

Economic CALENDAR

April
2021

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The **Mortgage Economic Review April 2021** summarizes recent Key Economic Indicators, Data, and Events important to Mortgage and Real Estate Professionals.

It's April. Spring has officially arrived, along with warmer weather and another round of Stimulus Checks. What else is rising along with temperatures? Consumer Confidence, Interest Rates, Home Prices, Government Spending, Taxes, and most importantly - Economic Growth. Economic Data released in March confirmed that the Economy continues its Recovery. President Biden unveiled his \$2.25T **American Jobs Plan** to rebuild the country's aging infrastructure and create high-paying jobs. The plan has been cautiously embraced, but paying for it with higher taxes is the big issue. Consumers are typically very optimistic in Springtime, and this year they are itching to get out and spend their Stimulus Checks. Higher demand means higher prices and Inflation. In this case, Inflation is not all that bad - it means the Economy is recovering, and a little Inflation is welcome - as long as it doesn't drift too high.

Key Economic Data and Events in March 2021

- President Biden unveiled the American Jobs Plan - a \$2.25T Infrastructure and Taxation Plan
- Congress passed the \$1.9T American Rescue Plan Act with \$1,400 Stimulus Checks
- Mega Container Ship "Ever Given" ran aground and blocked the Suez Canal for 6 days
- Hedge Fund Archegos Capital rattled financial markets when it imploded
- Roughly 100,000,000 Americans (1/3 of the population) have been vaccinated
- Interest Rates edged higher - 10 year US Treasury yield traded over 1.77%
- Inflation edged higher with the CPI at 1.7% YoY and PPI at 2.8% YoY
- US GDP for 1st quarter 2021 is running at a 4.3% annual growth rate

Interest Rates and Fed Watch

The Fed wrapped up its latest FOMC Meeting on March 17th. As in the past several meetings, there were no changes to monetary policy. The target range for Fed Funds remains 0.0% - 0.25%, and the Fed will continue to purchase \$120B of Bonds per month (\$80B Treasuries and \$40B MBS). The Fed's view of the Recovery is more optimistic than a few months ago. They anticipate stronger GDP growth, lower Unemployment, and higher Inflation in 2021. The Fed still intends to keep Interest Rates low through 2022 and 2023. Chairman Powell reiterated his optimism and support in a statement to the House Financial Services Committee: "The Recovery has progressed more quickly than generally expected and looks to be strengthening. But the Recovery is far from complete, so, at the Fed, we will continue to provide the Economy the support that it needs for as long as it takes." The next FOMC Meeting is on April 27th and 28th.

Housing Market Data Released in March 2021

Blame the weather. It's a cliché but is often true. There was a lot of red in the March Housing Data, and you can blame it on the weather. Existing Home Sales, New Homes Sales, and Housing Starts all fell in February. Economists blame the negative data on nasty weather throughout the country. There certainly isn't a lack of demand - just a lack of inventory - and lumber. The price of lumber has skyrocketed. Builders estimate higher lumber prices have added \$15,000 - \$30,000 to the price of a New Home. Despite higher Home Prices, Economists expect the Housing Market to stay strong all year - even surpassing last year.

- **Existing Home Sales** (closed deals in February) fell 6.6% to an annual rate of 6,220,000 homes, up 9.1% in the last 12 months. The median price for all types of homes is \$313,000 - up a whopping 15.8% from a year ago (that's not a typo). The median Single-Family Home price is \$317,100 and \$280,500 for a Condo. First Time Buyers were 31%, Investors and 2nd Home Buyers 17%, Cash Buyers 22%. Homes were on the market an average of 20 days, and 74% were on the market for less than a month. Currently, 1,030,000 homes are for sale, down 29.5% from 1,460,000 units a year ago.
- **New Home Sales** (signed contracts in February) fell 18.2% to a seasonally adjusted annual rate of 775,000 homes - down 8.2% YoY. The median New Home price is \$349,400, and the average is \$416,800. There are 312,000 New Homes for sale, which is a 3.8 month supply.
- **Pending Home Sales Index** (signed contracts in February) fell 10.6% to 110.3 from 123.4, down 0.5% YoY.
- **Building Permits** (issued in February) fell 10.8% to a seasonally adjusted annual rate of 1,682,000 units - up 17.0% YoY. Single-Family Permits fell 10.0% to an annual pace of 1,143,000 homes, up 15.0% YoY.
- **Housing Starts** (excavation began in February) fell 10.3% to an annual adjusted rate of 1,421,000 units - down 9.3% YoY. Single-Family Starts fell 8.5% to 1,040,000 homes - up 0.6% in the last 12 months.
- **Housing Completions** (completed in February) rose 2.9% to an annual adjusted rate of 1,362,000 units - up 5.0% YoY. Single-Family Completions rose 2.8% to 1,042,000 homes - up 3.2% in the last 12 months.
- **S&P/Case-Shiller 20 City Home Price Index** rose 1.2% in January, up 11.1% YoY.
- **FHFA Home Price Index** rose 1.0% in January, now up 12.0% YoY.

Labor Market Economic Data Released in March 2021

More good news in the Labor Market - the Economy created **916,000 New Jobs** in March and **379,000** in February. The **Unemployment Rate** fell to **6.0%** in March from **6.2%** in February. The Fed expects Unemployment to hit **4.5%** by year-end 2021, **3.9%** in 2022, and **3.5%** in 2023. Most of the new jobs came from rehired workers in the Hospitality and Travel Industries. It's nice to see more workers returning to their jobs, but the Labor Market still has a long way to go to pre-pandemic levels. Roughly 9.0 million workers are still unemployed.

- The **Economy** created **916,000 New Jobs** during March and **379,000** in February
- The **Unemployment Rate** fell to **6.0%** in March from **6.2%** in February and **6.3%** in January
- The **Labor Force Participation Rate** rose to **61.5%** in March from **61.4%** in February
- The **Average Hourly Wage** fell **0.1%** in March, rose **0.2%** in February, now up **4.2%** YoY

Inflation Economic Data Released in March 2021

Inflation Data took a jump in February, but it wasn't as bad as it looks. Stripping out volatile food and energy prices shows Inflation is still relatively tame. Year over year, Core CPI was **1.3%**, and PPI was **2.5%**. We are now entering the **Reflation Phase** of the Economic Recovery. Expect Inflation to continue in the next 3 quarters of 2021, then (hopefully) start to moderate into 2022. Gasoline prices soared as oil demand, OPEC cutbacks, Texas refinery shutdowns, and the blocked Suez Canal all applied upward pressure to oil prices.

- **CPI** rose **0.4%**, now up **1.7%** in the last 12 months
- **Core CPI** (ex-food & energy) rose **0.1%**, up **1.3%** in the last 12 months
- **Owners' Equivalent Rent** rose **0.3%**, up **2.0%** YoY
- **PPI** rose **0.5%**, up **2.8%** in the last 12 months
- **Core PPI** (ex-food & energy) rose **0.2%**, up **2.5%** in the last 12 months

GDP Economic Data Released in March 2021

The 3rd and final estimate of 4th Quarter 2020 US GDP showed the **Economy** grew at a **4.3%** annualized rate - above Economists' expectations. Upward revisions to growth came from a **13.1%** rise in spending on Non-residential fixed investments, equipment, structures, and intellectual property. One source of concern going forward is supply chain constraints. Manufacturing Orders are way up, but factories are having a hard time procuring supplies. Despite the bumpy road, Economists expect the Economy could grow **6.5%** in 2021.

Consumer Economic Data Released in March 2021

Consumer Data released in March was mixed. Retail Sales dropped while Consumer Confidence and Consumer Sentiment surged. Despite the unexpected decline in Retail Sales - which is mostly attributed to the nasty weather throughout the nation - the Consumer is very optimistic. Consumers are itching to spend their Stimulus Checks. Many Consumers haven't eaten in a restaurant or flown on an airplane in over a year. Along with restaurants and travel, Consumers intend to buy big-ticket items like homes and autos. Since the US Economy is **70%** Consumer-based, this will likely set the stage for a Mini-Boom in the Summer and Fall.

- **Retail Sales** fell **3.0%**, now up **6.3%** in the last 12 months
- **Consumer Confidence Index** rose to **109.7** from **91.3** the previous month
- **Consumer Sentiment Index** (U of M) rose to **84.9** from **83.0** the previous month

Energy, International, and Things You May Have Missed

Oil Prices bounced between \$60 - \$69 per barrel in March. We are still feeling the effects of problems in February from depleted reserves, OPEC cutbacks, and restarting Texas refineries. As of April 5th, West Texas Intermediate Crude is trading around \$59/barrel, and North Sea Brent Crude is trading about \$62/barrel.

- US and China Trade officials had a contentious in-person meeting in Alaska on March 19.
- The Turkish Lira plunged 15% in value after President Erdogan unexpectedly replaced the head of its central bank.
- Germany and England imposed new lockdowns to fight another Covid surge.
- North Korea completed 2 missile tests in violation of UN Sanctions.
- China tightened its grip on Hong Kong's elections - all candidates must now pass a "review committee" to ensure they are loyal to the Chinese Communist Party.

The **Mortgage Economic Review** is a succinct summary of key Economic Indicators and Economic Data that influence the Mortgage and Real Estate Industries. It is written for Mortgage Professionals that need to stay current on Economic Information but don't have hours to research and analyze Economic Data. Feel free to share this with a friend or colleague in the Mortgage or Real Estate business.

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