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New-home sales plunge 33 percent

WASHINGTON (AP) — Sales of new homes collapsed in May, sinking 33 percent to the lowest level on record as potential buyers stopped shopping for homes once they could no longer receive government tax credits.

The bleak report from the Commerce Department on Wednesday is the latest sign of a precarious housing market that is struggling to recover and could weaken the broader economic recovery. It follows a disappointing report issued earlier in the week showing sales of previously occupied homes had dipped in May.

Analysts linked the sudden drop in new-home sales to the expiration of federal tax credits of up to $8,000. But double-digit unemployment and slow job growth have also weighed on the market, even with mortgage rates at near-historic lows.

"We fear that the appetite to buy a home has disappeared alongside the tax credit," Paul Dales, U.S. economist with Capital Economics," wrote in a note to clients. "After all, unemployment remains high, job security is low and credit conditions are tight."