



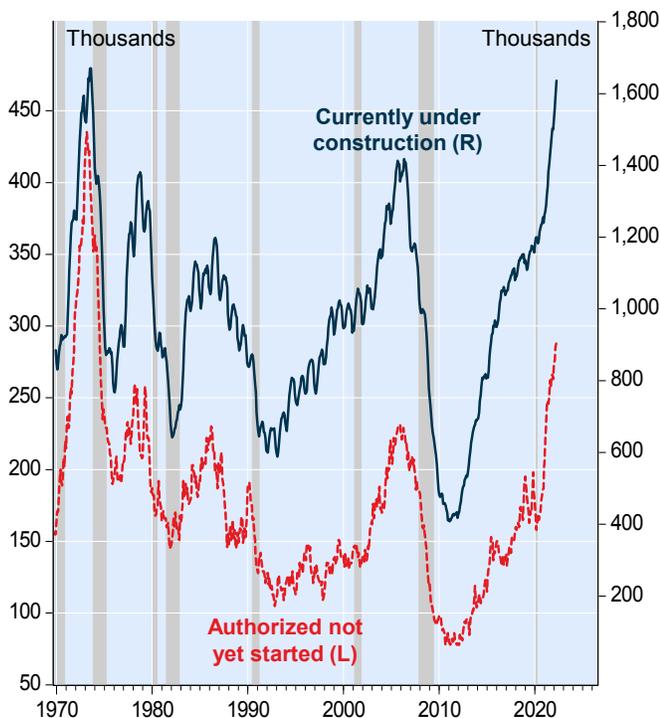
## U.S. Watch

By Jocelyn Paquet

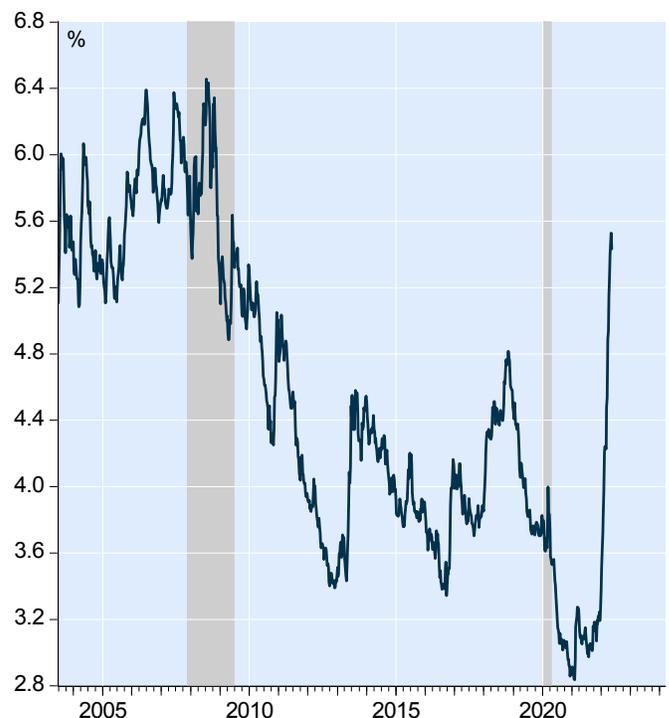
The tightening of monetary policy in the United States is already causing disruptions, none more visible at the moment than the sharp decline of stock prices. But on the side of the real economy what can we expect? Some clues are already starting to surface in the data. According to the retail sales report released this week, consumers seem to be holding up relatively well. Admittedly, households have had to deal with staggering price increases but, so far, spending volumes have kept on growing. This is thanks to a very strong labour market and a still-sizeable stash of savings. Investment also appears to be holding up, which is not surprising given the extent of labour shortages. It is rather in the housing sector that higher rates appear to be biting first. Combined with rapid gains in housing prices, surging borrowing costs are indeed pressuring affordability and, in turn, dampening demand in the real estate sector. Existing home sales have decreased 13.5% since January and are now back in line with their pre-COVID levels. It is true that house prices continue to rise at a rapid pace, but the justifications for these increases appear to be fewer and fewer. One of the last in line is lack of supply. As today's Hot Chart shows, the number of homes available on the resale market remains extremely low. But that could change quickly in the coming months. Housing starts data released yesterday showed the number of authorized dwellings for which construction had not yet started increasing to a 48-year high of 288K in April. Another 1,636K units were currently under construction, the most in data going back to the early 1970s. These figures suggest the housing shortages could turn into a glut faster than some people expect.

### United States : Could the housing shortage turn into a glut?

New privately-owned housing units authorized but not yet started vs. total homes under construction



Average interest rate on a 30-year fixed mortgage



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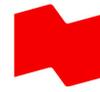
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