

DAILY GLOBAL  
COMMENTARY

Northern Trust  
Global Economic Research  
50 South LaSalle  
Chicago, Illinois 60603  
northerntrust.com

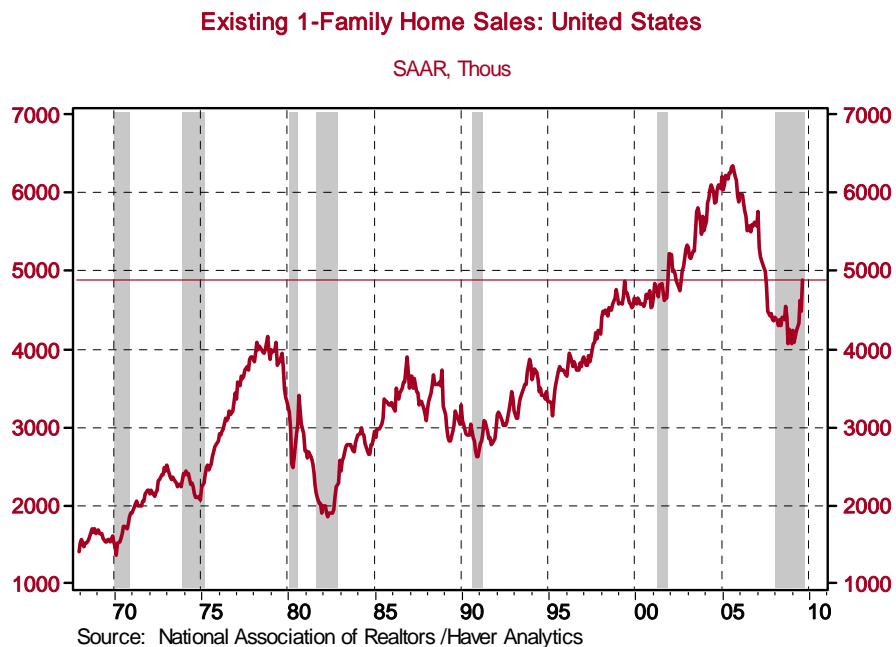
Asha G. Bangalore  
[agb3@ntrs.com](mailto:agb3@ntrs.com)

## Existing Homes: Sales, Inventories, and Prices Heading in the Desired Direction

October 23, 2009

Sales of all existing homes rose 9.4% to annual rate of 5.57 million in September after a 2.9% drop in the previous month. Single-family existing home sales also advanced 9.4% to an annual rate of 4.89 million units. The level of single-family existing home sales is at the highest mark since August 2007 and it is nearly 21% higher than the cycle low recorded in January 2009 (4.05 million units). Sales of existing homes rose across all four regions of the nation during September.

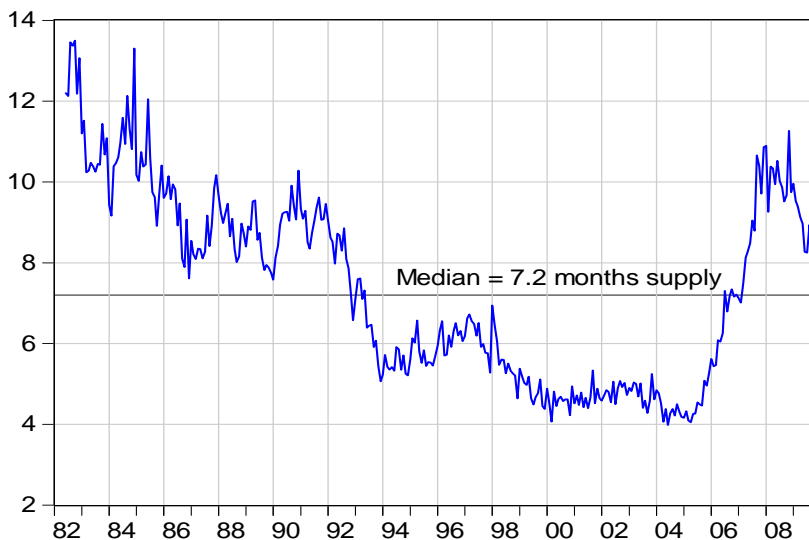
Chart 1



The inventory of unsold existing single-family declined to a 7.4-month supply in September from 8.9-month mark in August. The September I-S ratio is close to the historical median.

Chart 2

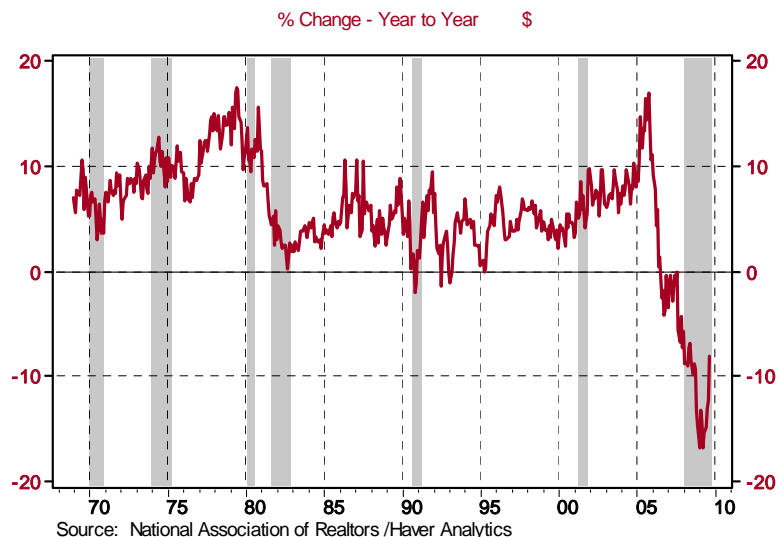
Existing Single-Family Homes - Inventories/Sales Ratio  
Months' Supply, SA



The median price of a single-family existing home in September fell 1.4% from the prior month to \$174,900. On a year-to-year basis, the median price of an existing single-family home has declined 8.1% in September, smallest drop in a year.

Chart 3

NAR Median Sales Price: Existing 1-Family Homes, United States



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Will data from the housing market continue to paint a favorable picture each month going forward? The short answer is “no.” The impending expiration of the first-time homebuyer tax credit of \$8000 in November helped to raise sales in September. Labor market conditions will need to show a significant improvement to bring about complete stability in the housing market. At the same time, the positive changes of the past six months are noteworthy. The headwinds of home foreclosures remain troubling. According to Realty Trac, home foreclosures have slowed on a month-to-month basis in August and September but the number of foreclosures in September was the third largest since January 2005. The Congressional Oversight Panel’s latest report has concluded that foreclosure mitigation programs are inadequate to address the problem ([Congressional Oversight Panel Releases Assessment of Foreclosure Mitigation Efforts](#)).

### Key Interest Rates

	10/23/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.28	0	0	-323
2-year U.S. Treasury note yield	1.01	4	3	-56
10-year U.S. Treasury note yield	3.43	0	9	-33

### Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-3.8	Q2-09	-1.3	Sep-09	9.8	Sep-09	6.2	0.13	Sep-09	2.00
Euro-Area	-4.8	Q2-09	-0.3	Aug-09	9.6	Aug-09	7.6	1.00	Sep-09	4.25
Japan	-7.2	Q2-09	-2.2	Aug-09	5.5	Aug-09	4.1	0.10	Sep-09	0.50
UK	-5.2	Q2-09	1.1	Aug-09	5.0	Sep-09	2.9	0.50	Sep-09	5.00
Australia	0.6	Q2-09	1.5	Q2-09	5.7	Sep-09	4.3	3.00	Sep-09	7.00
Canada	-3.2	Q2-09	-0.9	Aug-09	8.4	Sep-09	6.2	0.25	Sep-09	3.00
China	8.9	Q3-09	-0.7	Aug-09	4.3	Q2-09	4	1.16	Aug-09	2.66
India	6.2	Q2-09	11.7	Aug-09	--	--	--	3.25	Sep-09	6.00
New Zealand	-1.1	Q2-09	1.7	Q2-09	6.0	Q2-09	3.6	2.50	Sep-09	7.50
Norway	-2.5	Q3-09	1.2	Aug-09	3.1	Q2-09	2.5	1.25	Sep-09	5.75
Singapore	0.6	Q2-09	-0.4	Aug-09	3.3	Q2-09	1.7	0.25	Sep-09	1.28
South Korea	-2.2	Q2-09	2.2	Sep-09	3.6	Sep-09	3.2	2.00	Sep-09	5.25
Sweden	-6.1	Q2-09	-1.6	Aug-09	9.0	Sep-09	6.4	0.25	Sep-09	4.75
Switzerland	-2.1	Q2-09	-0.9	Aug-09	4.1	Sep-09	2.6	0.29	Sep-09	2.96
Taiwan	-7.0	Q2-09	0.0	Sep-09	6.1	Sep-09	4.3	1.25	Sep-09	3.50
Thailand	-5.0	Q2-09	-1.0	Sep-09	1.5	Aug-09	1.3	1.75	Sep-09	4.25

\* UK - Claimant Count Unemployment Rate

\* Thailand - GDP Non-Seasonally Adjusted

\* EA-13, UK, Sweden - Harmonized Unemployment

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

## Historical US Economic Data

	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
Payroll Employment (000)	-263	-201	-304	-463	-303	-519	-652	-681	-741	-681	-597	-380
% Change, Year Ago *	-4.2	-4.3	-4.2	-4.1	-3.9	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1
Unemployment Rate (%)	9.8	9.7	9.4	9.5	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6
Avg. Hourly Earnings (% Chg.)	0.1	0.4	0.3	0.1	0.2	0.0	0.2	0.2	0.2	0.3	0.3	0.4
% Change, Year Ago	2.5	2.6	2.7	2.8	3.0	3.1	3.4	3.5	3.7	3.9	3.9	3.9
PPI (% Chg.)	-0.6	1.7	-0.9	1.8	0.0	0.4	-0.9	-0.1	0.9	-1.8	-2.7	-2.6
% Change, Year Ago *	-4.8	-4.3	-6.8	-4.6	-4.8	-3.5	-3.4	-1.4	-0.9	-0.9	0.4	5.2
CPI (% Chg.)	0.2	0.4	0.0	0.7	0.1	0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8
% Change, Year Ago *	-1.3	-1.5	-2.1	-1.4	-1.3	-0.7	-0.4	0.2	0.0	0.1	1.1	3.7
ISM Diffusion Index (%)	52.6	52.9	48.9	44.8	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7
Industrial Production (% Chg.)	0.7	1.2	0.9	-0.4	-1.1	-0.5	-1.6	-0.8	-2.2	-2.3	-1.3	1.3
% Change, Year Ago	-6.1	-10.4	-12.5	-13.3	-13.1	-12.4	-12.5	-11.3	-10.9	-8.9	-6.5	-4.7
Capacity Utilization (%)	70.5	69.9	69.0	68.3	68.5	69.2	69.5	70.6	71.1	72.7	74.4	75.4
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		-0.9	-1.3	3.8	4.3	-3.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7
% Change, Year Ago *		-20.6	-20.4	-19.1	-24.4	-27.3	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2
- Shipments (% Chg.)		-2.0	0.3	1.4	-0.4	-2.9	-1.7	-0.2	-9.4	0.1	-1.3	-3.7
% Change, Year Ago *		-16.5	-15.7	-16.2	-19.6	-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2
Retail Sales (% Chg.)	-1.5	2.2	-0.1	0.9	0.5	-0.3	-1.2	0.4	1.7	-3.2	-2.1	-2.8
% Change, Year Ago	-5.4	-6.4	-8.2	-7.6	-11.3	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2
Real Personal Consumption (% Chg.)		0.9	0.2	0.2	0.0	-0.2	-0.2	0.1	0.6	-0.7	0.1	-0.3
% Change, Year Ago		0.3	-0.7	-1.5	-1.8	-1.9	-1.7	-1.3	-1.6	-2.2	-1.7	-1.5
Personal Income (% Chg.)		0.2	0.2	-1.1	1.3	0.2	-0.5	-0.8	-1.3	-0.3	-0.3	-0.3
% Change, Year Ago		-2.6	-2.5	-3.4	-2.4	-2.1	-2.2	-1.6	-0.8	0.4	1.1	1.8
New Home Sales (SAAR, mn)		0.43	0.43	0.40	0.37	0.35	0.33	0.35	0.33	0.37	0.39	0.41
% Change, Year Ago *		0.0	-11.6	-17.8	-30.6	-34.7	-36.7	-39.6	-45.5	-40.9	-40.0	-43.9
Existing Home Sales (SAAR, mn)	5.57	5.09	5.24	4.89	4.72	4.66	4.55	4.71	4.49	4.74	4.54	4.94
% Change, Year Ago *	7.8	1.8	5.6	3.4	-7.5	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9
Housing Starts (SAAR, mn)	0.59	0.59	0.59	0.59	0.55	0.48	0.52	0.57	0.49	0.56	0.66	0.76
% Change, Year Ago *	-28.7	-30.0	-34.5	-42.3	-43.1	-52.5	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7
International Trade (Bils \$)		-30.7	-31.9	-27.5	-26.4	-29.1	-28.9	-26.6	-37.0	-41.9	-43.2	-59.4
	<b>Q3-09</b>	<b>Q2-09</b>	<b>Q1-09</b>	<b>Q4-08</b>	<b>Q3-08</b>	<b>Q2-08</b>	<b>Q1-08</b>	<b>Q4-07</b>	<b>Q3-07</b>	<b>Q2-07</b>	<b>Q1-07</b>	<b>Q4-06</b>
Real GDP, Chain Weighted, SAAR		-0.7	-6.4	-5.4	-2.7	1.5	-0.7	2.1	3.6	3.2	1.2	3.0
% Change, Year Ago		-3.8	-3.3	-1.9	0.0	1.6	2.0	2.5	2.7	1.9	1.4	2.4
Chain-Weighted Price Index, SAAR		0.0	1.9	0.1	4.0	1.8	1.9	2.3	1.6	2.7	4.2	1.8
% Change, Year Ago		1.5	1.9	1.9	2.5	1.9	2.1	2.7	2.6	3.0	3.2	2.9
Nominal GDP, SAAR		-0.8	-4.6	-5.4	1.4	3.5	1.0	4.5	5.3	6.0	5.5	4.8
% Change, Year Ago		-2.4	-1.4	0.1	2.6	3.6	4.2	5.3	5.4	4.9	4.6	5.4
Employment Cost Index (%)		0.4	0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9
% Change, Year Ago		1.8	2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3
Productivity Nonfarm, SAAR		6.6	0.3	0.8	-0.1	3.1	-0.1	2.0	5.5	2.8	1.2	2.4
% Change, Year Ago		1.9	1.0	0.9	1.2	2.6	2.5	2.8	2.9	1.1	0.5	0.9
Unit Labor Costs, Nonfarm, SAAR		-5.9	-5.0	2.0	4.6	-1.8	1.7	3.0	-2.7	-0.7	3.5	6.5
% Change, Year Ago		-1.2	-0.1	1.6	1.9	0.1	0.3	0.7	1.6	3.1	3.7	3.5

Source: Haver Analytics

\* NSA

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.