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Economic Indicator Insights

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Pending Existing-Home Sales

The June pending existing-home sales index is firm relative to expectations, rising 2.4% (Consensus: -2.0%; Decision Economics: +2.0%) from an unrevised May level. This followed on an 8.2% rise in May, and put the index up 19.8% from the June 2010 level.

The pending-sales index is a measure of consumer willingness to sign purchase contracts for existing homes, so the result today is positive in that respect--saying that potential buyers regard current house prices as being sensible, and that their real estate agents judge them to be reasonably qualified to obtain the necessary financing.

The indication on buyer opinions is unambiguous in the month--but the up moves over the last two months come on the heels of an 11.3% drop back in April, so there has been little net progress.

In fact, the latest reading is only marginally above the index levels that prevailed back in late 2007, at the depths of the market--despite the price declines that have occurred since. Apart from the homebuyer tax credit episodes, and paybacks for them, the index has never budged much from that depressed range.

Meanwhile, the availability of financing has come into question, with the Realtors chief economist noting an unusually high number of contract cancellations lately. The suggestion is that appraisers are low-balling price estimates, preventing loans from being made.

Still, there does appear to be a bedrock level of transactions going through, and waging a sisyphean battle against an inventory that keeps bubbling back up.
The good news is that prices do not seem to be falling as rapidly as they once were, but real improvement in the market probably awaits a significant pickup in employment and incomes. It is hard to imagine that the Fed would believe that realistic interest-rate declines would make much difference.