

U.S. Data Review

- New home sales: upward revisions and further improvement in July, but still slow

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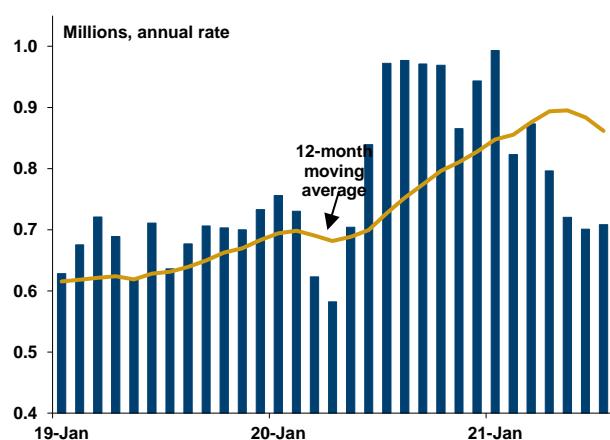
New Home Sales

Sales of new homes rose 1.0 percent in July to 708,000 units (annual rate). The percentage change was lighter than the expected increase of 3.1 percent, but the deviation was because of upward revisions to previous months rather than softness in July. Results in the prior three months combined were 1.5 percent firmer than previously estimated, and the new level of activity in July was higher than the consensus estimate of 697,000.

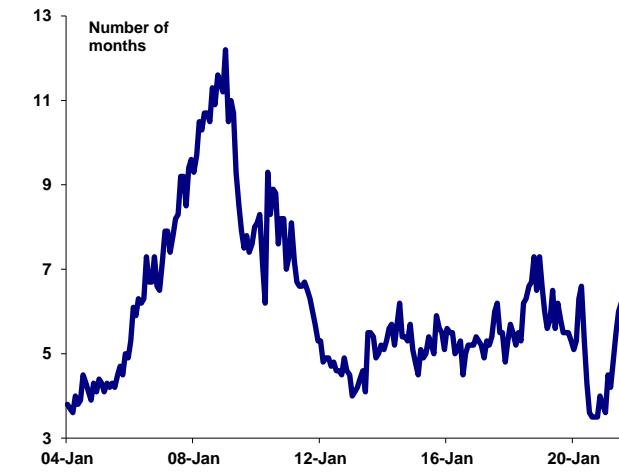
Despite the net upside surprise, the general picture in the market for new homes did not change. After a burst of activity in the second half of last year, sales have eased considerably in the past several months. Sales in June had moved to the lowest level of the current expansion, and they were only moderately higher in July (chart, left). The softness has been broadly based geographically, with all four regions backing away from the pace of sales late last year and the start of this year. The retreat in the West is now a bit less pronounced, as it showed a jump in July (up 14.4 percent), but activity is still lighter than it was around the turn of the year.

Lean inventories are a factor restraining activity in the market for existing homes, but that does not seem to be an issue in the market for new homes. The number of new homes for sale has increased in eight of the past nine months, including increases of more than five percent in both June and July. The one decline in the past nine months was modest at 0.3 percent. The combination of more homes for sale and the slower pace of sales has pushed the months' supply of new homes to 6.2 months in July, a comfortable reading by historical standards (chart, right).

New Home Sales



Months' Supply of Unsold Homes



Source: U.S. Census Bureau via Haver Analytics

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