BUSINESS

# Housing starts begin rebuilding

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WASHINGTON — Fresh signs that the economy is stabilizing emerged Tuesday in reports that home construction rose more than expected last month and wholesale prices remain in check.

The building of new homes and apartments jumped 17.2 percent to a seasonally adjusted annual rate of 532,000 units from April's record low of 454,000 units, the Commerce Department said. Building permits, an indicator of future activity, rose 4 percent to an annual rate of 518,000 units, also better than expected.

The gains in construction were driven by a surge in multifamily buildings, which soared 61.7 percent in May after plunging 49.4 percent in April. Single-family home construction rose at a much lower rate, 7.5 percent.

Meanwhile, the Producer Price Index, which measures wholesale prices, rose by a seasonally adjusted 0.2 percent from April, the Labor Department said. That was below analysts' expectations of a 0.6 percent rise.

Despite the increase, wholesale prices fell 5 percent over the past 12 months. That was the largest annual drop in nearly 60 years. Excluding volatile food and energy prices, the core PPI dropped 0.1 percent in May, also below analysts' forecasts of a 0.1 percent rise.

The latest governments reports, including a seventh straight drop in industrial production, follow a dip in homebuilder confidence reported Monday. Taken together, along with a recent rise in mortgage rates, they depict an economy recovering very slowly from the depths of the longest recession since the Great Depression.

"The bottom line is that housing activity appears to have found a floor, albeit at a low level," Paul Dales, U.S. economist at Capital Economics in Toronto, wrote in a research note.

Joshua Shapiro, chief U.S. Economist at MFR Inc., said overall median home prices will keep falling, but the bottom end of the housing market "will probably continue to show signs of life as long as first-time buyers can get the financing they need."

The Federal Reserve on Tuesday said production at the nation's factories, mines and utilities fell 1.1 percent in May, the deepest cut since March. The recession has crimped demand for manufactured goods and helped keep inflation in check.

Plant shutdowns at Chrysler LLC and General Motors Corp. also weighed on industrial production last month and probably will into the summer, economists say.

The Fed has cut a key interest rate to a record low near zero and taken other extraordinary steps to flood the banking system with cash.

Many economists don't expect the Fed to raise interest rates until the unemployment rate stops rising. It hit a 25-year high of 9.4 percent in May.