Optimism about construction on rise



The National Association of Home Builders said Tuesday that its index of confidence among builders for December reached 58, up from 54 in November. STEVEN SENNE/AP

Homebuilder confidence surges in December

Outlook for next year's selling season also improves

By Alex Veiga
Associated Press

U.S. homebuilders' confidence bounced back strongly this month, a sign that construction and industry hiring could pick up in coming months.

The National Association of Home Builders/Wells Fargo builder sentiment index released Tuesday climbed to 58. That was up from 54 in November and matched an eight-year high reached in August. Readings above 50 indicate that more builders view sales conditions as good, rather than poor.

WHAT'S NEXT

The Federal Reserve ends a two-day policy meeting Wednesday, after which it will release a statement and projections for the economy.

In addition, builders' view of current sales conditions jumped this month to the highest level in eight years. And their outlook for sales heading into next year's spring home-selling season also improved.

The index has stayed above 50 now for seven straight months after being below that level since May 2006. This month's reading is 11 points higher than a year ago. It reflects a U.S. housing market fueled by steady job growth and still-low mortgage rates.

The latest index suggests that builders remain optimistic that the housing recovery will endure even though mortgage rates have risen in recent months.

Mortgage rates peaked at 4.6 percent in August and have stabilized since September, when the Federal Reserve surprised markets by taking no action on starting to reduce its bond purchases. Its bond purchases are intended to keep long-term interest rates low.