

# U.S. Data Review

- New home sales: off in February, but from an upwardly revised level; firm on balance
- Early reports for March: less than dire

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## New Home Sales

Sales of new homes were strong in February. The Census Bureau reported a drop of 4.4 percent, but the change occurred from upwardly revised readings in the prior three months. The combined revisions left the level of sales in January 4.7 percent higher than previously believed. The new level of sales in February was slightly above the preliminary estimate in January, and it represented the second best total of the current expansion, trailing only the lofty level in January (chart). Average sales in the first two months of the year were 14.4 percent ahead of the average from last year.

The number of homes for sale slipped 0.9 percent, but the larger decline in the number of sales led to a pickup in the months' supply of homes to 5.0 months from 4.8 in January. Recent readings on months' supply, though, are light relative to averages of 5.8 in 2019 and 6.2 in 2018.

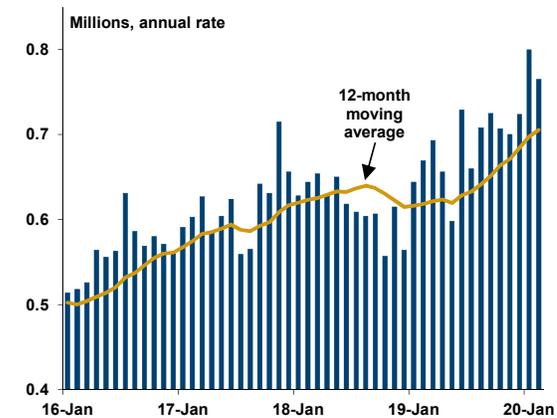
## Early Reports for March

Figures on home sales were interesting, but they relate to February and provide little information on the current virus-affected environment. Two other reports out today provide information on March. The purchasing managers' indexes published by IHS Markit showed mixed results. The services index fell sharply, moving from 49.4 percent in February to 39.1 percent in March. This series has a short history (started October 2009), but 39.1 percent is notably softer than the previous low of 49.3 percent in October 2013. The manufacturing index held up surprisingly well, dropping only 1.5 percentage points to 49.2 percent.

The manufacturing index published by the Federal Reserve Bank of Richmond improved slightly, moving from -2 in February to +2 in March (possible range of -100 to +100). However, the Richmond report also includes expectations for orders, shipments, and employment. Expected readings on orders and shipments were soft (-20 and -19, respectively); the index for employment totaled +1.

We don't put great weight on these reports, but they point to only modest softening in manufacturing in March (although more softening in coming months). The retreat in service-producing areas is occurring quickly.

## New Home Sales



Source: U.S. Census Bureau via Haver Analytics