

DAILY GLOBAL
COMMENTARY

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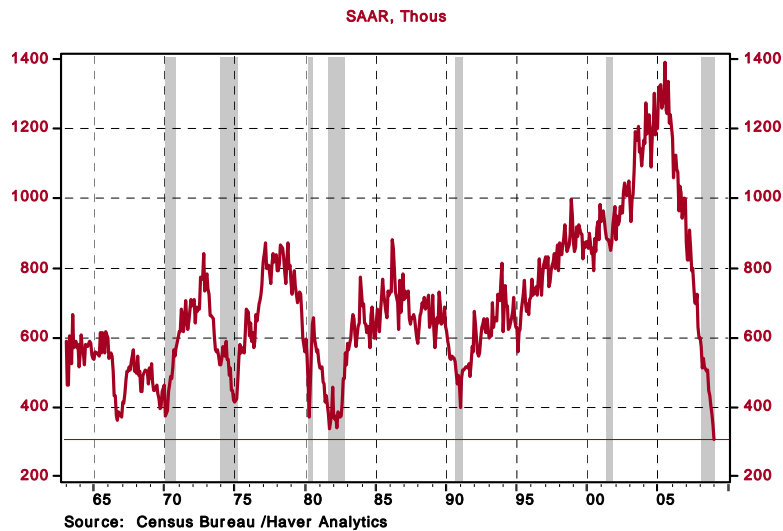
Economic Reports – New Home Sales, Durable Goods Orders, Unemployment Claims – Point to Deepening Economic Malaise

February 26, 2009

Sales of **new single-family homes** fell 10.2% in January to an annual rate of 309,000 units, a new record low (see chart 1). Sales of new single-family homes declined in the Midwest (-5.6%), South (-6.5%), and West (-28.0%) but rose in the Northeast (+12.5%).

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Chart 1
New 1-Family Houses Sold: United States



Sales of new single-family homes have dropped 78% from the peak in July 2005, the largest peak-to-trough decline on record (see table 1).

Table 1 Sales of New Homes across Business Cycles

Recession - Economy	Peak of Sales New Single-Family Homes		Trough of Sales New Single-Family Homes		Peak-to-trough change (percent)
	Date	000s units	Date	000s units	
Dec. 69-Nov.70	Feb-69	524	Feb-70	373	-28.82%
Nov. 73-Mar.75	Oct-72	843	Jan-75	416	-50.65%
Jan.80-Jul. 80	Oct-78	872	Apr-80	370	-57.57%
Jul.81-Nov. 82	Aug-80	659	Apr-82	339	-48.56%
Jul. 90-Mar.91	Jul-89	731	Jan-91	401	-45.14%
Mar. 01-Nov. 01	Dec-00	983	Sep-01	853	-13.22%
Current cycle	Jul-05	1389	Jan-09	309	-77.75%

The median price of a new single-family home was \$201,000 in January, down 23.3% from the peak in March 2007, the largest peak-to-trough decline on record. On a year-to-year basis, the median price of a new single-family home was down 13.4% in January, the largest drop was 14.6% in July 1970.

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Table 2 Median Price of New Single-Family Home across Business Cycles

Recession - Economy	Peak of Median Price Single-Family New Home Date	Peak of Median Price Single-Family New Home \$	Trough of Median Price Single-Family New Home Date	Trough of Median Price Single-Family New Home \$	Peak-to- trough change (percent)
Dec. 69-Nov.70	May-69	26,900	Oct-70	22,100	-17.84%
Nov. 73-Mar.75	Dec-73	35,700	Jan-74	34,200	-4.20%
Jan.80-Jul. 80	Sep-79	66,000	Dec-79	61,500	-6.82%
Jul.81-Nov. 82	Aug-81	72,600	Feb-82	65,700	-9.50%
Jul. 90-Mar.91	Apr-90	130,000	May-92	113,000	-13.08%
Mar. 01-Nov. 01	Dec-01	180,200	Sep-01	166,400	-7.66%
Current cycle	Mar-07	262,600	Jan-09	201,100	-23.42%

Additional declines in prices of new homes are nearly certain, given the inventory of unsold new homes. There was a 13.3-month supply of new single-family homes in the market in January, also a new record (see chart 2).

Chart 2

New 1-Family Houses For Sale: Months Supply

SA, Ratio



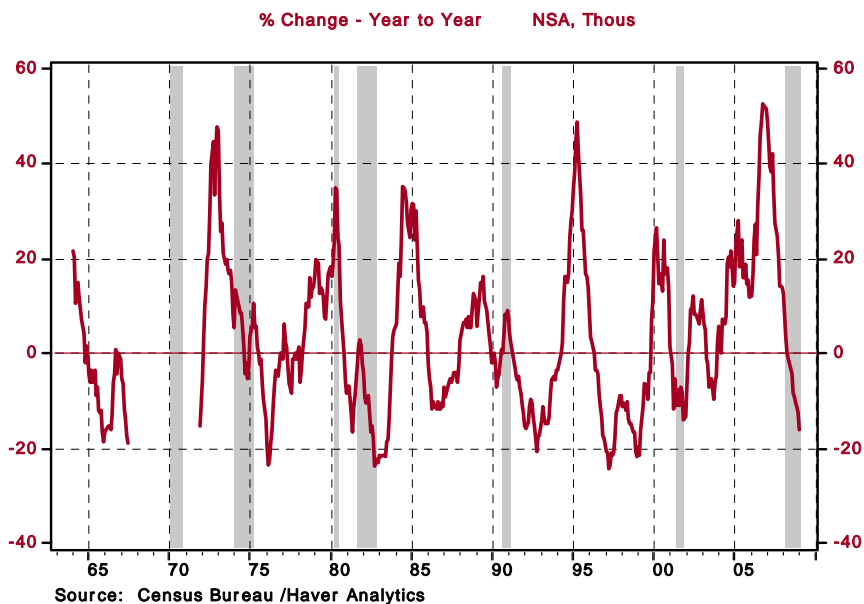
Source: Census Bureau /Haver Analytics

The good news is that number of completed homes for sale continues to decline (see chart 3) which should reduce the inventory going forward.

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Chart 3

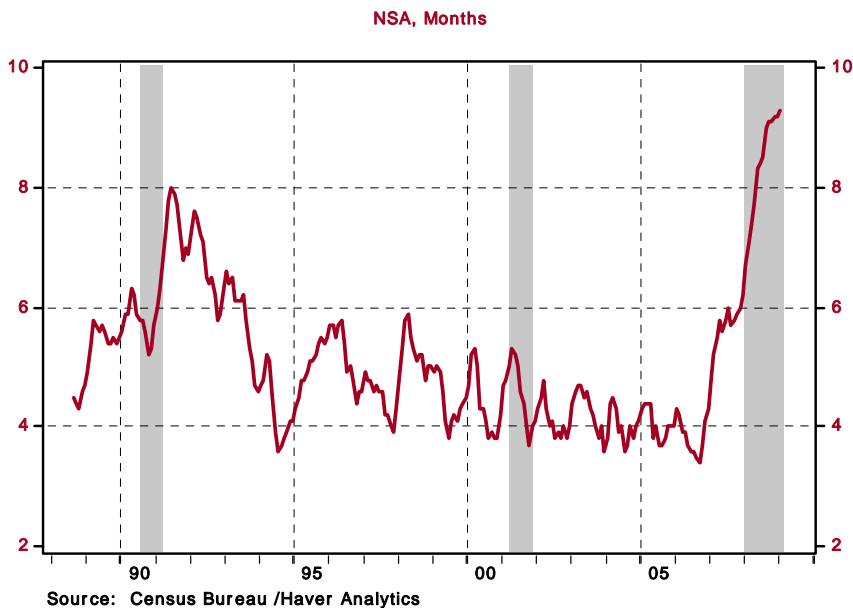
New 1-Family Houses For Sale: Completed Units



Builders are taking a record number of months (median = 9.3 months, see chart 4) to sell a new home.

Chart 4

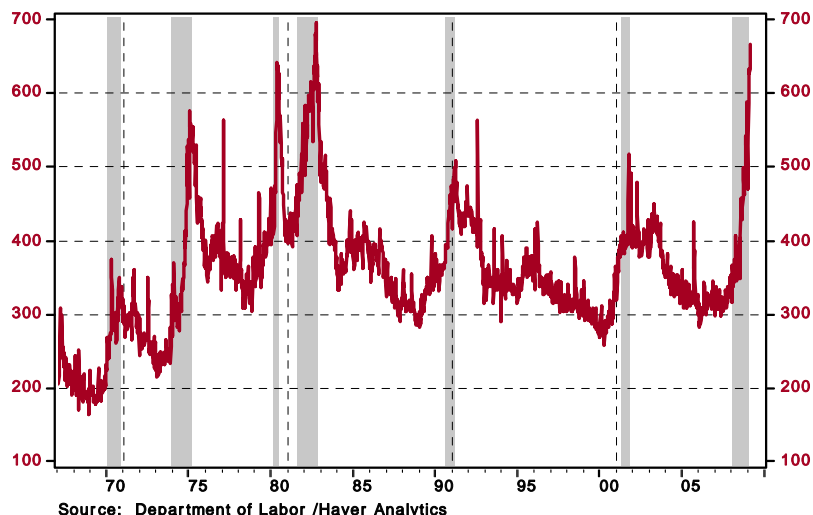
New 1-Family Houses: Median No of Months for Sale Since Completion



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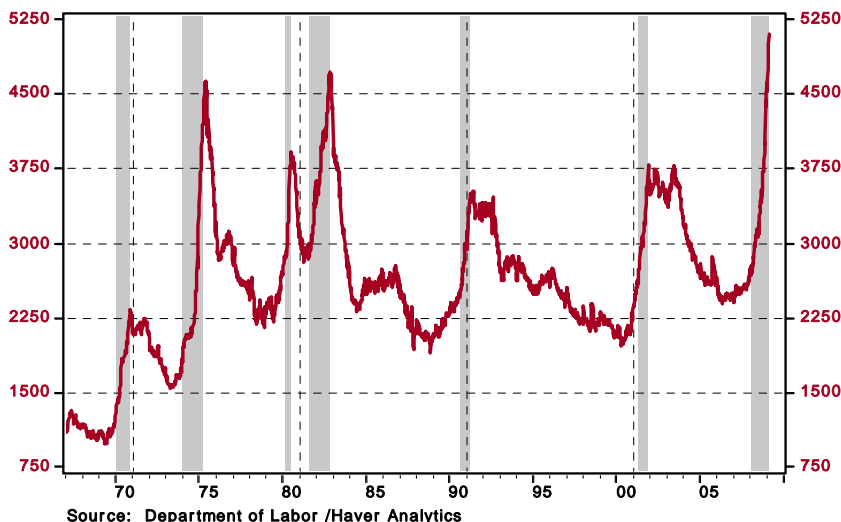
Initial jobless claims increased 36,000 to 667,000 during the week ended February 21. Continuing claims, which lag initial claims by one week, rose 114,000 to 5.112 million (see chart 6).

Chart 5
Unemployment Insurance: Initial Claims, State Programs
 SA, Thous



Although charts 5 and 6 paint a very bleak situation in the labor market, they overstate the situation somewhat because the numbers do not take into consideration the growth of the labor force.

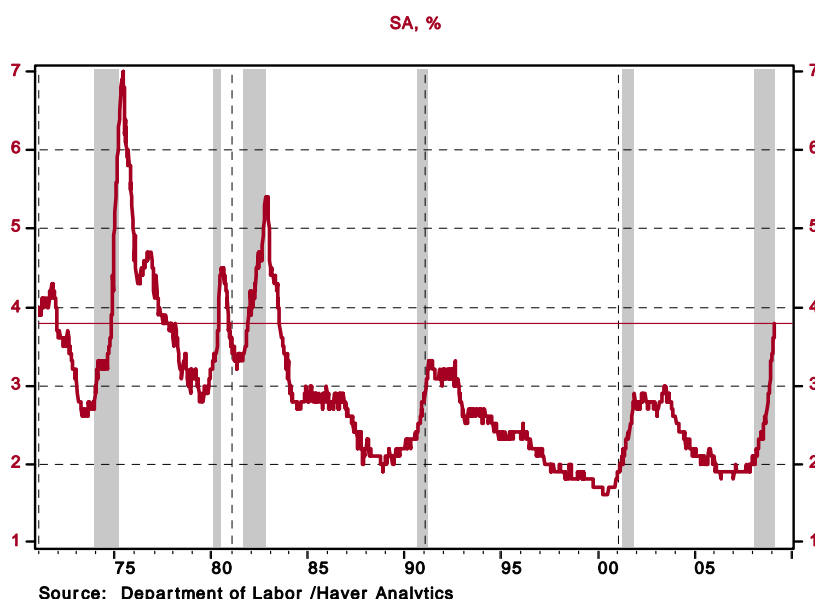
Chart 6
Continuing Claims
 SA, Thous



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The insured unemployment rate reflects the labor market status more accurately than the absolute level of unemployment claims. The insured unemployment rate advanced to 3.8%, the highest since June 1983 (see chart 7). The demand for labor remains significantly weak.

Chart 7
Insured Unemployment Rate: Percent of Covered Employment



Orders of durable goods plunged 5.2% in January, marking the fifth monthly decline in the last six months. The 35.3% drop in bookings of defense items and other widespread declines more than offset the 81.7% jump in order of civilian aircraft. Nearly all major categories of durable goods – primary metals (-4.6%), machinery (-2.0%), computers and electronic products (-5.0%), electronic equipment and appliances (-6.1%) and autos (-6.4%) – posted a drop in booking during January. Orders of non-defense capital goods excluding aircraft moved down 5.4% in January, putting the year-to-year decline at 20.2%.

DATE	DURABLE GOODS ORDERS - % CHANGE M-M				
	TOTAL	DEFENSE	NON-DEFENSE CAPITAL GOODS	NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT	COMPUTERS AND ELECTRONIC PRODUCTS
Aug-08	-5.5	8.3	-7.8	-2.3	1.9
Sep-08	0.0	23.3	-1.1	-3.4	-2.5
Oct-08	-8.5	-35.4	-6.5	-6.7	-4.9
Nov-08	-4.0	8.6	-5.3	1.1	4.0
Dec-08	-4.6	44.8	-10.2	-5.8	-7.1
Jan-09	-5.2	-35.3	-2.7	-5.4	-5.0

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Total shipments of durable goods fell 3.7% in January, inclusive of a 6.6% drop in shipments of non-defense capital goods excluding aircraft. The latter component is the input for equipment and software spending in the GDP report. The weak January for shipments of non-defense capital goods excluding aircraft is a big blow to capital spending in the first quarter.

DURABLE GOODS SHIPMENTS- % CHANGE M-M				
DATE	TOTAL	NON-DEFENSE CAPITAL	NON-DEFENSE CAPITAL	COMPUTERS AND
		CAPITAL GOODS	GOODS EX-AIRCRAFT	ELECTRONIC PRODUCTS
Aug-08	-4.2	-3.3	-2.1	-5.6
Sep-08	0.0	1.1	1.7	-2.3
Oct-08	-3.4	-4.5	-3.7	2.2
Nov-08	-4.2	-2.0	-1.3	-5.0
Dec-08	-1.4	2.6	0.0	0.4
Jan-09	-3.7	-4.1	-6.6	-3.7

Chart 8

Mfrs' New Orders: Nondefense Capital Goods ex Aircraft
 % Change - Year to Year NSA, Mil.\$

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
 % Change - Year to Year NSA, Mil.\$



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