

U.S. Data Review

- New home sales: a soft performance in early 2023

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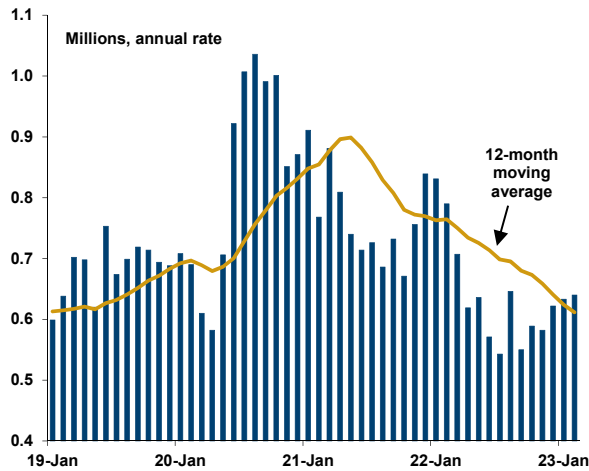
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New Home Sales

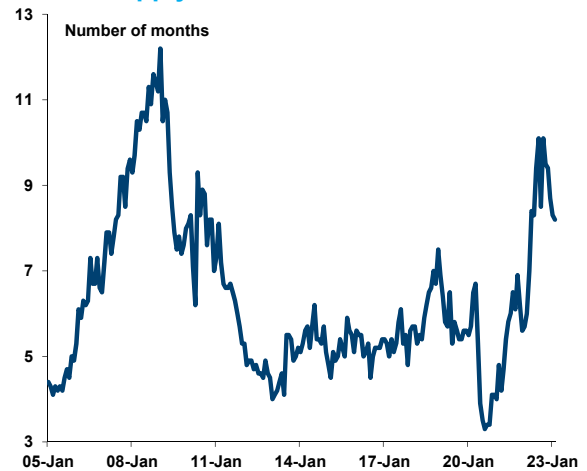
- Sales of new homes rose 1.1 percent in February to 0.640 million units (annual rate). The change, while respectable when viewed in isolation, occurred from downwardly revised readings in the prior three months, with the cumulative adjustment leaving sales in January 5.5 percent lighter than previously believed. The combination of the increase in February and the downward revisions left the level of sales in February slightly below the consensus estimate of 0.650 million. Sales of new homes had shown signs of stirring in response to a dip in mortgage rates, but much of the recent pickup was revised away and the latest reading was still well shy of what would be considered firm (it was in the lower end of the range in the years preceding the pandemic; chart, left).
- The inventory of unsold homes eased 0.7 percent in February, the fourth consecutive decline, but it remained elevated from a longer-term perspective. The decline in inventories and uptick in sales led to a dip of 0.1 month in the months' supply of homes available for sale to 8.2 months. The latest reading was off the recent high of 10.1 months in September of last year, but it too was elevated relative to prior norms (chart, right).
- The recent drop in Treasury rates is likely to exert downward pressure on mortgage rates, but we are not optimistic about a near-term rebound in the housing market. Affordability remains constrained, as the level of mortgage rates still exceeds six percent and housing prices have eased only slightly in recent months. In addition, recent stress in the banking sector raises the possibility of mortgage lenders tightening lending standards and tapering the flow of new mortgage credit. Notable challenges remain in the housing sector.

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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