

Datanote: US Pending Home Sales, April

In one line: A housing market recovery is still some way off

- Pending home sales slumped by 7.7% in April, much weaker than the consensus, -1.0%.

We thought that the consensus estimate for pending homes sales looked too low, but April's slump was considerably bigger than our -4.0%

forecast. Slightly cooler-than-usual weather in April compared to March was probably a small drag on sales last month, but the bigger story here is that pending home sales have been running much stronger than implied by the rock-bottom levels of mortgage demand, and a correction was overdue. A significant fall in existing home sales in May now seems like a safe bet, given the usual short lags between pending and existing sales.

A near-term recovery in home sales

seems unlikely given mortgage demand remains very depressed, and long-term interest rates have climbed back up over the past couple of weeks. We expect rates to retreat eventually, but this will be partly in response to a marked softening in the labor market. That would be a mixed blessing for housing demand, because a weaker labor market would slim the ranks of potential homebuyers.

