

U.S. Data Review

- New home sales: downside surprise; a dip in December from a downward revised level

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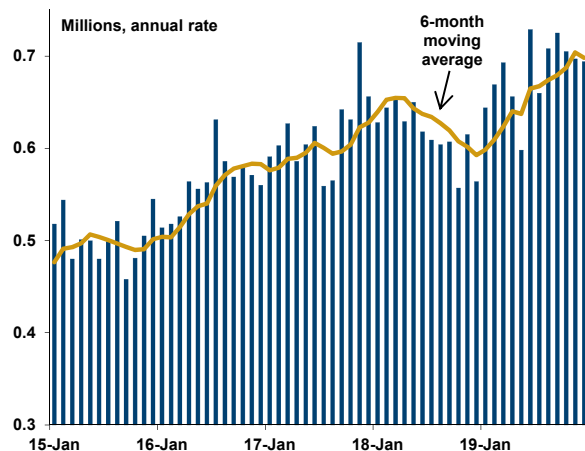
New Home Sales

Sales of new homes fell 0.4 percent in December, a marked deviation from the expected increase of 1.5 percent. Moreover, the change occurred from a downward revised level in the prior month (the level of sales in November was 3.1 percent lower than previously believed). Despite the downside surprise, the number of homes sold was still in the upper portion of the recent range. The consensus estimate would have pushed sales to the firmest reading of the current expansion. While the market did not see a new cyclical high, activity was still firm by standards of the past two years (chart, left).

Results varied sharply by geographic region, leaving one to wonder if weather might have influenced activity (either supporting or constraining). Sales in the West surged 31.0 percent, jumping far above all other readings in the current expansion. Results in the Midwest also were favorable (up 10.1 percent), although sales were still well shy of a cyclical high and several months in the current expansion were stronger. In contrast, sales tumbled 15.4 percent in the South, moving to the lowest level of 2019 and to the middle portion of the range from 2018. Sales in the Northeast fell 11.8 percent. The new level in the Northeast was in the middle of the range seen in the past year-and-one-half, but well shy of the strong market in this region in 2017 and early 2018.

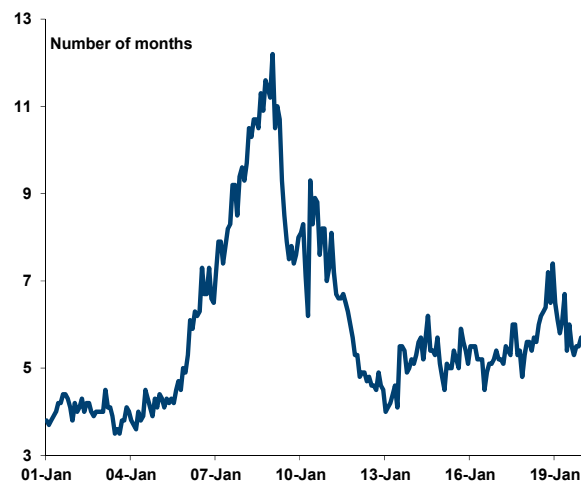
The number of homes on the market rose 1.6 percent (again with considerable regional variation: up 3.6 percent in the South and 2.6 percent in the Midwest; down 3.3 percent in the Northeast and 1.1 percent in the West). The increase in inventory, along with the dip in sales, led to an increase in the months' supply to 5.7 months, up from 5.5 in November and comfortable by recent and historical standards (chart, right).

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics

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