



Economic Commentary - November 2019

The November 2019 Mortgage Economic Review summarizes Key Economic Data and Events that are important to Mortgage and Real Estate Professionals. For the November 2019 Mortgage Economic Calendar Click here.

With most of the attention focused on the FOMC Meeting, Trade War, and contentious political environment, many people overlooked this month's Beige Book. The Beige Book is a compilation of activity and sentiment from businesses in the 12 Fed Districts across the country. The October Beige Book described Business Activity as "slight to modest" and Business attitudes as "more cautious". This Economic summary also reported that Businesses expect the Economy to continue to grow but at a slower pace over the next 6 to 12 months. Businesses remain optimistic in the near term despite the Trade War. The Manufacturing sector saw weaker activity, and a shortage of workers exacerbated the Economic slowdown. In short: the Economy may be slowing down, but a Recession is still unlikely - despite what some doom-and-gloomers are saying.

Economic Data and Events	Inflation Economic Data / Information
Interest Rates and Fed Watch	GDP Economic Data
Housing Market Indicators	Consumer Economic Indicators
Labor Market Economic Indicators	Energy, International, and Misc

Key Economic Data and Events October 2019

- The Federal Reserve cut the Fed Funds Interest Rate by 0.25%
- The House of Representatives voted to start impeachment hearings against President Trump
- US GDP expanded at a 1.9% annualized rate in the 3rd quarter of 2019
- The Economy added a revised 180,000 New Jobs during September and 128,00 during October
- Inflation continues to remain low, with the CPI at 1.7% YoY
- The UK and EU agreed to extend the Brexit deadline - again - to January 31, 2020
- The Trade War continues to plod along with hope that there may be a "skinny deal" soon

Interest Rates and Fed Watch

As widely expected, the **Federal Reserve cut the Fed Funds Interest Rate by 0.25% to a target range of 1.50% - 1.75%.** The vote was not unanimous with 2 Fed Governors dissenting. While this last rate cut was expected, most Economists were more interested in the accompanying statement. This recent Fed Statement changed from the previous ones by dropping the clause which said the Fed would "act appropriately to sustain the expansion". Now it says the Fed will monitor data as it "assesses the appropriate path of the target range for the federal funds rate." **Fedspeak Translation:** Don't expect another Interest Rate cut in December or maybe for awhile. The Minutes from the October FOMC Meeting will be released November 20 and will give more insight into the Fed's thinking. The **next FOMC Meeting is 6 weeks away on December 10th & 11th,** and at this point, odds of a rate cut are running at about 20%.

222 Fed Target

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|---------------|---|
| • Inflation | 1.7 CPI for the last 12 months |
| • Wage Growth | 3.0% for the last 12 months |
| • GDP Growth | 2.0% annualized rate for the last 12 months |

Housing Market Data released in October 2019

There was a lot of red in the October Housing Data. Housing has been on a tear for the last few years and a slowdown should be expected given inventory and affordability issues. Homes are still selling and prices are still going up the last 12 months, but more slowly. One interesting data point occurred as the Case-Shiller 20 City Composite Index fell slightly. This piece of information is the first negative number in a Home Price Index in a while. One data point does not make a trend, but this could be an indication that Home Prices will start to flatten out in 2020. As usual, cities with the most price appreciation are in warmer climates: Phoenix, Las Vegas, Charlotte, and Tampa.

Housing Market Data Released in October 2019

- **Existing Home Sales** (closed deals in September) fell 2.2% to an annual rate of 5,380,000 homes, now up 3.9% in the last 12 months. The median price for all types of homes is now \$272,100 - up 5.9% from a year ago. The median Single Family Home price is \$275,100 and \$248,600 for a condo. First Time Buyers were 33%, Investors 14%, Cash Buyers 17%. Homes were on the market an average of 32 days, and 49% were on the market for less than a month. Currently, 1,830,000 homes are for sale, down from 1,880,000 a year ago.
- **New Home Sales** (signed contracts in September) fell 0.7% to a seasonally adjusted annual rate of 701,000 homes - up 15.5% YoY. The median New Home price was \$299,400, and the average New Home price was \$362,700. The number of New Homes for sale fell 0.6% to 321,00 from 326,000 units the previous month, which represents a 5.5 month supply.
- **Pending Home Sales Index** (signed contracts in September) rose 1.5% to 108.7 from 107.3 the prior month.
- **Housing Starts** (excavation began in September) fell 9.4% to a seasonally adjusted annual rate of 1,256,000 units - up 1.6% YoY. Single-Family Starts rose 0.3% to an annual pace of 918,000 units - up 4.3% YoY.
- **Building Permits** (issued in September) fell 2.7% to an annual adjusted rate of 1,387,000 - up 7.7% YoY. Single Family permits rose 0.8% to 882,000 units - up 2.8% YoY.
- **Housing Completions** (completed in September) fell 9.7% to an annual rate of 1,139,000 units - down 1.0% in the last 12 months. Single Family Completions fell 8.6% to 852,000 units - up 1.8% YoY.
- **S&P/Case-Shiller 20 City Composite Home Price Index** fell 0.16% in August - up 2.0% YoY.
- **FHFA Home Price Index** rose 0.2 % in August, now up 4.6% YoY.



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Labor Market Economic Indicators Released in October 2019

Job growth continues to beat expectations. The Bureau of Labor Statistics reported the **Economy added a revised 180,000 new jobs during September** (145,000 expected) **and another 128,000 in October** (90,000 expected). With this latest Labor Market Data, the Economy has created an average of 154,000 New Jobs per month for the last 6 months. It's clear the pace of hiring has slowed in the last few months. Unemployment Rates have remained virtually unchanged at the 3.5% level - that number hasn't been seen since 1969. Some Economists believe the mixed Employment Data is signaling an upcoming Recession. Others maintain the Labor Market is strong with record low Unemployment, 3.0% Wage Growth, High Participation Rate, and 7,000,000 unfilled jobs

- The **Economy added 180,000 new jobs** (revised from 136,000) in September and **128,000 in October**
- The **Unemployment Rate** fell to 3.5% in September, and rose to 3.6% in October
- The **Labor Force Participation Rate** was unchanged at 63.2% in September, and rose to 63.3% in October from 63.2% in August
- The **Average Hourly Wage** was unchanged in September, and rose 0.2% in October, up 3.0% YoY

Inflation Economic Data Released in October 2019

- Inflation continues to be low and receding. The CPI was unchanged while PPI and Core PPI were in negative territory. Most Economists attribute the low Inflation Data to the slowing US and Global Economies - slowing enough to apply downward pressure on prices. Energy prices fell 1.4%, shelter costs rose 0.3%, Medical services rose 0.4%. Used Car Prices were especially hard hit, dropping 1.6% in a single month, while New Car Prices fell 0.1%. The low Inflation Data continues to come in below the Fed's target of 2.0%, which gives the Fed more justification for additional Interest Rate cuts.
- **CPI was unchanged**, now up 1.7% in the last 12 months
- **Core CPI (ex-food & energy) rose 0.1%**, now up 2.4% in the last 12 months
- **PPI fell 0.3%**, now up 1.4% in the last 12 months
- **Core PPI (ex-food & energy) fell 0.3%**, now up 2.0% in the last 12 months.

GDP Economic Data Released in October 2019

The **1st Estimate of 3rd Quarter 2019 GDP** showed the **Economy expanded at a 1.9% annualized rate** (1.6% expected). This latest GDP data places US Economic growth at 2.0% in the last 12 months, the slowest since 2016. Lower Business Investments and Exports were a drag on GDP. A resilient US Consumer, an increase in Government spending, and Residential Investments provided a GDP boost. Businesses cut back on investment in buildings and equipment, with computers and aircraft leading the decrease. However, spending on Residential Investment was accelerated by low Interest Rates. The GDP Data is clearly pointing to a slowing Economy, but as long as the Labor Market remains strong, and Consumers have jobs, they will continue to spend, and the Economy will chug along.

Consumer Economic Data Released in October 2019

Retail Sales fell for the first time since February as fears of a global slowdown are affecting the US Consumer. Economists have mixed opinions: is the Consumer reducing their spending because of legitimate Economic reasons, or, are Consumers reducing their spending because of the bad Economic news that is flooding the media? Is the media scaring Consumers out of stores? Interesting questions.

- **Retail Sales** fell 0.3%, up 4.1% in the last 12 months
- **Consumer Confidence Index** fell to 125.9 from 126.3 the prior month
- **Consumer Sentiment Index (U of M)** rose to 95.5 from 93.2 the prior month

Energy, International, and things you may have missed

- **Oil prices** bounced around \$56 per barrel throughout the month (Prices as of November 4: North Sea Brent Crude about **\$62** per barrel, West Texas Intermediate Crude about **\$57** per barrel)
- **US Special Forces killed ISIS Leader** Abu Bakr al-Baghdadi
- **Full Oil Output** has been restored in Saudi Arabia after last month's attack
- **Hong Kong Protests**, which started in March and have persisted, are now affecting tourism
- European 3Q GDP rose 0.2% - a surprise increase despite low German industrial output
- Argentina Elected Leftist President Alberto Fernández
- **Sanctions against Turkey**: The House of Representatives passed sanctions against Turkey over its offensive in Syria, but requires Senate approval before they are imposed

This Economic Commentary is written to be a **succinct summary of the 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.