



Economy Stabilizing: Evidence in Housing and New Orders

KEY ECONOMIC STATISTICS

HOUSING STARTS

438,000 ↑4.3%
August 2010

EXISTING HOME SALES

4.13 million ↑7.6%
August 2010

NEW HOME SALES

288,000 unchanged
August 2010

DURABLE GOODS ORDERS

\$191.2 billion ↓1.3%
August 2010

INITIAL JOBLESS CLAIMS 4-WEEK AVG

463,250 ↓3,250
Week Ending September 18, 2010

THIS WEEK

Tuesday, September 28
Consumer Confidence
September 2010

Thursday, September 30
GDP- Third Estimate
Second Quarter 2010

Friday, October 1
Personal Income & Outlays
August 2010

ISM Manufacturing Index
September 2010

Consumer Sentiment
September 2010

New home sales stabilized in August. Sales of new single-family homes were unchanged from July to August, suggesting that the decline in sales following the expiration of the homebuyers' tax credit on April 30 may have run its course. August sales were at a seasonally adjusted annual rate of 288,000. After the expiration of the homebuyers' tax credit in April, sales of new single-family homes fell by 31.9 percent in May to an all-time low of 282,000 (seasonally adjusted annual rate). Housing market analysts believed that some individuals had moved their home purchases forward to take advantage of the housing credit. Since May, the drop in new homes sales has stopped, with the monthly average during the last three months coming in at 296,000. The West (+54.4 percent) and Northeast (+16.7 percent) showed big increases in August, while the Midwest (-26.1 percent) and the South (-10.8 percent) posted declines. However, while new home sales may have reached a bottom, the sales figures remain well below those of last August (405,000) and are dramatically below the peak reached in July 2005 (1.39 million) during the housing bubble.

New homebuilding rose in August. Single-family housing starts increased by 4.3 percent in August, the first increase since April, to a seasonally adjusted annual rate of 438,000. However, even with last month's gain, single-family starts remain below the average over the first half of the year (508,000 units per month).

Existing home sales increased in August. Completed sales of existing single-family homes increased by 7.4 percent last month to 3.6 million units at an annual rate but are still below the average (4.7 million) for the first half of 2010. Just over a third of those August sales were distressed properties. Inventories of unsold homes have declined from their peak levels in early 2009 but remain high enough to negatively impact new home construction until a pick up in sales is sustained.

Durable goods orders, excluding transportation equipment orders, rose. New orders for durable goods excluding transportation equipment orders increased 2 percent in August, rebounding from a 2.8 percent decline in July, according to the Commerce Department.

Overall, orders for durable goods fell by 1.3 percent in August to \$191.2 billion, the third decline in the last four months and the largest drop since last August. The decline was driven by a 10.3 percent drop in transportation equipment orders: nondefense aircraft and parts fell by 40.2 percent and motor vehicles and parts declined 4.4 percent. Transportation orders tend to be volatile, with purchasers placing large orders for aircraft on an irregular basis. Transportation equipment orders have seen monthly swings of more than 10 percent in 5 of the first 8 months of 2010. Orders for computers and electronic products (+3.8 percent), primary metals (+2.4 percent), fabricated metals (+1.0 percent) and machinery (+3.9 percent) all increased. Investment in equipment and software has made a positive contribution to GDP for the last 5 quarters, and contributed 1.53 percentage points of the overall GDP growth of 1.6 percent in the second quarter of 2010. These orders for computers and software indicate that this segment will continue to be a significant contributor to GDP in the third quarter of 2010.

Existing Home Sales Show Positive Growth After Months of Decline
New and Existing Single-Family Home Sales, January 2006 - August 2010, Seasonally Adjusted Annual Rate

