

## **Datanote: US NAHB Index, August**

**In one line: Lower mortgage rates came too late for this month's survey**

- The headline NAHB index dropped to 39 in August, from 42, below the consensus, 43.

The fourth consecutive fall in the index takes it to the lowest level since December, thanks mostly to

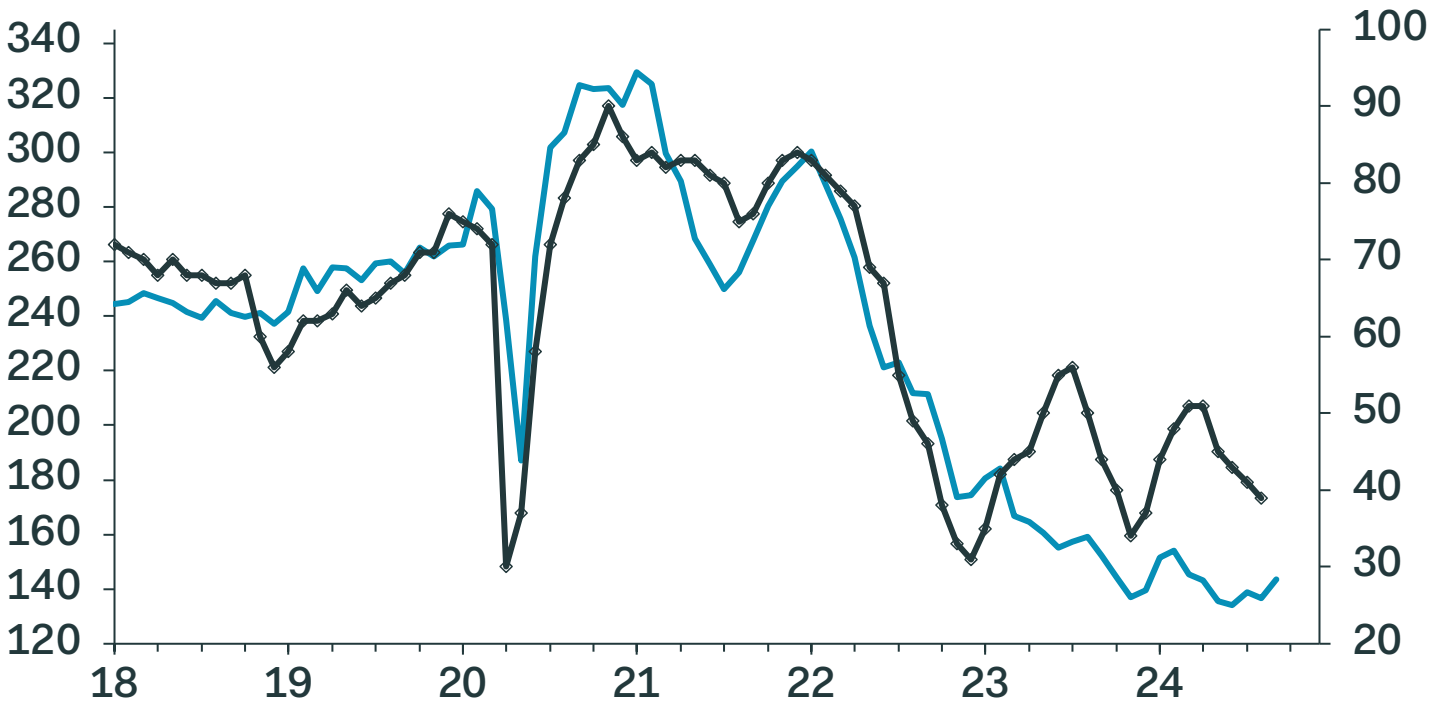
a two-point fall in the current sales component, which has a weight of just under 60%. The 50bp drop in the average conventional 30-year mortgage rate over the past month, to around 6.5%, is yet to boost demand meaningfully, probably in part because lower rates have been accompanied by worries about the health of the economy. Moreover, housing starts have surged well ahead of new home sales in recent months, leading to a build-up in inventory, which probably is making homebuilders nervous. At

face value, the latest reading for the survey's current sales index points to new home sales of just below 650K in August, slightly lower than the latest three-month average.

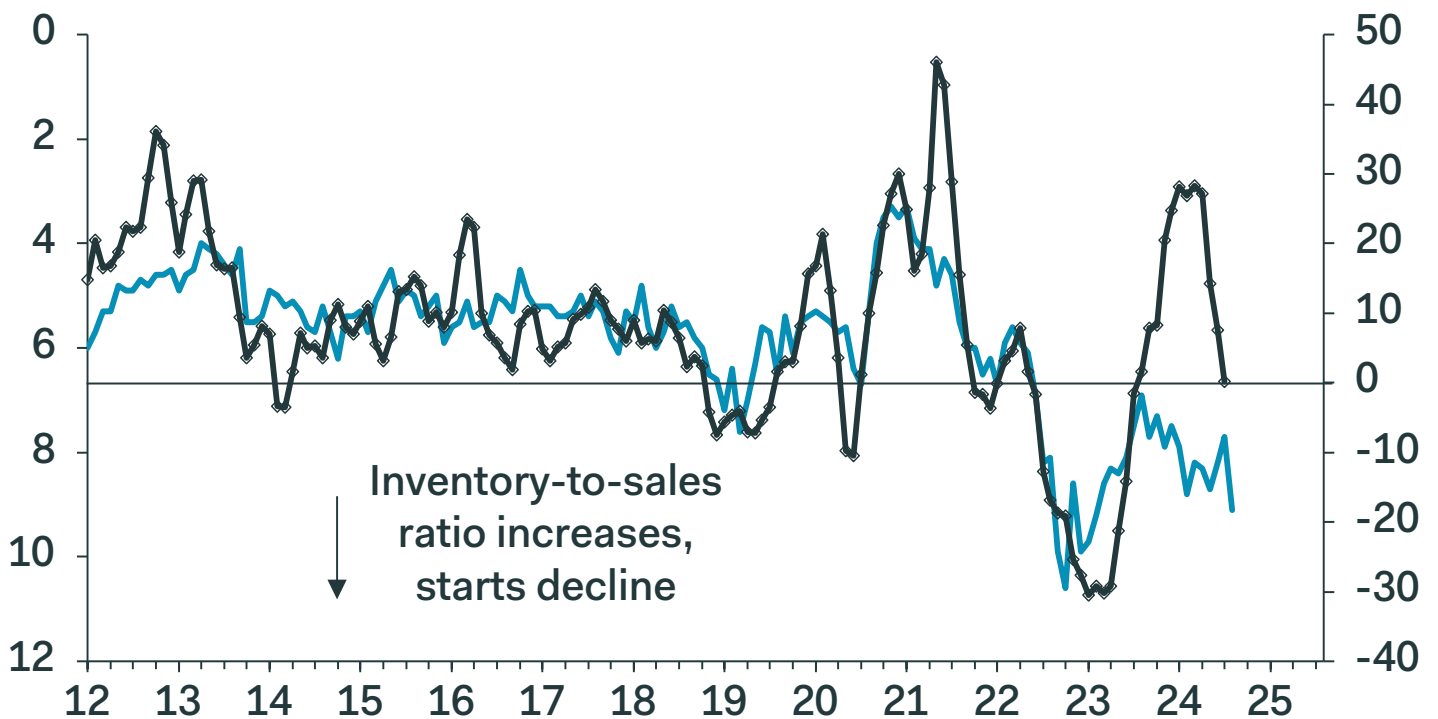
We expect sluggish new home sales and a retreat in single-family construction over the next couple of quarters. Lower long-term rates likely will provide some boost to housing demand at the margin—the expected future sales component of the index ticked up by one point in August, albeit

from a low level—but we expect this positive effect to be tempered by the softening of the labor market, which will slim the ranks of potential homebuyers. Sales probably will rise, but we have no confidence in the idea that activity is set to strengthen markedly.

— MBA purchase apps, re-adjusted by PM, adv. one month (Left)  
 — NAHB survey, headline index (Right)



— Months' supply of new single-family homes, adv. 3m., inverted (Left)  
 — Single-family housing starts, three-month average of y/y% (Right)



- NAHB survey, current sales index (Left)
- ◆— New home sales, thousands annualized (Right)
- ▲— New home sales, three-month average (Right)

