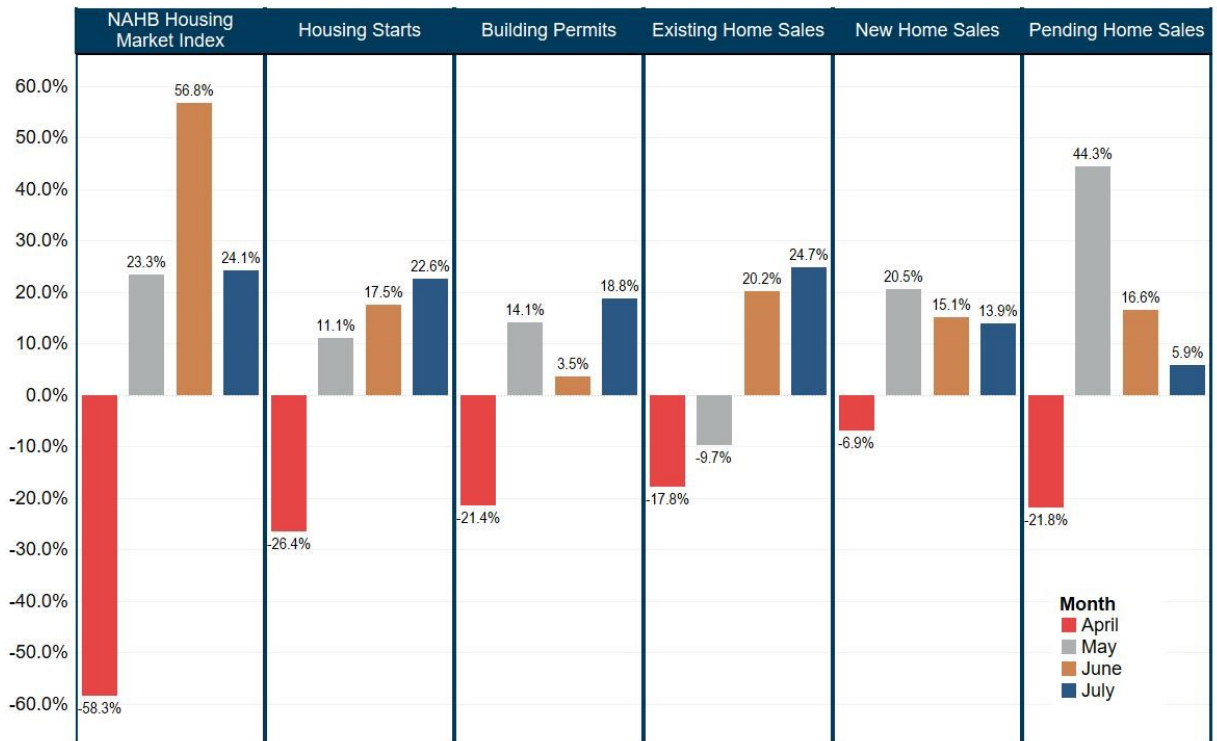


The Housing Market is Leading the Economic Recovery

The housing market continues to be the strongest sector of the economy. Strong rebounds in May, June, and July for housing starts, building permits, existing home sales, new home sales, and pending home sales reveal the housing market is leading the economic recovery.

Housing Market Rebounding Strongly



The market took a big hit in March and April during the height of the COVID-19 quarantine. As the chart shows, every important indicator was down significantly in April. Then starting in May conditions turned completely around. Almost every data point saw large gains in May and June. Usually analysts would anticipate a cooling in the market after two torrid months.

However, now that the data is all in for July, it turns out that July was just as strong as the previous two months. The National Association of Homebuilders (NAHB) housing market index rose 24%. Housing starts jumped 23%. Building permits increased 19%, new home sales 14%, pending sales 6%, and existing home sales by 2.5%. Home prices rose 0.6% from May to June.

Low interest rates and pent up demand from the delayed spring buying season are helping propel the market. Low supply in the months leading up to the pandemic is increasing demand as well.

What's ahead: Look for the surging housing market to continue for the next few months at least. There is still a strong appetite for homes, and rates will remain low for the foreseeable future.

A strong housing market will help the broader economy recover since housing is a large part of the economy, and is connected to industries including home improvement, furnishings, and finance that benefit when home sales are strong.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce

A Note from the Editors: On Tuesday a chart that ran in Economic Viewpoints incorrectly showed the economy growing by 31.7% in the second quarter of this year. It should have showed it contracting by that amount. We regret the error.