U.S. Data Review

- Existing home sales: rebound to the middle of the recent range
- Current account: slippage in both trade and income flows

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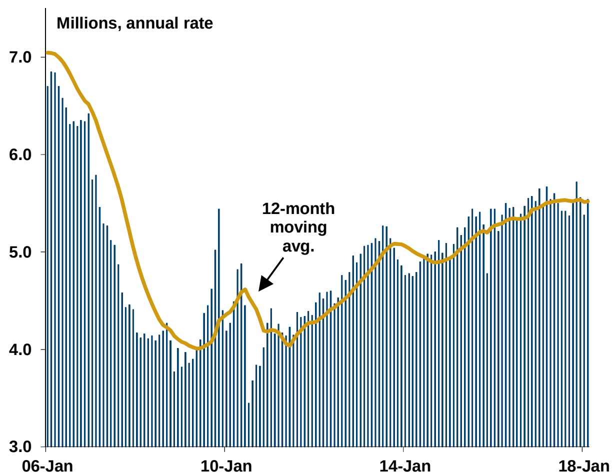
Existing Home Sales

Sales of existing homes jumped 3.0 percent in February to 5.54 million units (annual rate), easily exceeding the expected increase of 0.4 percent. The change occurred from a low level, and thus the new reading did not push activity beyond the recent range. In fact, five observations last year were firmer than the February tally and one matched the latest reading. The latest observation (5.54 million) was nearly identical to the average of 5.536 million from last year.

Sales of existing homes have been erratic in recent months, spiking in November and then easing sharply in December and January before rebounding on February (chart, left). The recent shifts are best viewed as random volatility, as moving averages of data show sideways movement or slight easing in the past year or so.

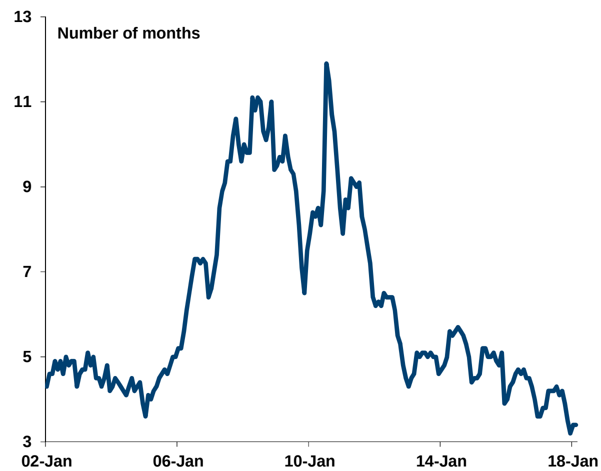
The National Association of Realtors has noted on numerous occasions in the past year that tight inventories of unsold homes were limiting sales in many parts of the country. Tight supply remained an issue in February. The number of homes for sale rose 4.6 percent in February, but this series is not seasonally adjusted and the latest increase was not dramatically different than the norm for this month (average increase of 3.4 percent in the prior 10 years). The months' supply of unsold homes (or the ratio of inventory to sales) was steady at 3.4 months, a reading very much in the low end of the historical range (chart, right).

Existing Home Sales



Source: National Association of Realtors

Months' Supply of Unsold Homes



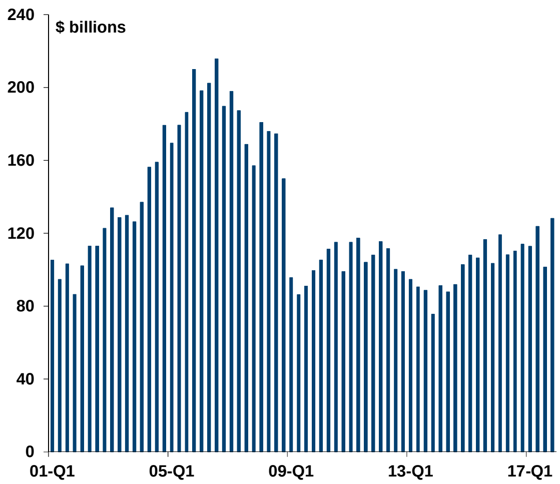
Source: National Association of Realtors

Current Account

The current account deficit widened by $26.7 billion in the fourth quarter, moving to a shortfall of $128.2 billion. The Q4 result was worse than the consensus estimate of $125.0 billion and represented the widest quarterly shortfall since late 2008, when the recession was still negatively influencing international transactions. The outcome was not as bad when measured as a share of GDP (2.60 percent), but it was still in the upper portion of the recent range (charts).

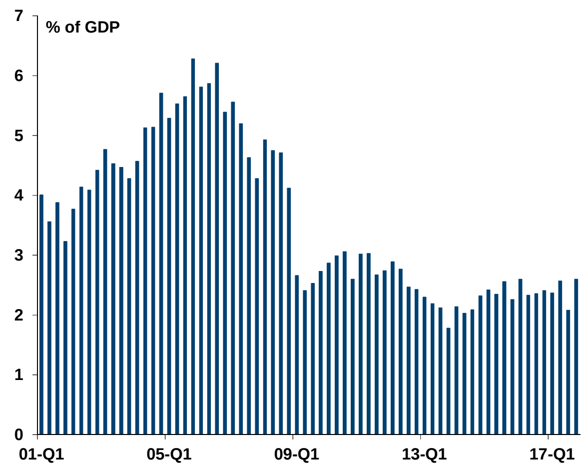
A widening of $18.6 billion in the trade deficit accounted for most of the slippage in the current account, a result that already had been apparent in the monthly figures on exports and imports. Income flows slipped by $8.1 billion, but we did not view the deterioration as alarming. Most of the shift reflected deterioration of $6.8 billion in so-called secondary income flows, which are largely remittances sent by individuals to their home countries. This category has fluctuated widely in the past three years while showing little net change. The slippage in Q4 seemed to represent another random shift. The balance on primary income (mainly net investment income) eased $1.3 billion, but the change occurred from an elevated level and the new reading was still firm by recent and historical standards. Total income flows (primary plus secondary) were in the upper portion of the range from the past three years and within the middle of the range for the expansion thus far (income flows were quite strong from late 2011 to mid-2014).

Current Account Deficit



Source: Bureau of Economic Analysis

Current Account Deficit



Source: Bureau of Economic Analysis