

U.S. Data Review

- New home sales: vigorous
- Consumer confidence: a surprising drop

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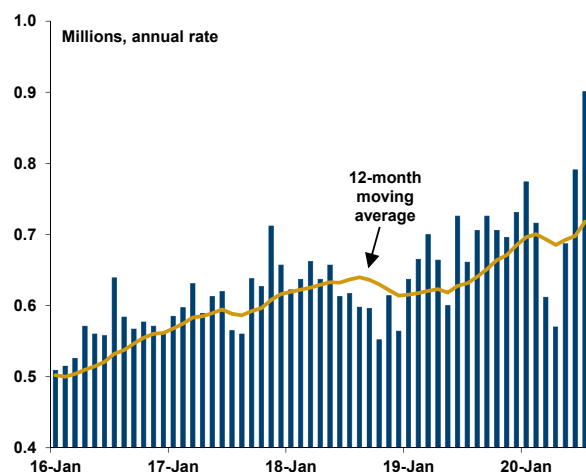
New Home Sales

Sales of new homes jumped 13.9 percent in July, easily beating the expected increase of 1.8 percent. Moreover, the change occurred from upward revised results in the prior month that were already firm. Sales in June had moved above the pre-virus peak in February, and after a net upward adjustment in the prior three months, June sales were 1.9 percent firmer than previously believed. Adding the 13.9 percent gain in July left activity far above other recent readings (chart, left). The July total was still below elevated readings from 2003 to 2006, but those results reflected bubble-like conditions. July sales compared favorably with activity outside the bubble period (see long-term chart on the right).

Results were broad-based geographically. Sales fell in the Northeast, but they were at an elevated level in June and the new total was still in the upper end of the range from the past few years. Sales in the West posted a solid advance and were among the best of the past several years. Activity in the Midwest and South were far above other recent readings, although still shy of sales during the bubble.

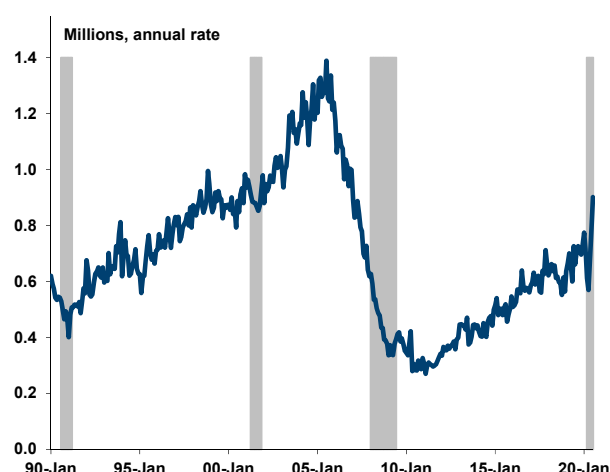
The increase in sales led to a drop of 1.6 percent in the number of homes for sale, which marked the fourth consecutive decline. With sales strong and supply diminished, the months' supply of homes eased to 4.0, a reading in the low end of the historical range.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

New Home Sales*



* The shaded areas indicate periods of recession in the United States.

Source: U.S. Census Bureau and National Bureau of Economic Research via Haver Analytics

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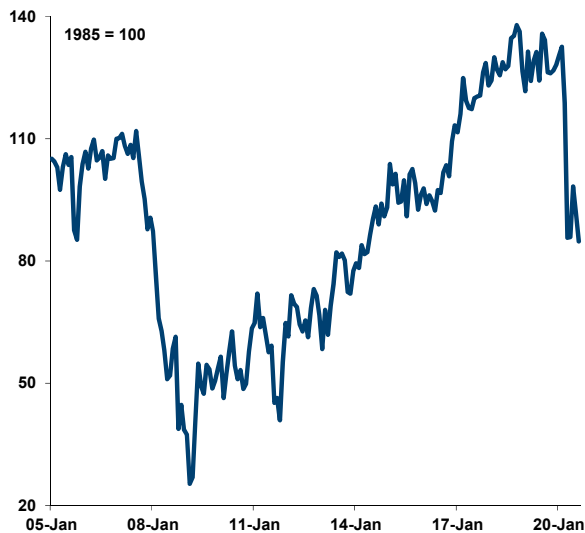
Consumer Confidence

The index of consumer confidence published by the Conference Board slipped 6.9 index points in August (or 7.5 percent). In addition, the change occurred from a downward revised level, with the July tally 0.9 index point or 1.0 percent lighter than previously believed. The results were notably different that the consensus estimate of a small gain.

Unlike most other economic indicators, consumer confidence (as well as the sentiment index published by the University of Michigan Survey Research Center) did not rebound noticeably after bottoming in April. The Conference Board measure increased some in June, but it gave back part of that gain in July, and the decline in August pushed the index below the April low (chart, left). The index level of 84.8 (base of 100 in 1985) is still respectable in that it is above lows seen in previous recessions (e.g. 25.3 in February 2009 and 55.1 in January 1991), but it is far below the average of 131.5 in January/February.

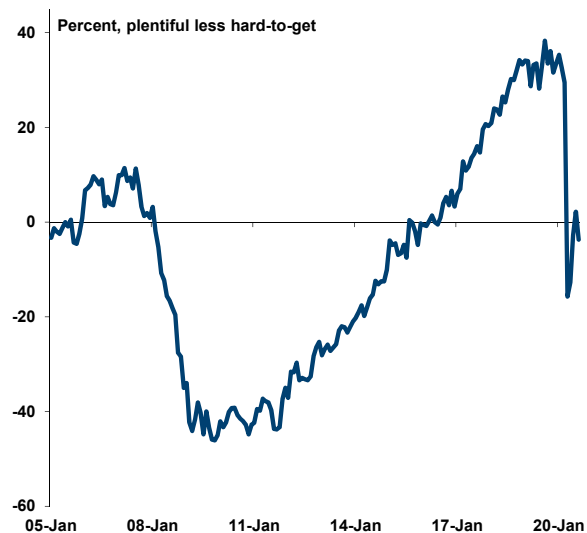
Conditions in the labor market seem to have been a factor behind the drop in confidence in August (and the lack of improvement in the past few months). The share of individuals indicating that jobs were plentiful slipped 0.8 percentage point to 21.5 percent in August while the share indicating that jobs were hard to get rose 5.1 percentage points to 25.2 percent. The net reading (plentiful less hard to get) returned to negative territory (-3.7 percent) after a small positive readings in July (2.2 percent). The net reading totaled 35.3 percent in January.

Consumer Confidence



Source: The Conference Board via Haver Analytics

Assessment of the Employment Situation*



* The share of individuals reporting that jobs are plentiful less the share indicating that jobs are hard to get.

Source: The Conference Board via Haver Analytics