



Residential Construction Outlook

May 2023

Charlie Dougherty

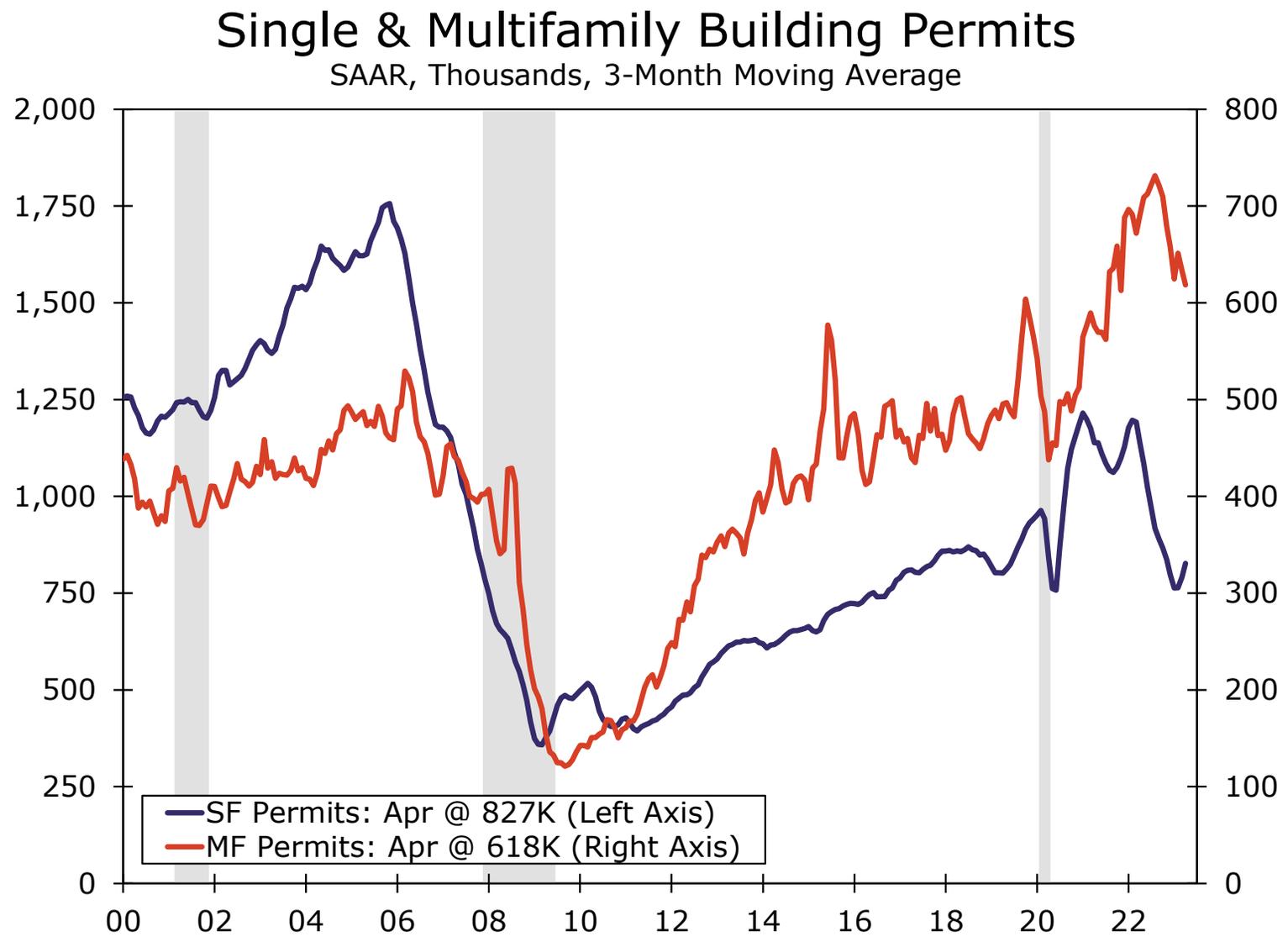
Director & Senior Economist | Wells Fargo Economics

charles.dougherty@wellsfargo.com | 212-214-8984

Residential Construction

Multifamily construction remains elevated but is downshifting alongside softer apartment market conditions.

Single-family construction appears to be stabilizing as builders command a higher share of the housing market.



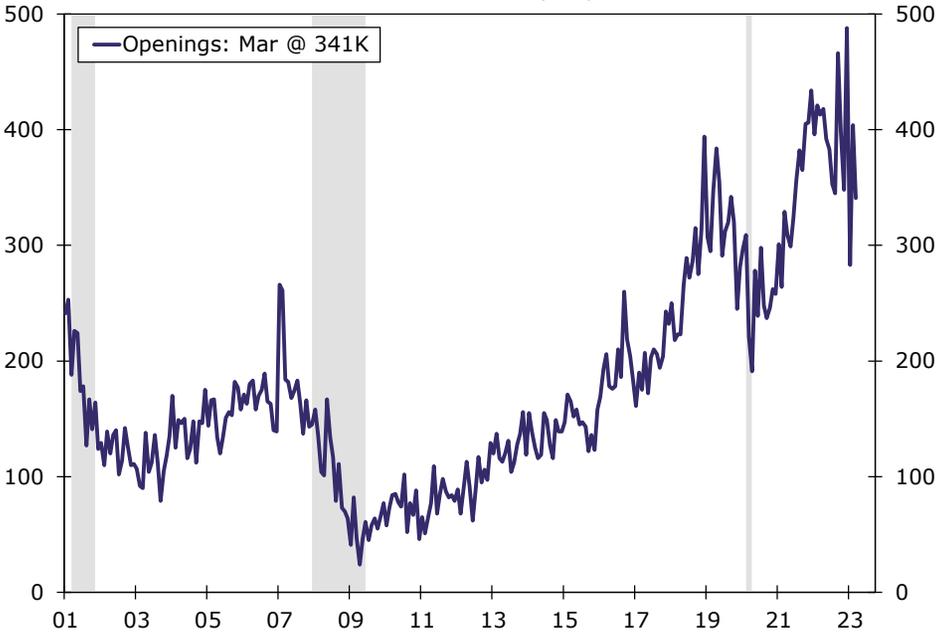
Source: U.S. Department of Commerce and Wells Fargo Economics

Construction Constraints Easing

The building material and labor availability issues that have led to project delays and postponements now appear to be easing.

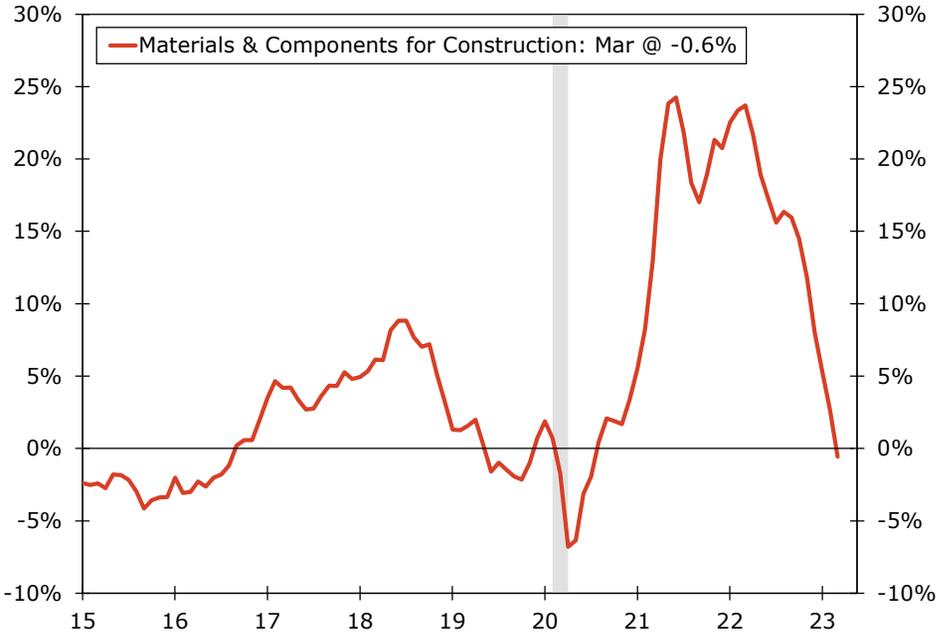
Construction Job Openings

In Thousands, Seasonally Adjusted



Producer Price Index: Residential Construction

Year-over-Year Percent Change



Source: U.S. Department of Labor and Wells Fargo Economics

U.S. Forecast

Wells Fargo U.S. Economic Forecast

	Actual				Forecast								Actual		Forecast	
	2022				2023				2024				2021	2022	2023	2024
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Real Gross Domestic Product ¹	-1.6	-0.6	3.2	2.6	1.1	1.9	-0.2	-2.8	-1.1	2.9	2.8	2.3	5.9	2.1	1.3	0.3
Personal Consumption	1.3	2.0	2.3	1.0	3.7	1.0	-0.2	-1.5	-0.7	2.5	2.4	2.6	8.3	2.7	1.6	0.5
Business Fixed Investment	7.9	0.1	6.2	4.0	0.7	1.5	-1.9	-6.5	-5.3	-0.5	2.0	3.3	6.4	3.9	1.3	-2.4
Equipment	11.4	-2.0	10.6	-3.5	-7.3	-1.6	-4.1	-10.8	-8.0	0.4	3.5	4.1	10.3	4.3	-2.9	-4.0
Intellectual Property Products	10.8	8.9	6.8	6.2	3.8	4.1	0.7	-2.5	-2.0	1.5	3.7	5.5	9.7	8.8	4.2	0.4
Structures	-4.3	-12.7	-3.6	15.8	11.2	2.8	-3.1	-5.8	-7.5	-8.5	-6.8	-5.3	-6.4	-6.6	3.9	-6.0
Residential Investment	-3.1	-17.8	-27.1	-25.1	-4.2	-3.5	-3.2	-2.9	-2.6	1.9	3.1	4.8	10.7	-10.6	-12.4	-0.8
Government Purchases	-2.3	-1.6	3.7	3.8	4.7	1.5	1.4	1.3	1.0	1.0	0.9	0.8	0.6	-0.6	2.8	1.1
Net Exports ²	-3.1	1.2	2.9	0.4	0.1	0.2	0.2	0.6	0.7	0.2	-0.8	-0.4	-1.7	-0.6	0.7	0.2
Inventories ²	0.2	-1.9	-1.2	1.5	-2.3	0.6	-0.1	-1.6	-0.6	0.8	1.4	0.1	0.2	0.7	-0.6	-0.1
Nonfarm Payroll Change ³	561	329	423	284	295	191	67	-108	-250	-8	92	142	606	399	111	-6
Unemployment Rate	3.8	3.6	3.6	3.6	3.5	3.5	3.7	4.1	4.7	4.7	4.6	4.3	5.4	3.6	3.7	4.6
PCE Deflator ⁴	6.4	6.6	6.3	5.7	4.9	3.6	3.1	2.6	2.1	2.1	2.2	2.4	4.0	6.3	3.5	2.2
Quarter-End Interest Rates ⁵																
Federal Funds Target Rate ⁶	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.25	3.25	2.75	2.75	0.25	2.02	5.19	3.25
Secured Overnight Financing Rate	0.29	1.50	2.98	4.30	4.87	5.05	5.05	5.05	4.10	3.10	2.60	2.60	0.04	1.64	5.01	3.10
3 Month LIBOR*	0.96	2.29	3.75	4.77	5.19	5.30	-	-	-	-	-	-	0.16	2.41	5.25	-
Prime Rate	3.50	4.75	6.25	7.50	8.00	8.25	8.25	8.25	7.25	6.25	5.75	5.75	3.25	5.02	8.19	6.25
Conventional Mortgage Rate	4.27	5.58	6.01	6.36	6.54	6.30	5.90	5.55	5.50	5.25	5.00	4.85	3.03	5.38	6.07	5.15
3 Month Bill	0.52	1.72	3.33	4.42	4.85	5.05	5.05	4.80	3.80	2.80	2.60	2.60	0.04	2.09	4.94	2.95
6 Month Bill	1.06	2.51	3.92	4.76	4.94	5.05	5.00	4.30	3.30	2.75	2.65	2.65	0.06	2.51	4.82	2.84
1 Year Bill	1.63	2.80	4.05	4.73	4.64	4.80	4.25	3.35	2.85	2.75	2.70	2.70	0.10	2.80	4.26	2.75
2 Year Note	2.28	2.92	4.22	4.41	4.06	4.05	3.70	3.15	2.90	2.80	2.75	2.75	0.27	2.99	3.74	2.80
5 Year Note	2.42	3.01	4.06	3.99	3.60	3.55	3.30	3.05	2.90	2.85	2.80	2.85	0.86	3.00	3.38	2.85
10 Year Note	2.32	2.98	3.83	3.88	3.48	3.50	3.25	3.00	2.95	2.90	2.85	2.90	1.45	2.95	3.31	2.90
30 Year Bond	2.44	3.14	3.79	3.97	3.67	3.80	3.60	3.45	3.40	3.35	3.30	3.35	2.06	3.11	3.63	3.35

Forecast as of: May 11, 2023

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Percentage Point Contribution to GDP

³ Average Monthly Change

*3 Month LIBOR will no longer be published after June 30, 2023

⁴ Year-over-Year Percentage Change

⁵ Quarterly Data - Period End; Annual Data - Annual Averages

⁶ Upper Bound of the Federal Funds Target Rate

Wells Fargo Economics Group

Economists

Jay H. Bryson, Chief Economist	jay.bryson@wellsfargo.com
Sam Bullard, Senior Economist	sam.bullard@wellsfargo.com
Nick Bennenbroek, International Economist	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan, Senior Economist	tim.quinlan@wellsfargo.com
Sarah House, Senior Economist	sarah.house@wellsfargo.com
Azhar Iqbal, Econometrician	azhar.iqbal@wellsfargo.com
Charlie Dougherty, Senior Economist	charles.dougherty@wellsfargo.com
Michael Pugliese, Senior Economist	michael.d.pugliese@wellsfargo.com
Brendan McKenna, International Economist	brendan.mckenna@wellsfargo.com
Jackie Benson, Economist	jackie.benson@wellsfargo.com
Shannon Seery, Economist	shannon.seery@wellsfargo.com

Analysts

Nicole Cervi, Economic Analyst	nicole.cervi@wellsfargo.com
Jessica Guo, Economic Analyst	jessica.guo@wellsfargo.com
Karl Vesely, Economic Analyst	karl.vesely@wellsfargo.com
Patrick Barley, Economic Analyst	patrick.barley@wellsfargo.com
Jeremiah Kohl, Economic Analyst	jeremiah.j.kohl@wellsfargo.com

Assistants

Coren Burton, Administrative Assistant	coren.burton@wellsfargo.com
--	--

This report is produced by the Economics Group of Wells Fargo Bank, N.A. (“WFBNA”). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation offer or solicitation with respect to the purchase or sale of any security or other financial product nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report. The views and opinions expressed in this report are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company. © 2023 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited (“WFSIL”). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority (“FCA”). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (“the Act”), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU (“MiFID2”). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. (“WFSE”). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU (“MiFID2”). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE