

Economic CALENDAR

February
2018

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Economic Indicator Description / Definition



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ADP Employment	A national jobs report that derives its statistics from the actual monthly payrolls of employers in the non-farm private sector.
Beige Book	Prepared by the Federal Reserve, it is a survey of economic conditions in each of the Fed's regions.
Business Inventories	This report includes inventory levels and statistics from various stages of the manufacturing process
Chicago PMI	The Chicago Purchasing Managers Index is prepared monthly by ISM (Institute of Supply Management) and indicates regional manufacturing activity. It comes out before other ISM surveys and is closely watched as precursor to the other ISM Reports.
CPI - Consumer Price Index	The CPI Measures the change in the cost of a basket of goods and services (about 200) in each month. This is one of the biggest and most closely watched indicator along with the PPI.
Consumer Confidence	Measures how confident consumers feel about their individual spending plans and the economy in general.
Consumer Sentiment	Published monthly by the University of Michigan the index is based on over 500 phone interviews with 50 questions asked.
Construction Spending	Is a monthly estimate of the total dollar value of all construction work in the country.
Consumer Credit	Released monthly by the Federal Reserve Board it estimates changes in the amount of outstanding credit to individuals to purchase consumer goods. It contains revolving and non revolving credit like cars loans but not mortgages and equity lines.
Current Account	Measures the money flows and cash transfers into and out of the country. Consists of the Trade Balance (exports minus imports of goods and services) plus the net Capital Account (income from foreign investments - payments to foreign investors).
Durable Goods Orders	Report measures how much spending is occurring on goods expected to last over three years like appliances and cars.
ECB Announcement	The European Central Bank (ECB) first meeting of the month typically covers monetary policy. After the meeting, they make an announcement that discloses the issues discussed and decisions made.
Empire State Survey	Prepared by the Federal Reserve Bank of New York, this survey summarizes general business conditions of manufacturers in New York state.
Employment	Also called the Jobs Report , the Current Employment Statistics report covers general employment conditions which includes the unemployment rate, number of new jobs created, average hours worked per week, Labor Force Participation Rates, and average hourly earnings. Like the CPI and PPI, This is a very closely watched indicator.
Employment Cost Index	This index measures the general cost of labor which includes wages, benefits, and bonuses.
Existing Home Sales	Reports the number of existing homes that were CLOSED during the month both nationally and regionally.
Factory Orders	Indicates the activity of the country's manufacturing sector and includes new orders, unfilled orders, shipments, and inventories.
FOMC Meeting	The Federal Open Market Committee meets every 6 weeks is to set monetary policy.
FOMC Statement	Issued by the Fed after the FOMC meetings summarizing topics discussed, economic outlook, and policy decisions.

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Gross Domestic Product	The GDP is an all encompassing measure of the economy that includes the value of all goods and services produced in the entire country.
Housing Starts	This report includes housing starts, building permits, and housing completions with data obtained from surveys of homebuilders.
Import - Export Prices	The U.S. Import and Export Price Indexes measure average changes in prices of goods and services that are imported or exported.
Industrial Production	Measures volume of goods produced by all industrial firms including factories, mines, and utilities.
International Trade	Measures the trade deficit - value of exports minus the value of imports.
ISM Manufacturing Index	The Institute for Supply Management (a nonprofit group) publishes the Purchasing Managers Index by surveying over 400 purchasing managers from all over the country diversified and weighted by industry and geography.
ISM Non Manufacturing	Same as the above index but for the service sector which encompasses a larger portion of real GDP.
JOLTS	Job Openings and Labor Turnover Survey includes employment, job openings, hires, quits, layoffs and discharges, and other separations.
Leading Indicators	Also called The Leading Economic Index , it is a leading economic indicator use to forecast future economic activity. Calculated by The Conference Board, it determines the index from the values of ten key variables.
New Home Sales	Report on the number of newly constructed homes sold in the previous month.
NFIB Small Business	Published by the National Federation of Independent Business , the Small Business Optimism Index is an indicator of health of small businesses by surveying its members on their plans and activities.
Personal Income & Spending	Personal Income and Outlays report provide data on consumer behavior and total economic consumption.
Philly Fed Survey	Published by the Philadelphia Federal Reserve, this survey summarizes economic activity in its district.
PPI Producer Price Index	Measure the change in the price of goods from producers and includes everything from raw materials to wholesale items sold to retailers. Since it is published before the CPI, this indicator is very closely watched as a precursor to the CPI.
Productivity	The report measures how much output is created by a unit of labor.
Retail Sales	Measures goods sold by retailers. This is fairly closely watched as it indicates general spending attitudes of Consumers.
S&P/Case Shiller HPI	This Home Price Index (HPI) uses a three-month moving average to calculate its numbers giving it a two month lag.
TIC	Treasury International Capital shows the flows of money across US borders for sales of ALL securities and financial instruments.
Weekly Jobless Claims	This report shows the number of newly unemployed workers filing unemployment claims for the first time with their state Unemployment Bureaus. The data is seasonally adjusted and aggregated on a national basis.
Vehicle Sales	Reports the number of light vehicle cars and light trucks sold.

Your Economic Calendar for February 2018 is attached.

January usually gets off to a slow start as people recover from the Holidays, but there was a lot going on last month that affects the Mortgage Business. The Government shutdown lasted only a couple days because Congress was able to hammer out a temporary deal to fund the government through February 8th. In a few days, we could be facing another shutdown if Congress doesn't reach a more permanent solution. The Mortgage Business could have a headache if the IRS doesn't process 4506T requests during a shutdown. President Trump delivered his first State of the Union address and, as expected, it focused on the Economy, tax cuts, health care, immigration, trade, and national security. Here is a quick review of **key Economic Indicators and data released during January 2018 that are important to the Mortgage Industry and Mortgage Professionals.**

January Economic Indicators and Data in Review

- A Government shutdown lasted a couple days until Congress approved a temporary funding package.
- Another Government shutdown may happen February 8th if Congress doesn't agree on a deal.
- The Fed left interest rates unchanged after the January 31st FOMC Meeting.
- The Labor Markets added 148,000 new jobs in December and 200,000 in January.
- Inflation is holding steady at 2.1% annually.

Interest Rates and Fed Watch during January 2018

At the last FOMC meeting that ended January 31st and, as expected, the Fed left interest rates unchanged. This meeting was Janet Yellen's last as the Fed Chair. Jerome Powell will be sworn in as Fed Chairman on February 3rd and his first FOMC Meeting will be March 31st. The Fed Minutes from December stated it plans to raise interest rates 3 times in 2018 and Fed Watchers are betting the first increase will happen at the March 31st FOMC Meeting. At this point, Fed Watchers are placing **odds of a rate increase at 91%** at the March meeting.

222 Fed Target

- Inflation 2.1% CPI for the last 12 months
- Wage Growth 2.9% for the last 12 months
- GDP Growth 2.5% annualized rate for the last 12 months (4th Quarter = 2.6%)

Housing Market Data January 2018

The final numbers are in for Home Sales in 2017 and it was a banner year despite the lack of inventory that plagued house hunters - especially 1st Time Buyers. **For all of 2017: Existing Home Sales were up 1.1% to 5,510,000 units** - the highest since 2006; **New Home Sales increased 14.1% to 608,000 units sold** - the highest in over a decade. Builders and Developers are slowly ramping up production as they continue to struggle with labor shortages, material costs, lack of available land, and regulations.

Economic Indicators for the Housing Market Released in January 2018

- **Existing Home Sales** (closed deals in December) fell 3.6% to an annual rate of 5,570,000 homes. For all of 2017, Existing Home Sales increased 1.1%. The median price for all types of homes is now \$246,800 - up 5.8% from a year ago. The median Single Family Home price is \$248,100 and \$236,500 for a condo. First Time Buyers were 32%, Investors 16%, Cash Buyers 20%. Homes were on the market an average of 40 days. Currently, 1,480,000 homes are for sale - down 10.3% from a year ago.
- **New Home Sales** (signed contracts in December) fell 9.3% to a seasonally adjusted annual rate of 625,000 units. The median price of a new home is \$335,400 and the average sales price is \$389,900. Inventory of New Homes for sale is 295,000 - a 5.7 month supply.
- **Pending Home Sales Index** (signed contracts in December) rose 0.5% to 110.1 from 109.3.
- **Housing Starts** (excavation began in December) fell 8.2% to a seasonally adjusted annual rate of 1,192,000 units and are now down 6.0% in the last 12 months. Single Family Housing Starts fell 11.8% to an annual pace of 836,000 units. Multifamily Starts fell to 352,000 units.
- **Building Permits** (issued in December) fell 0.1% to an annual rate of 1,302,000. Single Family permits rose 1.8% to 881,000 units, and Multifamily permits fell 3.9%.
- New Home Sales, Housing Starts, and Building Permits are **notoriously volatile indicators**. They carry a lot of statistical uncertainty from constant revisions, changes to the seasonal adjustment formula, and are heavily influenced by weather.
- **S&P/Case-Shiller Home Price Index** rose 0.8% in November. The 20 City Composite index is up 6.41% in the last 12 months.
- **FHFA Home Price Index** rose 0.4% during November, now up 6.5% year over year.

Labor Market Economic Indicators Released in January 2018

The Jobs Report showed the Economy added 148,000 new jobs during December (160,000 expected) and 200,000 new jobs during January (180,000 expected). Doing the math for the entire year means the Economy added over 2,000,000 new jobs during 2017. Plus, the overall average wage increased 2.9% during 2017. Not bad - those gains were more than Economists were expecting when the year started. In the last 12 months, the construction sector added 226,000 jobs, manufacturing added 186,000 jobs, and food service (which includes drinking establishments) added 255,000 jobs. In 2017 the health care sector added 288,000 new jobs. The Labor Force Participation Rate is holding steady at 62.7% even as droves of Baby Boomers are retiring. All in all, the Labor Market had a good year in 2017, and at this point, it looks like it will continue. That's good news for the Mortgage Business. When workers feel secure in their jobs, they buy homes.

- The **Economy** added 148,000 new jobs in December and 200,000 in January.
- The **Unemployment Rate** held steady at 4.1% in December and January.
- The **Labor Force Participation Rate** held steady at 62.7% in December and January.
- The **Average Wage** rose 2.9% during 2017.

Inflation Economic Indicators Released in January 2018

Inflation numbers for the last month of 2017 were mixed. CPI was up 0.15% and PPI fell 0.1% (due to lower food and gas prices). With the final Inflation numbers in for last year, we can take a look at what was up and down during 2017. Overall Inflation was up 2.1%, food rose 1.6%, energy (all types) rose 6.9%, gasoline up 10.7%, fuel oil up 15.2%, shelter up 3.2%, medical care up 1.6%, medical supplies up 2.3%, apparel down 1.6%, new cars down 0.5%, used cars down 1.0%.

- **CPI** rose 0.15%, now up 2.1% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.3%, now up 1.8% in the last 12 months.
- **PPI** fell 0.1%, now up 2.6% in the last 12 months.
- **Core PPI** (ex-food & energy) fell 0.1%, up 2.3% in the last 12 months.

GDP Economic Data Released in January 2018

The 1st guesstimate for **4th Quarter 2017 GDP** showed the Economy grew at a 2.6% annualized rate (3.0% expected). This latest number pegs **2017 GDP growth at 2.5%** - the fastest growth rate for the US Economy in over 2 years. An increase in personal consumption and business investments, along with the tax cuts, helped boost growth. Meanwhile across the pond, the GDP of the European Union rose 2.7% in 2017. A lot of their increase was due to a rise of French business investments - just like in the US. French business confidence has been bolstered by the elimination of some of their antiquated employment laws. When business is confident about future growth prospects - they spend money and invest in capital equipment. That works for the US and Europe. Remember that each quarter has 3 revisions for GDP, so all the revisions are more like moving targets or guesstimates.

Consumer Economic Indicators Released in January 2018

Consumers are Confident and it showed up in the Holiday buying season. 2017 was a good year for Retail Sales as Consumers hits stores and online sellers during the Holidays. Retail Sales improved 0.9% in November and 0.4% in December.

- **Retail Sales** rose 0.4% in December. For the year Retail Sales are up 5.4% year over year.
- The **Consumer Sentiment Index** fell to 95.7 from 95.9 in December.
- **Consumer Confidence** rose to 125.4 from 122.1 in December - which is a 17 year high.

International & Misc

- **More Manufacturing jobs:** Toyota and Mazda announced they will build auto plants in Alabama. Samsung and LG will build appliance plants in South Carolina and Tennessee.
- **Oil prices** are at their highest levels since 2015 at \$70 a barrel due to production cuts in OPEC countries. As oil prices rise, shale producers will step in and ramp up their production.
- **This is ironic** - the Kremlin has accused the US of trying to influence the upcoming Russian Presidential Elections in March through the use of Economic Sanctions.

This Economic Commentary is written to be a **succinct summary of the major Economic Indicators and Economic Data that greatly influence the Mortgage and Real Estate Industries**. It is geared for Mortgage Professionals that need to stay abreast of Economic Information but don't have hours to research and analyze Economic Data. The Economic Calendar is attached as a PDF. You can view it on your computer, or print it out to post in a visible spot so you won't be surprised by interest rate changes due to the release of Economic Information.

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