



Economic Commentary - December 2019

The December 2019 Mortgage Economic Review summarizes Key Economic Data and Events that are important to Mortgage and Real Estate Professionals. For the December 2019 Mortgage Economic Calendar Click [here](#).

The Trade War and Impeachment Hearings dominated the news during November, but that didn't dampen Consumer Spending. Thanksgiving is behind us and we are in the Holiday Shopping Season. Retailers may have a very Merry Christmas as early reports show Black Friday and Cyber Monday Sales are setting records. That supports predictions from Fannie Mae, which forecasted 2020 GDP growth at 1.9% fueled by - you guessed it - strong Consumer Spending. As we head into the last month of the year, enjoy the Holidays, and don't worry about the Economy - it's doing fine.

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 November 2019

- FOMC Minutes indicate Fed Monetary Policy will be "on hold" for several months
- The US House of Representatives started public hearings to Impeach President Trump
- US GDP expanded at a 2.1% annualized rate in the 3rd quarter of 2019
- Inflation accelerated slightly with the CPI rising 0.4% in October, now 1.8% YoY
- The Economy added 128,000 New Jobs during October
- Pro-democracy candidates won 86% of the seats in the recent Hong Kong Elections

Interest Rates and Fed Watch

The Minutes from the last FOMC Meeting in October made it clear that Fed Monetary Policy will be "on hold" for the next few months. Most FOMC Committee members think Interest rate cuts in July, September, and October were enough to stabilize the Economy. Now they want to sit back and see how the Economy responds. The Fed said they would remain "data dependent", and a "pause" adjusting monetary policy is the "appropriate" thing to do at this point. However, if Economic Data starts going south, they will be forced to take further action. One Economic Indicator to watch closely is Retail Sales, especially during this holiday buying season. The Consumer has been the backbone of this Economy, and if Consumer Spending weakens during the 4th quarter, it would be an ominous sign of slower growth in 2020. **The next FOMC Meeting is December 10th & 11th**, and most Economists don't expect any changes to Interest Rates, so the odds of a rate cut are running at 0.0%.

222 Fed Target

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|-------------|---|
| Inflation | 1.8 CPI for the last 12 months |
| Wage Growth | 3.0% for the last 12 months |
| GDP Growth | 2.1% annualized rate for the last 12 months |

Housing Market Data released in November 2019

We are closing out the year with a Housing Market that is constrained by inventory and affordability issues. Even at record low Interest Rates, these two issues have plagued the Housing Market for several years. However, it looks like some relief is on the way. Building Permits and Housing Starts got off to slow start in 2019 but steadily increased throughout the year. New Home Sales are up a whopping 31% during 2019, and it looks like that trend will continue into 2020, helping supply issues. Existing Home Sales also continued on a positive trajectory. For GDP growth to continue through 2020, we need a healthy Housing Market. As long as people have jobs and wages are going up - they will continue to buy homes.

Housing Market Data Released in October 2019

- Existing Home Sales** (closed deals in October) rose 1.9% to an annual rate of 5,460,000 homes, now up 4.6% in the last 12 months. The median price for all types of homes is now \$270,900 - up 6.2% from a year ago. The median Single Family Home price is \$273,600 and \$248,500 for a condo. First Time Buyers were 31%, Investors 14%, Cash Buyers 19%. Homes were on the market an average of 36 days, and 46% were on the market for less than a month. Currently, 1,770,000 homes are for sale, down from 1,840,000 a year ago.
- New Home Sales** (signed contracts in October) fell 0.7% to a seasonally adjusted annual rate of 733,000 homes - up 31.6% YoY. The median New Home price was \$316,700, and the average New Home price was \$383,300. The number of New Homes for sale rose 0.3% to 322,000 from 321,000 units the previous month, which represents a 5.3 month supply.
- Pending Home Sales Index** (signed contracts in October) fell 1.7% to 106.7 from 108.7 the prior month (up 4.4% YoY).
- Housing Starts** (excavation began in October) rose 3.8% to a seasonally adjusted annual rate of 1,314,000 units - up 8.5% YoY. Single-Family Starts rose 2.0% to an annual pace of 936,000 units - up 8.2% YoY.
- Building Permits** (issued in October) rose 5.0% to an annual adjusted rate of 1,461,000 - up 14.4% YoY. Single Family permits rose 3.3% to 909,000 units - up 7.4% YoY.
- Housing Completions** (completed in October) rose 12.4% to an annual rate of 1,256,000 units - up 12.4% in the last 12 months. Single Family Completions rose 4.5% to 897,000 units - up 8.6% YoY.
- S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.4% in September - up 2.1% YoY.
- FHFA Home Price Index** rose 0.6 % in September, now up 5.1% YoY.



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Labor Market Economic Indicators Released in November 2019

Job growth continues to beat expectations. The Bureau of Labor Statistics reported the **Economy added 128,000 new jobs in October** (90,000 expected). The latest Employment Data demonstrates the ability of the Economy to create jobs, but it's clear the pace of hiring has slowed in the last few months. 2019 has been a good year for job growth. The Unemployment Rate has hovered around the 3.5% level for several months - that number hasn't been seen since 1969. The Labor Market continues to show resilience with record low Unemployment, 3.0% Wage Growth, High Participation Rate, and 7,000,000 unfilled jobs.

- The **Economy added 128,000 New Jobs in October**
- The **Unemployment Rate rose to 3.6% in October**
- The **Labor Force Participation Rate rose to 63.3%** in October from 63.2% in September
- The **Average Hourly Wage rose 0.2% in October**, up 3.0% YoY

Inflation Economic Data Released in November 2019

Inflation took a small jump as the CPI rose 0.4% in October. That pegs Inflation at 1.8% and Core Inflation at 2.3% in the last 12 months. At this point, there is no indication from the Economic data that Inflation is either heating up or cooling down. There are a few key sectors that account for most of the upward pressure on prices, while other sectors are deflating. Shelter and Medical costs have been the big drivers of Inflation for several years. Healthcare costs (about 16% of CPI) jumped 0.9% in October, up 5.1% YoY, while Shelter costs, (about a third of CPI), rose only 0.1%. Lodging prices tumbled 3.8%, while clothing prices declined 1.8%, new car prices dropped 0.2%, and used car prices increased 1.3%.

- **CPI rose 0.4%**, up 1.8% in the last 12 months
- **Core CPI (ex-food & energy) rose 0.16%**, up 2.3% in the last 12 months
- **PPI rose 0.4%**, up 1.1% in the last 12 months
- **Core PPI (ex-food & energy) rose 0.3%**, up 1.6% in the last 12 months

Loan Limit Increases for 2020

New Loan Limits have been announced for 2020

Conventional: The new 2020 base loan limit in most of the country will be **\$510,400** (a 5.4% increase over 2019).

FHA: New 2020 Loan Limit for FHA one-unit property: **\$331,760**

(Applicable with case #'s ordered on or after 1/1/20)

References: [Hud Announcement](#)
[Fannie Mae Lender Letter LL- 2019-09](#)
[Freddie Mac Announcement](#)

GDP Economic Data Released in November 2019

The **2nd Estimate of 3rd Quarter 2019 GDP** showed the **Economy expanded at a 2.1% annualized rate** (1.9% expected). This upward revision is better than expected and shows the US Economy continues to chug along. A lot of this recent GDP growth was due to an increase in inventories - which were up \$10.8 billion. The Fed is closely watching GDP and Inflation data while they see how the last few rounds of Interest Rate cuts affect Economic growth in the first half of 2020. In the meantime, the US Consumer and Consumer Spending continues to drive growth for the US (and Global) Economy.

Consumer Economic Data Released in November 2019

Retail Sales returned to positive territory in October with a 0.3% increase. A lot of the increase can be credited to Auto Sales jumping 0.5% (Auto Sales account for 20% on the index). Internet Retailers also had a good month rising 0.9%, as did Gas Stations, rising 1.1%. Most other categories were down: Electronics down 0.4%, Building Materials down 0.5%, Furniture down 0.9%, Clothing down 1.0%, Sporting Goods down 0.8%, Food Service down 0.3%. Consumers may be holding back waiting for Black Friday deals as we enter the holiday buying season. Consumer Confidence and Sentiment remain positive, indicating the Trade War and/or Impeachment hearings haven't phased the Consumer

- **Retail Sales rose 0.3%**, up 3.1% in the last 12 months
- **Consumer Confidence Index fell slightly to 125.5** from 125.9 the prior month
- **Consumer Sentiment Index (U of M) rose to 96.8** from 95.5 the prior month

Energy, International, and things you may have missed

- **Oil prices** bounced around **\$58** per barrel throughout the month (Prices as of December 2: North Sea Brent Crude about **\$61** per barrel, West Texas Intermediate Crude about **\$55** per barrel).
- **Israeli Prime Minister Netanyahu** was indicted for corruption. He said he would fight the charges and not resign - breaking tradition by staying in power as previous PMs have resigned.
- **Colombia closed its borders** in anticipation of mass protests against government austerity policies.
- **Global Protests are spreading:** The poor in Brazil, Argentina, Chile, Bolivia, Columbia, and Venezuela are pushing back and protesting austerity policies.
- **Civil Disobedience in Iraq:** Protesters blocked Iraq's main port and called for a general strike - they are protesting political corruption and control of the country by foreign interests.
- Congress passed a bill supporting the Hong Kong Protesters and their Pro-democracy efforts.

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.

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