

Datanote: US Pending Home Sales, August

In one line: Recovery in home sales likely to be very slow.

- Pending home sales rose by 0.6% in August, trivially weaker than the consensus, 1.0%.

The marginal increase in pending home sales last month was somewhat disappointing, given that a plunge in sales in July left the series at the lowest

point in its 24-year history. So far, the decline in mortgage rates has so far provided only a modest boost to demand. The further drop in rates in recent weeks probably will provide a bit more support, but this boost likely will be tempered by the hit to confidence from the ongoing softening in the labor market. Several survey indicators suggest that most consumers still think that now is a relatively bad time to buy a home. Meanwhile, the gap between the average rate on existing mortgages and market mortgage rates looks set

to remain very wide. That will mean it remains prohibitively expensive for most existing homeowners to move, which will continue to curtail the number of homes on the market.

Given the usual lags between the two series, the trivial rise in pending home sales in August suggests that existing home sales probably were little changed in September. That would be consistent with total home sales falling at an annualized rate of around 12% in Q3, highlighting that

weakness in residential investment is likely to drag slightly on headline GDP growth this quarter. Q4 will likely see an improvement in home sales, but probably it will be modest.



