	-44.3%
Housing Market Index Components							
Single Family Sales: Present	87	36	40	47	49	4.3%	-43.7%
Single Family Sales: Next 6 Months	70	35	37	48	47	-2.1%	-32.9%
Traffic of Prospective Buyers	66	20	23	28	31	10.7%	-53.0%
REGIONAL HMI							
(Seasonally Adjusted)	2022		2023				
	Mar.	Dec.	Jan.	Feb. Revised	Mar. Prelim.	M/M	Y/Y
Northeast	65	32	34	46	46	0.0%	-29.2%
Midwest	74	30	32	36	35	-2.8%	-52.7%
South	81	35	39	46	50	8.7%	-38.3%
West	91	25	29	37	36	-2.7%	-60.4%

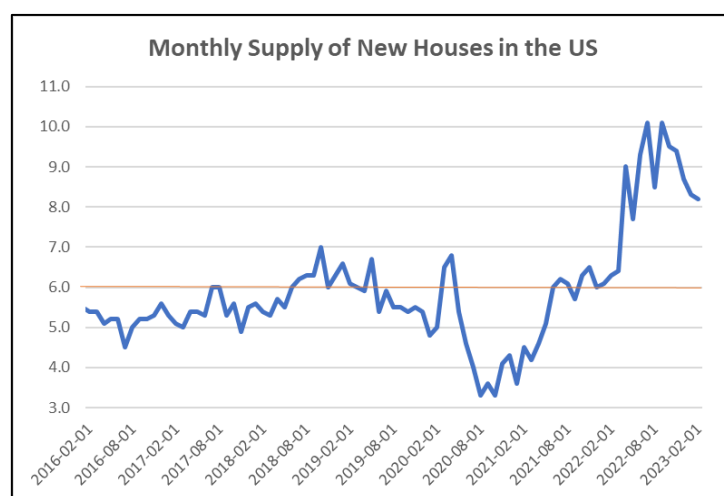
On a year-over-year basis, the NAHB/Wells Fargo Housing Market Index was down 44.3% against February of 2022 (down 48.1% last month).

Adjusted housing inventories were stable in February, coming in at 8.2 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 9.5 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 rising interest rates and steep housing prices which are only easing in some markets.

But new housing starts came in at a 1.450-million-unit rate on an annualized basis (down from last month’s 1.321 million annual rate); but the outlook for the rest of 2023 is obviously still weaker on interest rate pressures.

Single family starts were up in February by 1.1% M/M (latest available) and were down 31.6% Y/Y. Multi-family starts are volatile but were up sharply by 24.1% M/M and were 14.3% higher Y/Y.



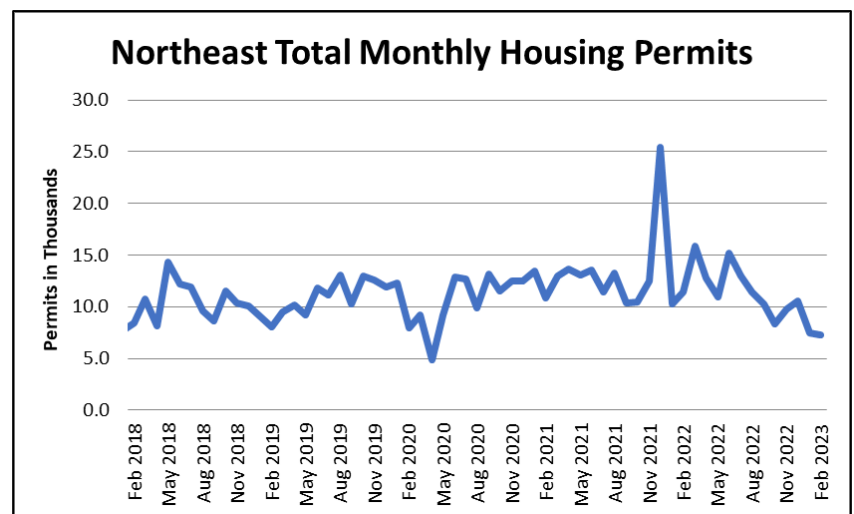
National Outlook: The latest events within the regional banking situation has changed speculation about the number and degree of interest rate hikes and where the Federal Reserve's Effective Funds Rate will peak. Some expect the Fed Peak to touch 5.1% and just prior to the banking crisis it was expected to inch up to as much as 5.5% by some estimates. Estimates also suggest that banks taking independent action to tighten their own credit standards (to reduce default risk) will work much like a 25 to 50 basis point hike in Federal Reserve interest rates. This could keep the Fed in a more dovish position moving forward, and some estimates from the Fed show the potential for rate easing in 2024 a high likelihood.

Housing and Interest Rate Forecast, 03/14/2023							
	2018	2019	2020	2021	2022	2023	2024
Housing Activity (000)							
Total Housing Starts	1,247	1,291	1,395	1,605	1,555	1,173	1,295
Single Family	871	889	1,002	1,131	1,010	768	921
Multifamily	376	402	393	474	545	405	374
New Single Family Sales	614	683	831	769	642	640	739
Existing Single-Family Home Sal	4,736	4,746	5,059	5,418	4,539	3,768	4,265
Interest Rates							
Federal Funds Rate	1.83%	2.16%	0.36%	0.08%	1.68%	3.75%	2.49%
Fixed Rate Mortgages	4.54%	3.94%	3.11%	2.96%	5.34%	6.68%	6.01%
Prime Rate	4.90%	5.28%	3.54%	3.25%	4.85%	10.42%	8.50%
For more forecast details, visit www.nahb.org .							

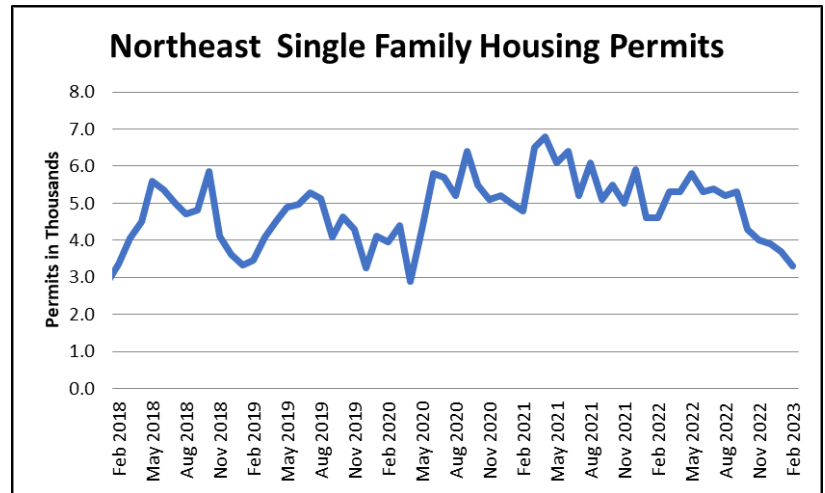
The following section provides monthly housing permit data for each major region in total, single family, and multi-family units.

Regional market outlook: Northeast

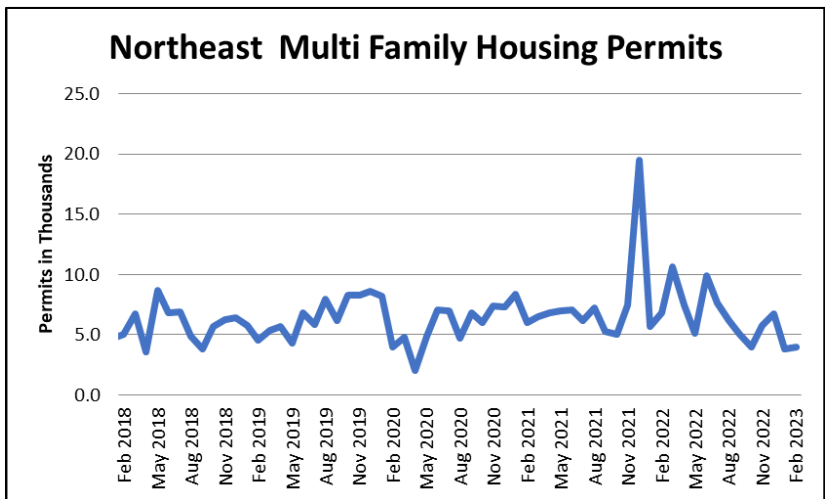
- Northeast total housing units authorized for construction fell in February by 2.7% M/M (-29.2% last month). February was the latest regional data available throughout this series.
- The 3-month moving monthly average was down 7.9% (-1.0% last month).
- On a year-over-year basis, permits were down 36.0% (-27.2% in the last update).



- Month-over-month single family permits were down 10.8% (-5.1% last month).
- On a 3-month moving average basis, permits were down 6.1% (-4.9% last month).
- Year-over-year permits were down 28.3% (-19.6% last month).

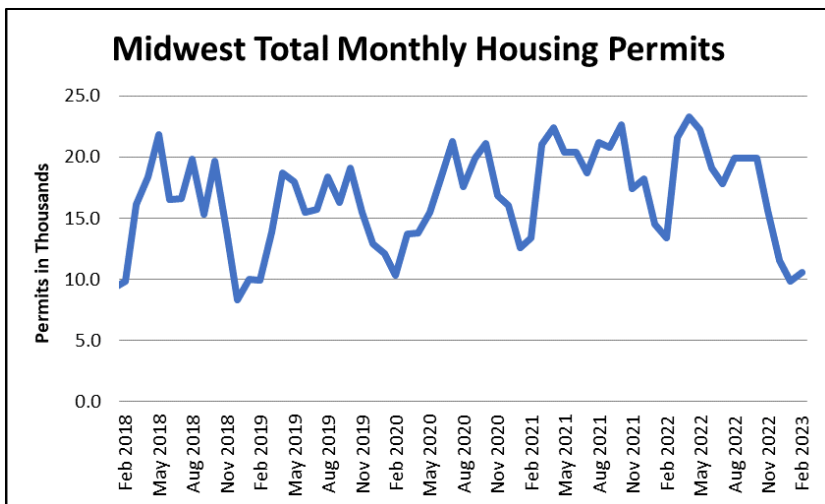


- Multi-family housing permits authorized for construction were up 5.3% M/M (-43.3% in the last update).
- They were down 7.5% on a rolling 3-month average (+5.7% last month).
- On a year-over-year basis, they were down 41.2% (-33.3% in the last update).
- These figures are based on a small number of units so the percentages can seem higher and more volatile.

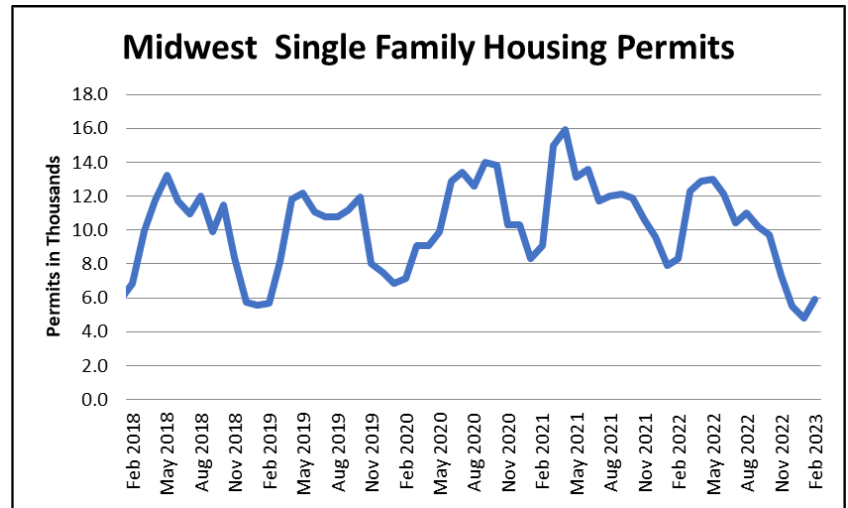


Regional market outlook: Midwest

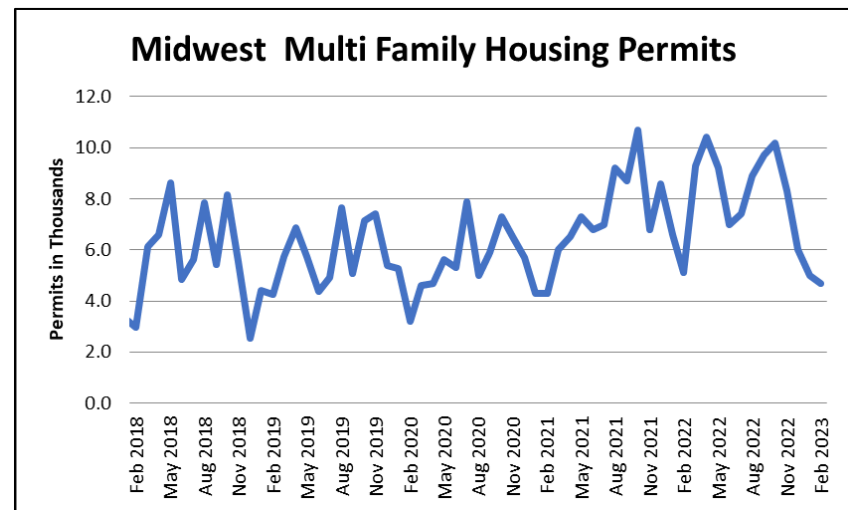
- Midwest total housing permits were up 8.2% month-over-month (-14.8% in the last update).
- The 3-month average was down 11.0% (-20.9% in the last update).
- On a year-over-year basis, permits were down 20.9% (-32.4% in the last update).



- M/M permit volumes were up 22.9% (-12.7% last month).
- The 3-month rolling average shows that permits were down 4.8% (-20.7% in the last update).
- Year-over-year, single family homes authorized by permits were down 28.9% (-39.2% in the last update).

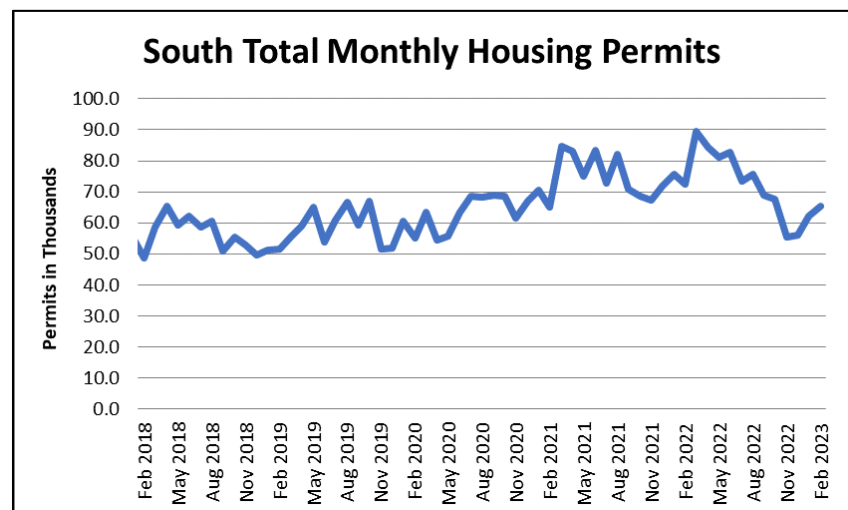


- Multi-family housing permits, again, are volatile month-over-month. This month, they were down 6.0% (-16.7% last month).
- On a 3-month rolling average basis, they were down 16.8% (-21.0% in the last update).
- On a year-over-year basis, permits were down 7.8% (-24.2% in the last update).

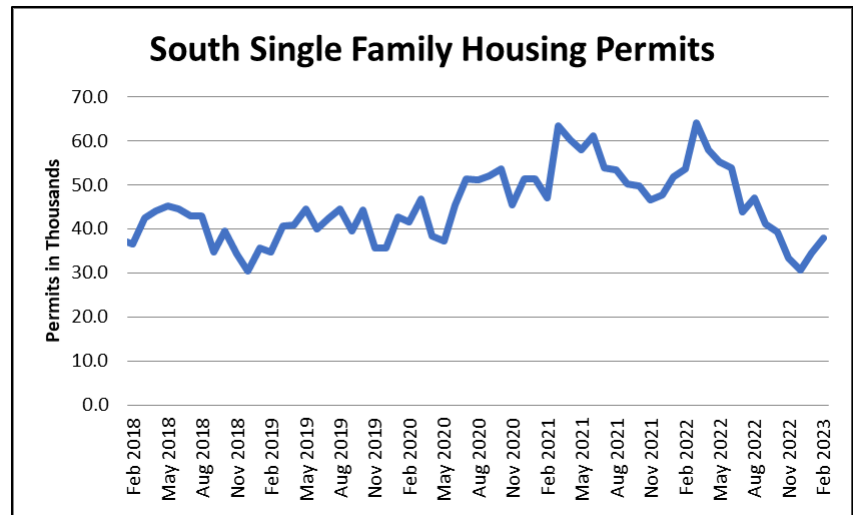


Regional market outlook: South

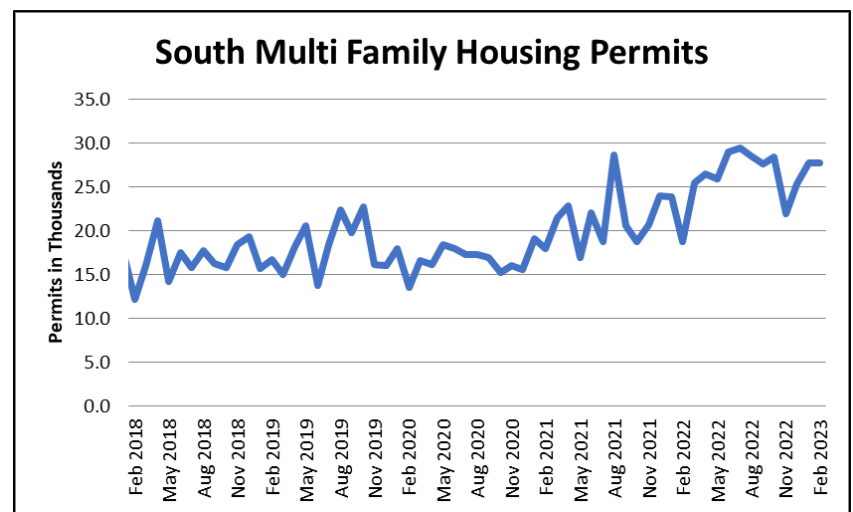
- Southern region housing permits were up 5.3% month-over-month (+10.9% in the last update).
- On a 3-month rolling average basis, permits were up 5.8% (-2.0% in the last update).
- On a year-over-year basis, total permits were down 9.5% (-17.7% in the last update).



- Southern region single family home permits were up 9.9% M/M (+12.1% last month).
- On a 3-month rolling average, they were up 4.6% (-3.6% in the last update).
- On a year-over-year basis, single family permits were down 29.5% (-33.5% in the last update).

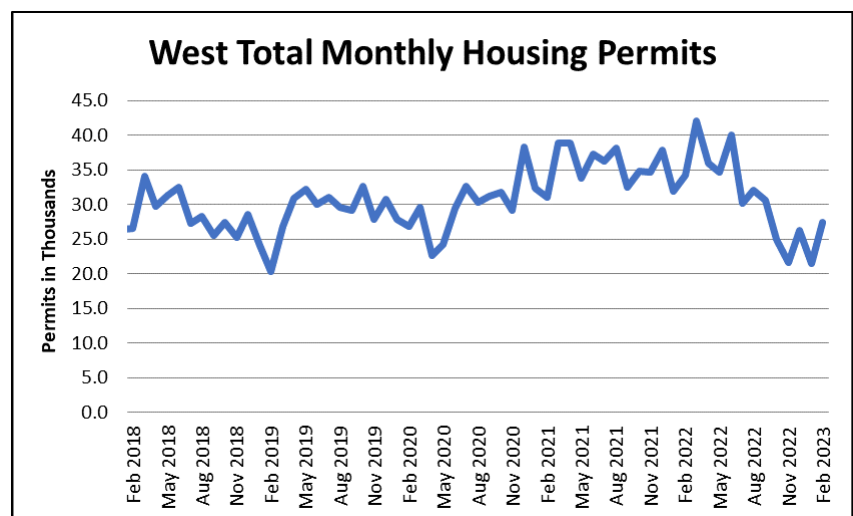


- Southern multi-family permits were down 0.4% M/M (+9.4% last month).
- On a 3-month rolling average basis, permits were up 8.2% (+0.8% last month).
- On a year-over-year basis, permits for multi-family housing were up 47.3% (+16.3% in the last update).

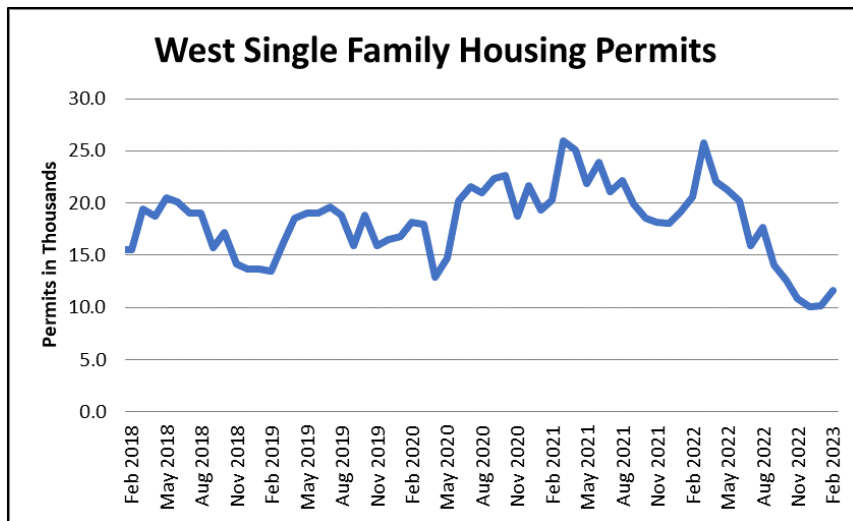


Regional market outlook: West

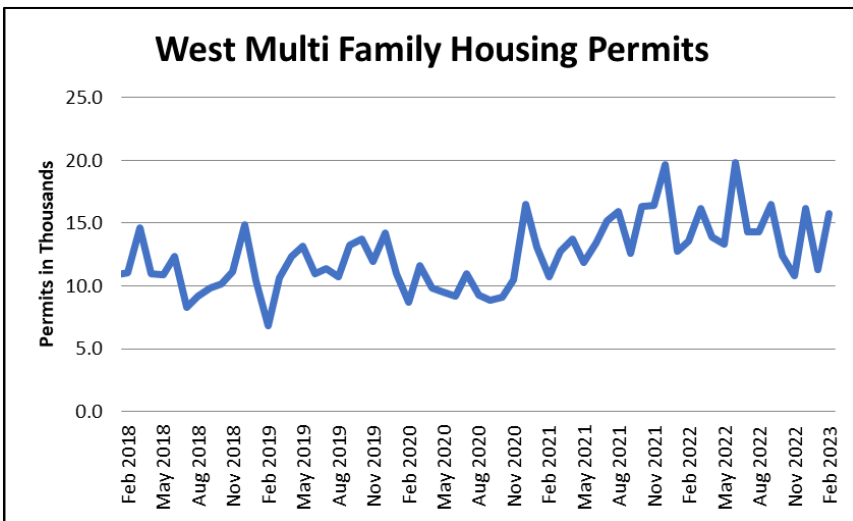
- Western region total monthly housing permits were up 27.4% M/M (-18.3% last month).
- On a 3-month rolling average basis, they were up 10.3% (-3.4% last month).
- On a year-over-year basis, permits were down 19.9% Y/Y (-32.6% in the last update).



- Single-family permits were up 13.7% M/M (+1.0% last month).
- On a 3-month moving average basis, permits were up 2.7% (-6.6% in the last update).
- Year-over-year, single family permits were down 43.7% (-46.6% in the last update).



- Multi-family permits were up 39.8% M/M (-30.2% in the last update).
- On a 3-month rolling average, it was up 19.9% (+2.3% in the last update).
- Year-over-year, multi-family unit permits were up 16.2% (-11.7% last month).



Industry Outlook

ASA Sales were stronger by 14.3% Y/Y (+19.0% last month) in February (latest available). Year-to-date through February, sales were up 16.2% (+19.0% in the last update). For the trailing twelve months prior, sales were up 17.1% (18.8% in the last update). ASA Pulse Report findings are reported monthly. The following chart shows the breakdown by primary business type and region.

	February Y/Y % Change in Total Dollar Sales	YTD % Change vs. YTD 2022	Trailing Twelve Months % Change
All Businesses	14.3%	16.2%	17.1%
By Primary Business			
PHCP	11.9%	12.4%	13.6%
PVF	16.7%	19.9%	21.9%
PHCP & PVF	17.1%	20.1%	18.9%
By Region			
1 (SWPD)	8.5%	6.6%	16.2%
2 (MWD)	9.2%	14.4%	15.8%
3 (SWCD)	29.0%	25.7%	28.8%
4 (NCWA)	21.4%	21.6%	14.5%
5 (ASA Northeast)	17.5%	15.5%	15.7%
6 (SWA)	3.7%	14.6%	15.3%
*ISD - Insufficient Data			

The US Transportation Services Freight Index (TSIFRGHT), which typically leads ASA Sales by about five months, was down in January (latest available). The report showed that the TSI was at 137.8 for freight, down 0.2% M/M and was down by 0.7% Y/Y (+0.5% 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 February that spot truck freight demand was **70.2% lower than it was a year ago**. Spot trucking rates have fallen 27.0% Y/Y, and now fuel surcharges are down (-17.5% lower Y/Y).

But as mentioned last month, 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 at some point. 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 slipped in February across many categories month-over-month, and yet many sectors remained stronger on a year-over-year basis (inflation boosting some of them).

When adjusted for inflation, sales were 0.8% lower month-over-month in February, and were lower by 0.6% year-over-year.

As we mentioned last month, approximately 60% of US households are under pressure and have little credit or savings to fall back on (down slightly from 64% a month ago). 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 20%. Those pressures may finally be impacting retail spending as consumers work on paying down higher credit card balances.

Home improvement retail sales volumes were slightly down in February, falling by 0.1% M/M and remained slightly higher by 0.6% against last year. When adjusted for inflation, sales were likely lower year-over-year.

Kind of Business	Percent Change Feb. 2023 Advance from --	
	Jan. 2023	Feb. 2022
Retail & food services,		
total	-0.4	5.4
Retail	-0.1	4.0
Motor vehicle & parts dealers	-1.8	-0.2
Furniture & home furn. stores	-2.5	0.1
Electronics & appliance stores	0.3	-2.8
Building material & garden eq. & supplies dealers	-0.1	0.6
Food & beverage stores	0.5	5.5
Grocery stores	0.6	5.8
Health & personal care stores	0.9	8.0
Gasoline stations	-0.6	-1.9
Clothing & clothing accessories stores	-0.8	4.3
Sporting goods, hobby, musical instrument, & book stores	-0.5	3.9
General merchandise stores	0.5	10.5
Department stores	-4.0	2.5
Nonstore retailers	1.6	8.5
Food services & drinking places	-2.2	15.3

Economic growth is still expected to be flat in 2023 with some recession risk still lingering for Q2 and Q3. The mini banking crisis that the global community is going through could also increase recession risk, depending on how it evolves. If the global crisis has peaked, the outlook could turn more optimistic in the coming quarters especially if this pushes the Federal Reserve to slow down interest rate hikes. If there continues to be contagion risk across pockets of the banking system, that will obviously increase recession risk in the second half of 2023. It appears the banking situation is not systemic and appears to be isolated to specific institutions.