

Datanote: US New Home Sales/Annual Retail Sales Revisions

In one line: Residential investment bounced in Q1

- New home sales were 693K in March, up from a downwardly revised 637K and above the consensus, 668K.

As usual, we advise against reading very much into a single month's change in new home sales, given that the data are so volatile and subject to

such large margins of error. The 8.8% jump estimated for March, for example, comes with a 90% confidence interval of $-/+17.2\%$. That said, the surge in sales does bring them very close to the level suggested by the NAHB's measure of homebuilders' current sales, providing some reassurance that the bounce is genuine.

In any case, the trend is what matters, and new home sales have remained remarkably strong recently, considering the ongoing weakness

in mortgage demand. That largely reflects the lack of existing homes for sale, as the wide gap between market mortgage rates and the rates that most homeowners have locked in are still making it prohibitively expensive for many people to move. That has pushed more homebuyers than usual into buying new homes. This will continue supporting home sales, given the relative supply picture shown in our third chart. That said, the renewed rise in mortgage rates and dip in mortgage applications over the past couple of

months means that new home sales will probably tread water at best in the near term, while existing home sales will fall. Until recently, the volume of new home sales was also being supported by a sharp fall in prices, but prices jumped in March, pushing up the three-month average to the highest level in four months. New home prices are probably close to a trough given how far they have now fallen since their peak in late 2022.

Our forecast had been for new home

sales of 680K in March, but small downward net revisions in January and February mean that our previous assumption about new home sales in Q1 was very close to the outturn. We therefore stand by our forecast that real residential investment rose by around 12% annualized in Q1, the strongest quarterly pace since late 2020, although flattered by favourable base effects.

Elsewhere, the annual revisions to the retail sales data were something

of a non-event, with the small tweaks to the monthly profile not materially changing the big picture, unlike in previous years. Our final charts show that the three-month-on-three-month annualized growth rates for both total retail sales and control retail sales were little changed after the revisions, with essentially no change to growth rates in March, the relevant month for Q1 GDP.





