



The Daily Dish

## August 25th Edition

ANDY WINKLER | AUGUST 25, 2015

On the same day that [President Obama traveled to Las Vegas](#) to tout \$1 billion in loan guarantees towards solar energy projects, Department of Energy head [Ernest Moniz said](#) “I certainly see solar growing” even “without subsidy.” AAF found that the rest of the proposal, the White House’s Clean Power Plan, [would cost the U.S. 125,800 jobs](#).

Economists are no longer looking into the future economy with rose tinted glasses. A recent survey by the [Associated Press found](#) that 70 percent see a sluggish next two years with “...tepid economic growth, weak pay gains and modest hiring...” According to Mike Englund, chief economist at Action Economics, “We no longer have reason for optimism that the economy is going to accelerate.”

***Eakinomics: Is Housing a Bright Spot?** Guest Authored by Andy Winkler, AAF Director of Housing Finance Policy*

With global growth fears weighing on the stock market, [some have pointed](#) to recently strong fundamentals in the housing sector and their potential to boost U.S. economic growth. Here’s a recap of some key housing indicators over the past month:

- Residential construction spending increased 0.4 percent in June;
- Housing starts increased 0.2 percent in July;
- Housing permits decreased 16.3 percent in July;
- For-sale inventory decreased 0.4 percent in July;
- Existing home sales increased 2 percent in July;
- Construction employment increased by 6,000 jobs in July;
- Builder confidence rose one point to 61 in August.

So what does it all mean? The data show that the spring home buying season has transitioned into a strong summer showing. ([See AAF’s housing chart book for a more detailed look](#).) The housing recovery of the past few years has had notably weak home construction, a drag on economic growth. Yet in July, housing starts jumped to an annual rate of 1.2 million; albeit still about 25 percent below pre-bubble levels, this is much stronger than the 1.0 million average in 2014. In general, jobs, prices, and sales are all up.

Can it last? FHFA’s House Price Index, the S&P/Case-Shiller Home Price Indices, and New Home Sales from Census may offer a few more clues later today. Ultimately though, housing faces a number of headwinds. July’s steep drop in permits, a forward-looking indicator, certainly cast some doubts (regardless of volatile multifamily numbers). And without continued growth in jobs and income, home sales could easily slow. Increasing prices and low inventory are also making [some markets tough for first time homebuyers](#).

Last week, the [New York Times editorial board offered its solution](#) for helping housing markets reach their growth potential: “aggressive intervention to provide debt relief and create good jobs.” While goods jobs are

certainly needed, the [time for aggressive intervention to provide debt relief has long since passed](#). In the end, only [deep structural reforms](#) can improve the long-run potential of the U.S. economy and uniformly boost jobs and housing.

***Fact of the Day***

[Forty-four percent of U.S. goods exports are to TPP nations.](#)