Record drop in US home sales

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Sales of existing US homes in July plunged by a record 27.2 percent from the previous month, according to a report released Tuesday by the National Association of Realtors.

The virtual collapse in home sales affected every region of the country and was more than twice as bad as anticipated by economic analysts, who had forecast a drop of 12.1 percent. Sales fell to 3.83 million units, compared to June's downwardly revised figure of 5.26 million.

On a year-over-year basis, existing home sales in July were down 25.5 percent from an annual rate of 5.14 million units in July 2009.

The July figure was the largest monthly drop since records began in 1968. It brought the rate of US home sales on an annualized basis to the lowest level since 1995.

Home sales fell 29.5 percent in the Northeast, 22.6 percent in the South, 25 percent in the West and 35 percent in the Midwest. The link between the housing collapse and the social distress caused by long-term mass unemployment was underscored by two pieces of data: nearly a third of the homes sold were distressed properties, and sales tumbled particularly sharply for homes in the lower to mid-priced ranges. In the Midwest, sales of homes priced between $100,000 and $250,000 plunged nearly 47 percent.

The July figure marked the third consecutive monthly decline since the April 30 expiration of a federal tax credit for home-buyers. The impact of the termination of the tax credit on the housing market has been compounded by the soaring number of foreclosed homes and the rising rate of mortgage payment delinquency.

Home foreclosures are running about ten times higher than before the housing bust of 2007. A survey released last week by Deutsche Bank showed that the rate of serious mortgage payment delinquency (more than 90 days) in the average US congressional district has nearly tripled from the time of the 2008 election.

The realtors' report also recorded a sharp rise in the inventory of unsold existing homes in July. At the end of the month, 3.98 million homes were available for sale, which translates into a 12.5-month supply, up from 8.9 months in June and the highest level in over a decade. A six-month supply of available homes is considered a healthy level.

The disastrous home sales report is consistent with dismal reports last week on housing starts and new housing permits and other data, including a nine-month high for initial jobless benefit claims, which reflect a sharp contraction in economic growth and point to a further rise in unemployment, already near Depression levels.

Most economists believe that when the Commerce Department issues its revised estimate for second quarter US economic growth on Friday, it will downgrade the figure from the 2.4 percent it reported last month to 1.3 percent. Even this grim prediction may be overly optimistic. For the past several weeks, virtually every economic indicator has been worse than economists' forecasts.

Dan Greenhaus, chief economic strategist for Miller Tabak & Co., spoke in a research note Tuesday of a "near, if not outright, collapse in housing."

Paul Dales of Capital Economics said, "It is becoming abundantly clear that the housing market is undermining the already faltering wider economic recovery. With an increasingly inevitable double-dip in housing prices yet to come, things could get a lot worse."

In a note analyzing the housing numbers, Nigel Gault, chief US economist for HIS Global Insight, wrote, "A sustained upturn [in the housing market] will depend on an improvement in the jobs market, which at the moment is slowing down rather than gathering pace." He added, "There is no sign of any underlying recovery despite rock-bottom interest rates."

The average rate for a 30-year fixed mortgage has sunk to 4.42 percent, the lowest rate in decades. That home sales continue to plummet despite such attractive rates underscores the depth of the economic crisis and absence of any real recovery. Workers who would otherwise be in the market are not buying either because they have lost their job or they fear joining the jobless ranks. Banks have also tightened their requirements and cut back on loans.

Stock markets around the world fell sharply on the latest sign of a slowdown in the US economy. Asian stocks, which fell Tuesday morning, in part in anticipation of the US housing report, resumed their decline on Wednesday. European stocks fell by more than 1 percent Tuesday, as did US stocks. The Dow Jones Industrial Average lost 133 points, a decline of 1.3 percent. The Standard & Poor's 500 index and the Nasdaq fell even more sharply on a percentage basis. It was the fourth consecutive decline on Wall Street.

Other global indicators pointed to an erosion of confidence and mounting fear of a "double-dip" recession. Crude oil prices fell below $72 a barrel, their lowest level in eleven weeks. Gold for December delivery closed $4.90 higher at $1,233.40 an ounce at the Comex division of the New York Mercantile Exchange. The yield on ten-year US Treasuries fell to 2.499 percent, reflecting a "flight to safety" by big investors.

Neither the Obama administration nor its Republican opponents are proposing any serious measures to create jobs or provide relief for the more than 20 million workers who are either unemployed or underemployed. The Democrats and Republicans differ only on the most effective tactics for imposing the full burden of the capitalist crisis on the working class.

On Tuesday, John Boehner, the leader of the Republicans in the House of Representatives, made a demagogic speech in which he attempted to present himself as the advocate for unemployed and economically threatened working people. He denounced Obama for failing to stem the jobs crisis and called for the resignation of Obama's top economic advisers, Treasury Secretary Timothy Geithner and Lawrence Summers, the director of the White House National Economic Council.

However, his only concrete proposal was to extend the Bush tax cuts for the wealthy—the 2 percent of households making more than $250,000 a year. He also criticized the extension of federal emergency jobless benefits and the $26 billion in federal aid to the states recently passed by Congress.

In response, the Democrats, speaking out of both sides of their mouths, sought to foist the blame for mass unemployment and growing poverty on the Bush administration, while touting the supposed "success" of Obama's economic policies. Vice President Joseph Biden said that Obama's 2009 stimulus package was "working to rescue the economy from eight years of failed economic policy and rebuild it even stronger than before."

Speaking from the exclusive Massachusetts resort island of Martha's Vineyard, where Obama is vacationing, White House deputy press secretary Bill Burton said Boehner "would fire the very people who helped to make the tough decisions, who helped to do the hard work to get our economy moving in the right direction again."

Those "tough decisions" include the multi-trillion-dollar bailout of the banks, the forced bankruptcy of General Motors and Chrysler, liquidation of tens of thousands of auto jobs, and imposition of a 50 percent cut in newly-hired auto workers' wages, as well as the rejection of any further stimulus measures and focus instead on deeper cuts in social programs.

Biden cited Obama's auto policy as an example of successful "innovation." The essence of this policy is to keep unemployment painfully high and use it as a bludgeon to permanently reduce the wages and living standards of the American working class, narrowing the differential between US workers and super-exploited workers in China, India and other "emerging economies." On this basis, the Obama administration is seeking to revive US manufacturing as a cheap-labor platform for export to global markets.