



# National Economic Trends



## Has the House-Warming Party Begun?

The rebound in housing starts since late last year has made many forecasters more optimistic about the future course of the recovery. Although residential investment represents only about 4 percent of gross domestic product, housing construction plays a key role in the U.S. economy because its influence spills over to other important sectors of the economy. For example, lumber, cement and other construction materials all are affected, as are consumer durables used to furnish new homes like carpeting, appliances and furniture. The ancillary effects of new roads, streets, sewer systems and utility use also add to total spending.

The table below lists the compounded annual growth rates for housing starts and output in those sectors deemed "housing-sensitive" over the most recent six-month period. Although housing starts grew quite rapidly from October 1991 to December 1991, the output of those sectors most closely influenced by housing construction either contracted or remained virtually unchanged. For the most recent three-month period, however, the situation has changed considerably. The sharpest turnaround involved the production of appliances, TVs and air conditioners, which declined at an annual rate of 18.5 percent in the initial period, but rose at a 22.6 percent rate in the most recent period. Thus, while the slow growth of the housing-sensitive sectors may have curtailed the pace of the recovery in 1991, the recent increases in output possibly suggest an acceleration in economic activity more generally.

—Kevin L. Kliesen

### Growth Rates of Housing Starts and Housing-Sensitive Sectors

Sector	October 1991 to December 1991	January 1992 to March 1992
Housing starts	44.3%	122.2%
Appliances, TVs and air conditioners	-18.5	22.6
Carpeting and furniture	-1.1	3.6
Construction supplies	-6.1	0.4
Lumber and products	0.1	12.0

**Note:** The output of the lumber and products industry is listed separately even though it is already included in the market structure categories.

**Source:** Federal Reserve Board index of industrial production.

Views expressed do not necessarily reflect official positions of the Federal Reserve System.