

U.S. Data Review

- New home sales: constrained by a drop in affordability
- Consumer confidence: inflation, interest rates, recession worries dampened moods

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New Home Sales

Sales of new homes fell 8.1 percent in June to 590,000 homes, annual rate (versus the consensus view of a decline of 5.9 percent). In addition, downward revisions to results in the prior three months left activity in May 7.8 percent weaker than previously believed. The latest plunge pushed activity to the bottom portion of the range of the current expansion -- only a touch above the pandemic low in April 2020. Elevated prices and notably higher mortgage interest rates (approximately 5.5 percent in June versus readings in the low-three-percent area in December of last year) have squeezed many potential buyers from the market.

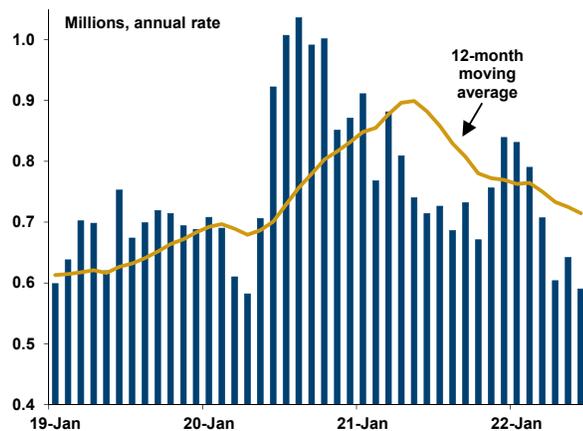
Sales declined in three of the four major regions of the country in June. Sales in the West dropped 36.7 percent and sales in the Northeast declined 5.3 percent, with both moving to the lowest levels of the current expansion (and to the low portions of their longer-term ranges). Sales in the South eased 2.0 percent, not enough to lift activity out of the low portion of the recent range. Sales in the Midwest rose 42.3 percent, but they had declined to cyclical low in May; the increase in June pushed activity to the middle of the recent range.

Consumer Confidence

The Conference Board's index of consumer confidence fell 2.7 percent in July, marking the third consecutive decline and pushing the measure to the low portion of the range from the current expansion (chart, right). Most of the recent softening has been driven by the expectations component, which has declined 17.3 percent in the past three months (and 17.2 percent in the four months before that). Assessments of current conditions have softened moderately by comparison, registering a drop of 8.1 percent in the past four months.

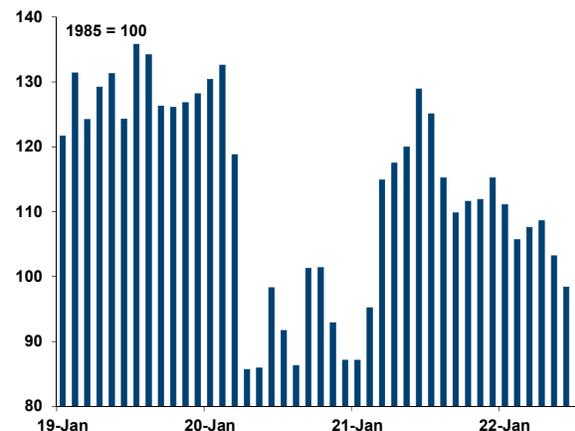
The pickup in inflation has probably been the most important factor affecting confidence (both current and expectations), although views on the labor market have slipped a bit in the past four months. The share of survey respondents indicating that jobs are plentiful fell from a recent peak of 56.7 percent in March to 50.1 percent in July. The share indicating that jobs are hard to get has shown random shifts and a net sideways movement centered on 11.5 percent.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence



Source: The Conference Board via Haver Analytics

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