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## TD Economics

### Data Release: Housing starts ease in August, but details remain encouraging

- The pace of homebuilding moderated in August, with housing starts declining by 70k units to 1,142k (annualized). The headline number came in considerably weaker than market expectations, which called for an easing to 1,190k new units. Revisions to recent two months' figures were largely unchanged, adding 1k units to July's strong tally, and were 9k higher in June.
- The decline was concentrated in the single-family sector (-46k), while the pace of the more volatile multifamily (-24k) homebuilding also subtracted from the overall tally.
- Building permits also fell below expectations, declining by 5k units to 1,139k (annualized) on the month. The entire monthly decline was concentrated in the volatile multifamily sector (-31k), while the number of single-family permits rose modestly on the month (+26k).
- Gains in the Northeast (10k), Midwest (+9k), and West (+5k) did little to lift the overall tally as a plunge in the South (-94k) overwhelmed gains in the rest of the country.

### Key Implications

- This was a relatively disappointing report. While a retracement in starts was largely expected, following the strong increase registered in the prior two months, the decline was worse than expected with starts now falling through the 6-month (1,158k) and the 12-month (1,157k) moving averages. Moreover, the pullback in singles construction – previously on an upward trend – only added to the disappointment.
- Still, some of the details of the report were more encouraging, painting a brighter outlook for housing construction. The entire decline in permitting activity experienced in the volatile multi-family sector, while the single-family sector posted the largest gain seen in almost 4 years. Moreover, the entire weakness in new homebuilding was not broad, accounted for entirely by the South.
- Nonetheless, the report is unlikely to sway the Fed into action as it starts its two-day meeting today. Still, the details point to an encouraging picture of the near-term outlook, suggesting data in the coming months should reaffirm our view that homebuilding in America is on a modest upward trajectory.

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