

# Economic CALENDAR

March  
2023

Monday	Tuesday	Wednesday	Thursday	Friday
		<b>1</b> Construction Spending ISM Manufacturing Index MBA Mortgage Apps	<b>2</b> Productivity Weekly Jobless Claims	<b>3</b> ISM Non-Manufacturing Index
<b>6</b> Factory Orders	<b>7</b> Consumer Credit	<b>8</b> JOLTS ADP Employment Trade Balance MBA Mortgage Applications	<b>9</b> Weekly Jobless Claims	<b>10</b> <b>Employment Report</b> Fed Budget
<b>13</b>	<b>14</b> <b>CPI</b> NFIB Business Optimism	<b>15</b> <b>PPI, Retail Sales</b> NAHB Index Business Inventories MBA Mortgage Apps	<b>16</b> <b>Housing Starts &amp; Permits</b> Import-Export Prices Weekly Jobless Claims	<b>17</b> Leading Economic Indicators Industrial Production
<b>20</b>	<b>21</b> <b>FOMC Meeting</b> <b>Existing Home Sales</b>	<b>22</b> <b>FOMC Meeting &amp; Statement</b> MBA Mortgage Applications	<b>23</b> <b>New Home Sales</b> Weekly Jobless Claims	<b>24</b> Durable Goods
<b>27</b>	<b>28</b> Consumer Confidence S&P CS Home Price Index FHFA Home Price Index	<b>29</b> Pending Home Sales MBA Mortgage Applications	<b>30</b> <b>GDP</b> Weekly Jobless Claims	<b>31</b> <b>PCE</b> Personal Income & Spending Consumer Sentiment



## Mortgage Economic Review March 2023

The **Mortgage Economic Review** is a monthly summary of Key Economic Indicators, Data, and Events pertinent to Mortgage, Housing, and Finance Professionals.

### AT A GLANCE - Key Economic Events and Data released during February 2023

- **Interest Rates:** The 10-Year Treasury yield rose to 3.92% (Feb 28) from 3.52% (Jan 31).
- **Housing:** Existing Home Sales fell 0.7%, New Home Sales rose 7.0%, and Pending Home Sales rose 8.1% during January. Home Prices continue to fall but are up 6.6% YoY.
- **Labor:** The US Economy created 517,000 New Jobs in January. The Unemployment Rate declined to 3.4%, and Wages increased 4.4% YoY.
- **Inflation:** January CPI rose 0.5% (+6.4% YoY), and PPI rose 0.7% (+6.0% YoY).
- **The Economy:** US GDP grew by a 2.7% annualized rate in 4Q2022, up 2.1% YoY.
- **Consumers:** Retail Sales rose 3.0%, Consumer Sentiment up, Consumer Confidence down.
- **Stock Markets** were down in February: Dow -4.2%, S&P - 2.6%, Nasdaq -1.1%.
- **Oil prices** fell to \$77/Barrel (Feb 28) from \$79/Barrel (Jan 31).
- **Natural Gas prices** fell to \$2.66/MMBtu (Feb 28) from \$2.75MMBtu (Jan 31).

### Interest Rates and Fed Watch

The last FOMC Meeting ended February 1st with the Fed raising the Fed Funds rate by 0.25% to a target range of 4.50% - 4.75%. Now all eyes are focused on the next FOMC Meeting on March 22nd. Most Economists expect the Fed to bump Interest Rates up another 0.25%. However, the Economic Data released in February revealed that Inflation and the Labor Market are hotter than expected. Consequently, some Analysts predict the Fed will do a 0.50% increase. Economists generally all expect the Fed to continue raising Interest Rates until the Fed Funds Rate equals the Inflation Rate. That would peg the "**Terminal Fed Funds Rate**" in the range of 5.25% to 5.75%. The Fed has repeatedly said they will continue raising interest rates until Inflation is under control. So far, the Fed has stuck to that policy.

- **10-Year Treasury Note Yield** rose to 3.92% (Feb 28) from 3.52% (Jan 31).
- **30-Year Treasury Bond Yield** rose to 3.93% (Feb 28) from 3.65% (Jan 31).
- **30-Year Fixed Mortgage** rose to 6.50% (Feb 23) from 6.13% (Jan 26).
- **15-Year Fixed Mortgage** rose to 5.76% (Feb 23) from 5.17% (Jan 26).

### Housing Market Data Released in February 2023

Mortgage Rates are hovering in the 6.5% range. That's higher than the recent record lows of 2.5% in 2021, but it's not a high rate from a historical perspective - and home buyers know it. Most Home Buyers have no trouble buying a home with a 6.5% Mortgage. They can always Refinance if rates come down. The problem is they can't find a Home to buy. Inventory has been a perpetual problem in the Housing Market for 5 years, and the low Mortgage Rates of 2021 have made it worse. Homeowners with a 2.5% Mortgage Rate are "Locked In". They are not moving unless they have to, which is exacerbating the Inventory problem. Luckily New Homes under construction are near record-high levels. Those New Homes will be delivered in 2023.

- **Existing Home Sales** (closed deals in January) fell 0.7% to an annual rate of 4,000,000 homes, down 36.9% in the last 12 months. 29% were all Cash Sales. The median price for all types of homes is \$359,000 - up 1.3% from a year ago. The median Single-Family Home price is \$363,100, up 0.7% YoY. The Median Condo price is \$320,000, up 5.2% YoY. Homes were on the market for an average of 33 days, and 54% were on the market for less than a month. Currently, 980,000 homes are for sale. **New Home Sales** (signed contracts in January) rose 7.2% to a seasonally adjusted annual rate of 670,000 homes - down 19.4% YoY. The median New Home price is \$427,500. The average price is \$474,400. There are 439,000 New Homes for sale, a 7.9 month supply. **During 2022: 644,000 New Homes were sold, down 16.4% from 771,000 in 2021.**
- **Pending Home Sales Index** (signed contracts in January) rose 8.1% to 82.5 from 76.9 the previous month, down 24.1% YoY.
- **Building Permits** (issued in January) rose 0.1% to a seasonally adjusted annual rate of 1,339,000 units - down 27.3% YoY. Single-Family Permits fell 1.8% to an annual pace of 718,000 homes, down 40.0% YoY.
- **Housing Starts** (excavation began in January) fell 4.5% to an annual adjusted rate of 1,309,000, down 21.4% YoY. Single-Family Starts fell 4.3% to 841,000 units, down 27.3% YoY.
- **Housing Completions** (completed in January) rose 1.0% to an annual adjusted rate of 1,406,000 units - up 12.8% YoY. Single-Family Completions rose 4.4% to an annual adjusted rate of 1,040,000 homes - up 11.9% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** fell 0.5% in December, up 4.6% YoY.
- **FHFA Home Price Index** fell 0.1% in December, now up 6.6 % YoY.

### Labor Market Economic Data Released in February 2023

The Economy created 517,000 New Jobs during January. This large increase initially generated a lot of excitement. That number looks impressive but take it with a large grain of salt. A large portion of that huge gain was due to changes in the seasonal adjustment factor. If you look at the unadjusted raw data, the number of New Jobs Created was much lower. That's not to say that the Labor Market is weakening - it is still very robust. Remember: One data point does not make a trend. The next Jobs Report is March 10th - stay tuned.

- The **Economy** created 517,000 New Jobs in January and 260,000 in December.
- The **Unemployment Rate** fell to 3.4% in January from 3.5% in December.
- The **Labor Force Participation Rate** rose to 62.4 in January and 62.3% in December.
- The **Average Hourly Wage** rose 0.3% in December and 0.3% in January, up 4.4% YoY.
- **Job Openings** rose to 11,012,000 in December from 10,500,000 in November.

### Inflation Economic Data Released in February 2023

The War on Inflation is proving to be harder than expected. The January CPI clocked Inflation at 6.4% annually - much higher than Economists' expected. This was disappointing because all the previous data showed Inflation was slowly drifting lower. The Fed will eventually win the War on Inflation, but it will take longer than expected and be a bumpy ride. In the meantime, the usual culprits are responsible for stubbornly high Inflation - Energy, food, shelter, and wages.

- |                                     |  |  |
|-------------------------------------|--|--|
| • <b>CPI</b> rose 0.5%, up 6.4% YoY |  | <b>Core CPI</b> rose 0.4%, up 5.6% YoY |
| • <b>PPI</b> rose 0.7%, up 6.0% YoY |  | <b>Core PPI</b> rose 0.6%, up 5.4% YoY |
| • <b>PCE</b> rose 0.6%, up 5.4% YoY |  | <b>Core PCE</b> rose 0.6%, up 4.7% YoY |

### GDP Economic Data Released in February 2023

The 2nd estimate for 4th Quarter 2022 GDP showed the US Economy grew at a 2.7% annualized rate, up 2.1% YoY. The US Economy is 70% Consumer-driven. Right now, workers feel secure in their jobs, their wages are growing, they have money in the bank, and equity in their homes. The Economy will continue to grow as long as the Consumer feels confident and continues to spend. We won't get a Recession with a Hard Landing unless the Consumer loses confidence and stops spending.

### Consumer Economic Data Released in February 2023

The most recent Consumer Confidence and Sentiment surveys show that Consumers feel better about Inflation. They think the worst Inflation is behind them but expect it to continue in the near future. Consequently, they continue to spend but are more selective about their spending - which is why Retail Sales jumped 3.0% in January. What did Consumers buy last month? Restaurant & Bars up 7.2% (+25.2% YoY), Sporting goods up 6.2% (+6.9% YoY), Clothing up 2.5% (+6.3% YoY), Appliance and Electronics up 3.5% (-6.3% YoY), Furniture up 4.4% (+3.8% YoY). Interestingly, Sales at Department Stores rocketed up 17.5% (+5.4% y/y).

- **Retail Sales** rose 3.0% during January, up 6.4% in the last 12 months.
- **Consumer Confidence Index** fell 2.9% to 102.9 from 106.0 the prior month.
- **Consumer Sentiment Index (U of M)** rose 3.2% to 67 from 64.9 the previous month.

### Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell to \$77/Barrel (Feb 28) from \$79/Barrel (Jan 31).
- **North Sea Brent Crude** was unchanged at \$84/Barrel (Feb 28) from \$84/Barrel (Jan 31).
- **Natural Gas** fell to \$2.66/MMBtu (Feb 28) from \$2.75/MMBtu (Jan 31).
- Shell Oil reported windfall profits in 2022 of \$40 billion - the most profitable year ever for the 115 year old company.
- Italy experienced a 5 hour Internet blackout that affected most of the country - a cyberattack is the suspected cause.
- A devastating 7.8 Earthquake hit Turkey and Syria that collapsed 6,000 buildings and killed almost 50,000 people. The high death toll is blamed on shoddy building construction.
- February marks the 1st anniversary of the Ukrainian War.

## Click n' Close Mortgage TPO Lending

The content in this newsletter has been created by an independent third party for use by Mortgage and Real Estate Professionals only and not for use by Consumers or as an advertisement to extend credit or solicit mortgage originations. The material provided is for informational and educational purposes only and should not be construed as investment, legal, financial, or mortgage advice. The information is gathered from sources believed to be credible, some is opinion based and editorial in nature. Click n' Close Mortgage Inc and Mortgage Elements Inc does not guarantee or warrant its completeness or accuracy and there is no guarantee it is without errors. © Copyright 2023 Mark Paoletti, Mortgage Elements Inc, All Rights reserved