

Economic CALENDAR

January 2025

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Mortgage Economic Review January 2025

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 December 2024

- **Interest Rates:** The 10-year Treasury yield rose to 4.58% (Dec 31) from 4.18% (Nov 29).
- **Housing:** Existing Home Sales rose 4.8% (+6.1% YoY), New Home Sales rose 5.9% (+8.7% YoY), and Home Prices are up 4.5% YoY.
- **Labor:** The US Economy created 227,000 New Jobs in November. The Unemployment Rate rose to 4.2%. Wage Growth rose to a 4.0% YoY pace.
- **Inflation:** CPI rose 0.3% in November (+2.7% YoY), and PCE rose 0.1% (+2.4% YoY).
- **The Economy:** US GDP grew at a 3.1% annualized rate in 3Q2024, up 2.7% YoY.
- **Consumers:** Retail Sales rose 0.7% in November (+3.8 YoY), Consumer Confidence fell 7.2% (-3.1%YoY).
- **Stock Markets** were mixed in December but were up for the year: Dow -5.3% (+19.0% YoY), S&P -2.5% (+24% YoY), Nasdaq +0.5% (+30.8% YoY).
- **Oil Prices** rose to \$72/Barrel (Dec 31) from \$68/Barrel (Nov 29).

Interest Rates and Fed Watch

The last FOMC meeting of 2024 wrapped up on December 8th with the Fed - as expected - cutting Interest Rates by 0.25%. The Fed Funds Target rate is now 4.25% - 4.50%. Then, the Fed announced that they would prefer to reduce the number of Interest Rate cuts in 2025 to only two. They had previously planned 4 rate cuts. That revelation rattled the Financial Markets - Stocks and Bonds tanked. Key points in the Fed Statement are:

- "Recent indicators suggest that economic activity has continued to expand at a solid pace"
- "Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated"
- "The economic outlook is uncertain"
- "In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks"
- "assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook."

FedSpeak Translation: If Inflation data doesn't start coming down, the Fed will slow or stop lowering rates.

Looking back over 2024, Interest Rates trended higher all year despite the Fed lowering the Fed Funds Rate by 1.00%. On Jan 1, 2024, the 10-year Treasury Yield was 3.79%. By Dec 31, 2024, the yield had increased to 4.58% - a 79 Bp increase. Mortgage Rates are around 7.0%. The next FOMC Meeting will be January 28th and 29th. At this point, no one expects a rate cut at the meeting.

- **10-Year Treasury Note Yield** rose 4.58% (Dec 31) from 4.18% (Nov 29).
- **30-Year Treasury Bond Yield** rose 4.78% (Dec 31) from 4.36% (Nov 29).
- **30-Year Fixed Mortgage** rose to 6.91% (Jan 02) from 6.81% (Nov 27).
- **15-Year Fixed Mortgage** rose to 6.13% (Jan 02) from 6.10% (Nov 27).

Housing Market Data Released during December 2024

Not that much changed in the Housing Market during 2024. Many Housing Analysts say the Housing Market is in a crisis. Home Sellers with 3.0% Mortgages are "Locked-in". Home Buyers are "Locked-out" because of high Mortgage Rates and high Home Prices. This "crisis" is a direct result of the Pandemic and the policies that were instituted to fight it. The effects of the Pandemic are still with us and will be for many years as the country attempts to normalize from such a severe Economic Shock. Housing Analysts believe the Housing Market will continue to improve slowly, but it will take several years. We will see improvements in the upcoming year, but 2025 is going to be a rocky road.

- **Existing Home Sales** (closed deals in November) rose 4.8% to an annual rate of 4,150,000 homes (3,760,000 SFR + 390,000 Condos), up 6.1% in the last 12 months. The median Single-Family Home price is \$410,900, up 4.8% YoY. The Median Condo price is \$359,800, up 2.8% YoY. Homes were on the market for an average of 32 days. Currently, 1,330,000 homes are for sale, up 17.7% YoY.
- **New Home Sales** (signed contracts in November) rose 5.9% to a seasonally adjusted annual rate of 664,000 homes, up 8.7% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$402,600 (Peak of \$496,800 in Oct 2022). The average price is \$484,800 (Peak of \$568,700 in Dec 2022). There are 490,000 New Homes for sale (low of 281,000 in October 2020), an 8.9 month supply.

- **Pending Home Sales Index** (signed contracts in November) rose 2.2% to 79 from 77.4 the previous month, up 6.9% YoY.
- **Building Permits** (issued in November) rose 6.1% to a seasonally adjusted annual rate of 1,505,000 units - down 0.2% YoY. Single-Family Permits rose 0.1% to an annual pace of 972,000 homes, down 2.7% YoY.
- **Housing Starts** (excavation began in November) fell 1.8% to a seasonally adjusted annual rate of 1,289,000, down 14.6% YoY. Single-Family Starts rose 6.4% to 1,011,000 units, down 10.2% YoY.
- **Housing Completions** (completed in November) fell 1.9% to a seasonally adjusted annual rate of 1,601,000 units - up 9.2% YoY. Single-Family Completions rose 3.3% to an annual adjusted rate of 1,038,000 homes - up 7.0 YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.2% in October, up 4.2% YoY.
- **FHFA Home Price Index** rose 0.4% in October, up 4.5% YoY.
- **NAHB Index** for December was unchanged at 46 from the prior month, up 24.3% YoY.

Labor Market Economic Data Released during December 2024

The **Economy** created 227,000 New Jobs during November while the Unemployment Rate crept up to 4.2%. We still have not reached the pivotal Unemployment Rate of 4.5%. Back in 2022, when Inflation started to rise, many Economists predicted Inflation would remain stubborn until the Unemployment Rate hit 4.5%. That appears to be holding true, and Inflation is still a problem. Will Unemployment hit 4.5% in 2025? No one knows for sure but look at Job Openings. Job Openings have declined from a peak of over 12,000,000 in March 2023 to 7,744,000. That may set the stage for higher Unemployment in 2025 - which could cool Inflation, but bad for Workers and Consumers.

- The **Economy** created 227,000 New Jobs during November and 12,000 in October.
- The **Unemployment Rate** rose to 4.2% in November from 4.1% in October and September.
- The **Labor Force Participation Rate** fell to 62.5% during November from 62.6% in October.
- The **Average Hourly Wage** rose 0.4% during November, up 4.0% YoY.
- **Job Openings** rose to 7,744,000 during October from 7,440,000 in September and 7,860,000 in August, down 10.80% YoY.
- **Labor Productivity** rose 2.2% in 3Q2024.

Inflation Economic Data Released during December 2024

The most recent Inflation Data was mixed. The November CPI clocked in at 0.3%, while the PCE was up only 0.1%. High Shelter Costs continue to be a major source of Inflation, along with Service Costs and Transportation Costs. In the last 12 months, Shelter Costs are up 4.7%, Service Costs are up 4.6%, Transportation Costs up 7.1%, Medical Care Costs up 3.7%, Food prices up 2.4%, Energy Costs down 3.2%, and Gasoline Prices down 8.1%. Looking at 2025, expect the war on Inflation to have a few setbacks.

- **CPI** rose 0.3%, up 2.7% YoY | **Core CPI** rose 0.3%, up 3.3% YoY
- **PPI** rose 0.4%, up 3.0% YoY | **Core PPI** rose 0.1%, up 3.5% YoY
- **PCE** rose 0.1%, up 2.4% YoY | **Core PCE** rose 0.1%, up 2.8% YoY

GDP Economic Data Released during December 2024

The 3rd and final estimate of 3rd Quarter 2024 GDP showed the **US Economy** grew at a 3.1% annualized rate (+2.7% YoY). 12 months ago in January 2024, 65% of Economists were predicting a Recession, but that didn't happen. The US Economy has demonstrated remarkable resilience. Part of that resilience can be attributed to Government deficit spending. The US Fiscal Deficit for 2024 (which ended Sep 30) was \$1.8 Trillion dollars. The US National Debt is over \$36 Trillion, while the US Economy is \$27 Trillion. Despite these numbers, the US Economy closed out 2024 as the envy of the world.

Consumer Economic Data Released during December 2024

The final numbers are not yet in on the 2024 Holiday Shopping Season, but early indicators are that it was up 3.5 - 4.0 from 2023. November Retail Sales jumped 0.7% and is up 3.8% YoY. Consumer Income is up 5.3% YoY, and Spending is up 5.5% YoY. The Consumer is doing well, but Inflation is taking a toll on the Consumer's Psyche. The Consumer Confidence Index fell 7.2%.

- **Retail Sales** rose 0.7% during November, up 3.8% in the last 12 months.
- **Consumer Confidence Index** fell 7.2% to 104.7 from 112.8 the prior month, down 3.1%YoY.
- **Personal Income** rose 0.3% in November, up 5.3% YoY.
- **Personal Spending** rose 0.4% in November, up 5.5% YoY.
- **Personal Savings Rate** rose 4.4% in November.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** rose to \$72/Barrel (Dec 31) from \$68/Barrel (Nov 29).
- **North Sea Brent Crude** rose to \$75/Barrel (Dec 31) from \$72/Barrel (Nov 29).
- **Natural Gas** rose to \$3.63/MMBtu (Dec 31) from \$3.36/MMBtu (Nov 29).
- **Gasoline** (Wholesale Futures Price) rose to \$2.0/Gal (Dec 31) from \$1.90/Gal (Nov 29).

- Syrian dictator Bashar Assad was exiled to Russia as Rebels took over the country.
- Former President Jimmy Carter died at the age of 100.
- A terrorist attack on the French Quarter of New Orleans killed 15 people.

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