

# New-Home Sales Rose Last Month, But August Drop Revised Lower

**Durable-Goods Orders Decline 1.7%  
On Low Orders by Military Suppliers**

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WASHINGTON -- September U.S. new home sales, lifted by demand in the West, recovered a bit from an August plunge that was even worse than previously reported.

Meanwhile, demand for big-ticket capital goods in the U.S. unexpectedly fell in September, pulled lower by orders for military suppliers. However, a closely watched indicator of overall business capital spending rose.

**Sales of single-family homes increased 4.8% last month to a seasonally adjusted annual rate of 770,000, the Commerce Department said Thursday.** August new-home sales fell 7.9% to an annual rate of 735,000. Originally, the government had said August sales were on track to rise 795,000 for the year.

The September figures were lower than the 775,000 annual rate that a survey of 24 economists had predicted ahead of the release.

**Year over year, new-home sales were 23.3% lower than the level in September 2006.**

The housing sector has subtracted from U.S. economic growth for six straight quarters, and economists see little relief in sight. Earlier this year, many economists had predicted the housing market would bottom out by the end of the year, but an August credit crisis sparked by losses in the subprime mortgage market have pushed the prospect of recovery further into the future.

Earlier this month, the National Association of Realtors reported that sales of existing homes plunged in September to the weakest level on record.

A tightening of lending standards and decreased appetite for mortgage-backed securities has raised interest rates for would-be buyers. Falling home prices in some areas are causing them to think

twice about making a purchase now.

Overall, the median price of a new home increased by 5.0% to \$238,000 in September, compared with September 2006. But the average price declined by 2.8% to \$288,000 from a year earlier.

The ratio of new houses for sale to houses sold, an indicator of supply, fell during September, going to 8.3 from 9.0 in August. There were an estimated 523,000 homes for sale at the end of September, down from August's 531,000.

Regionally last month, new-home sales increased 37.7% in the West and 0.5% in the South. Sales decreased 6.6% in the Northeast and 19.5% in the Midwest.

An estimated 60,000 homes were actually sold in September, down from 63,000 in August, based on figures not seasonally adjusted.

### **Durable-Goods Orders Drop**

Orders for durable goods decreased by 1.7% last month to a seasonally adjusted \$214.53 billion, the Commerce Department said Thursday. Durables orders, which are for goods designed to last at least three years, decreased 5.3% in August, revised from a previously estimated 4.9% drop.

The second straight decline surprised Wall Street. A Dow Jones survey of 24 economists conducted ahead of the report had predicted orders would rise 1.5%.

Still, a barometer for business investment, orders for nondefense capital goods excluding aircraft rose 0.4%, while shipments were up 1.0%, indicating that tighter credit conditions hadn't yet affected spending in September. August orders for nondefense capital goods excluding aircraft were up 1.8%.

Transportation orders in September plunged 6.3%, after an even larger decline in August. An 18% jump in demand for commercial planes failed to offset declines in orders for other types of transportation equipment like motor vehicles and parts, which were down 2.9%. Military aircraft orders decreased 37%. Orders for all durables except transportation goods rose 0.3% in September.

Orders rose 1.6% for primary metals, but fell 1.4% for computers and electronics, and 2.8% for fabricated metals. Capital goods orders decreased by 1.3%. Orders for machinery rose 4.3%. Orders for non-defense capital goods -- items meant to last 10 years or longer -- rose by 4.4%.

Defense-related capital goods orders plunged 38.7%. Excepting defense goods, overall new orders increased by 0.7%. Durable-goods shipments of manufacturers fell 2.0% last month, while unfilled orders, a sign of future demand, climbed 1.1%. Inventories expanded 0.4%.

### **Jobless Claims Drop Slightly**

The number of U.S. workers filing new claims for jobless benefits fell slightly last week but remained at elevated levels consistent with slackening labor markets, suggesting that consumers face added pressure in the face of an already deep housing slump.

The data give added support to Wall Street hopes for a Federal Reserve rate cut next week. Jobless claims fell 8,000 to 331,000 on a seasonally-adjusted basis in the week ended Oct. 20, the Labor Department said Thursday. Claims for the Oct. 13 week were revised up to 339,000 from 337,000.

Wall Street forecasts had called for a much larger 17,000 drop in claims last week to 320,000, according to a Dow Jones Newswires survey.

A Labor Department analyst said that while there were no special factors in the latest week, recent temporary strikes in the automobile sector may have boosted volatility in claims figures.

The four-week average -- which economists use to gauge underlying labor market trends -- spiked 7,750 last week to 324,750, its highest level since Sept. 1.

The labor data, which come on the heels of steep drops in housing activity, are consistent with expectations for another rate cut when the Federal Open Market Committee meets next week. Futures markets are fully pricing in a quarter-percentage-point reduction in the federal-funds rate to 4.5% at the Fed's Oct. 30-31 meeting, in order to ease the economic fallout from the deepening contraction in housing.

Last month, the Fed cut the fed-funds rate a half-percentage point, its first reduction in over four years.

According to the Labor Department's weekly report Thursday, continuing claims for workers drawing unemployment benefits for more than a week rose 7,000 to 2,530,000 in the week ended Oct. 13, the latest week for which such data are available.

The insured unemployment rate was 1.9% in the Oct. 13 week, unchanged from the previous week.

There were 33 states and territories reporting an increase in unadjusted jobless claims for the Oct. 13 week, while 20 reported a decrease.

Michigan had the sharpest increase, 5,720, due to layoffs in the automobile sector. Ohio, which had the second-biggest rise, also cited auto layoffs. California reported the biggest drop, 4,917, thanks to fewer layoffs in the service industry.

**Courtesy of JB Goodwin**