

U.S HOUSING MARKET INDEX (USHMI)

According to many market watchers, there is no better barometer on the health of the U.S. economy than housing. It's an industry that encompasses a myriad of vital sectors — banking, manufacturing, commodities, construction, durable goods, international trade, transportation and, of course, consumer spending. So it's not surprising the Federal Reserve closely monitors housing trends in the course of setting monetary policy. Sound economic growth in the U.S. is not possible without a robust residential real-estate market and in fact 7 of the last 11 declines in the housing market has led to economic recession and with 11 U.S recessions since the end of World War II, all but two were preceded by a big decline in the housing market.

Even though housing does not account for all that much of the economy, its role in recessions is huge, because it is highly cyclical and sensitive to interest rates. Housing has never accounted for more than 7 percent of total US GDP, but it has on average accounted for about a quarter of the weakness in recessions since World War II, according to a 2007 paper by Mr. Leamer titled "Housing IS the Business Cycle." After housing, the sector that has historically been second most important to recessions is consumer durables, or expensive purchases like cars, furniture and appliances. Those are often connected to the housing market's prosperity because people usually buy other things when they purchase a home.

The most recent recession, from 2007 to 2009, offered one of the more exaggerated examples of housing's guiding role in downturns. A recent report from the Federal Reserve Bank of St. Louis found that the construction sector accounted for a little over a third of the decline in output in the past recession, and about half of the job losses.

There is an implied chronological order to the components of USHMI : Permits lead to Starts which lead to Completions which lead to sales supply which finally lead to new and existing home sales.

The research note on our website regarding this report can be viewed over here : <https://recessionalert.com/ushmi/> (click to open)

