U.S. Data Review

- Existing home sales: decidedly soft, but still above previous lows
- Leading indicators: more coincident than leading in this cycle

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Existing Home Sales

The lockdown in the economy led to a second consecutive drop in sales of existing homes, with activity falling 17.8 percent in April after a drop of 8.5 percent in March. The shift in the latest month was slightly better than the expected decline of 19.9 percent, but it still showed a marked effect from the coronavirus. The back-to-back declines pushed the number of sales to 4.33 million (annual rate), the lowest since July 2011, although sales remained above the low of 3.77 million registered during the financial crisis (chart, left). (The record low in this series occurred in July 2010, when sales eased after strength in prior month stirred by a tax credit for a home purchase.)

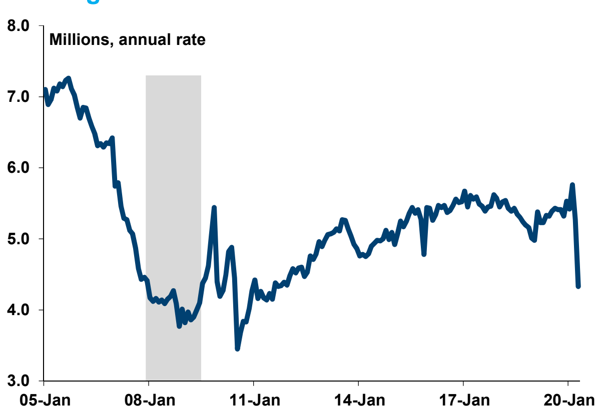
The virus apparently led many individuals to take their homes off the market, as the number of houses for sale fell 1.3 percent, a marked contrast from the normal tendency for inventory to increase in the spring (this series is not seasonally adjusted, and the average increase in April in the prior 10 years totaled 9.4 percent). While the number of homes for sale fell, sales fell by a much larger amount, generating an increase in the months' supply of homes (4.1 months in April versus 3.4 in the prior month and a recent low of 3.0 in February).

Leading Indicators

The index of leading economic indicators fell 4.4 percent in April, better than the expected drop of 5.4 percent but still substantial. The decline followed a retreat of 7.4 percent in March, with these two months representing the weakest in the history of the series (the next softest was a drop of 3.4 percent in October 2008). With the economy clearly being in recession, this index did not provide a warning of weakness, but this is not surprising given the role of the coronavirus in triggering the downturn.

Four of the 10 components contributed positively to the latest monthly change, but the contributions were small and they were swamped by sharp declines in other components, especially the manufacturing workweek, unemployment claims, building permits, and ISM new orders.

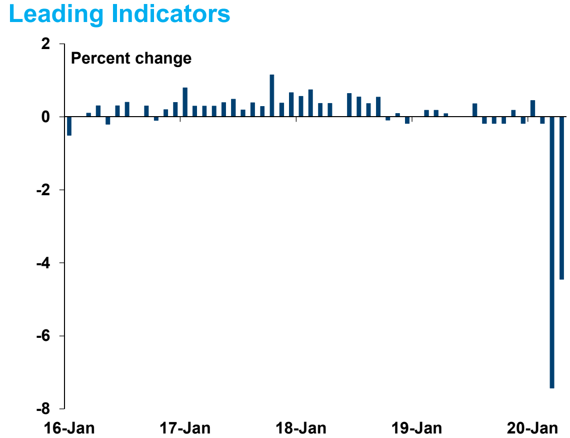
Existing Home Sales*



* *The shaded area shows the previous period of recession in the U.S. economy.*

Source: National Association of Realtors and National Bureau of Economic Research via Haver Analytics

Leading Indicators



Source: The Conference Board via Haver Analytics