

Economic CALENDAR

February
2025

Monday	Tuesday	Wednesday	Thursday	Friday
3 ISM Manufacturing Index Construction Spending	4 JOLTS Factory Orders	5 ADP Employment ISM Non-Manufacturing Index Trade Balance MBA Mortgage Applications	6 Productivity Weekly Jobless Claims	7 Employment Report Consumer Sentiment Consumer Credit
10	11 NFIB Business Optimism	12 CPI Fed Budget MBA Mortgage Applications	13 PPI Weekly Jobless Claims	14 Retail Sales Industrial Production Business Inventories Import-Export Prices
17 Presidents' Day Markets Closed	18 NAHB Index	19 FOMC Minutes Housing Starts & Permits MBA Mortgage Applications	20 Leading Economic Indicators Weekly Jobless Claims	21 Existing Home Sales Consumer Sentiment
24	25 Consumer Confidence S&P CS Home Price Index FHFA Home Price Index	26 New Home Sales MBA Mortgage Applications	27 GDP Pending Home Sales Durable Goods Weekly Jobless Claims	28 PCE Personal Income & Spending

MORTGAGE® ELEMENTS			
C ³⁰	F ³⁰	V ³⁰	J ³⁰
C ²⁰	F ²⁰	V ²⁰	J ²⁰
C ¹⁵	F ¹⁵	V ¹⁵	J ¹⁵



Mortgage Economic Review February 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 January 2025

- **Interest Rates:** The 10-year Treasury yield fell to 4.52% (Jan 31) from 4.58% (Dec 31).
- **Housing:** Existing Home Sales rose 2.2% (+9.3% YoY), New Home Sales rose 3.6% (+6.7% YoY), and Home Prices are up about 4.2% YoY.
- **Labor:** The US Economy created 256,000 New Jobs in December. The Unemployment Rate fell to 4.1%. Wages are growing at 3.9% YoY.
- **Inflation:** CPI rose 0.4% in December (+2.9% YoY), and PCE rose 0.3% (+2.6% YoY).
- **The Economy:** US GDP grew at a 2.3% annualized rate in 4Q2024, up 2.8% YoY.
- **Consumers:** Retail Sales rose 0.4% in December (+3.9 YoY), and Consumer Confidence fell 4.9% (-6.1% YoY).
- **Stock Markets** rose in January: Dow + 7.1%, S&P +2.7%, Nasdaq +1.7%.
- **Oil Prices** rose to \$73/Barrel (Jan 31) from \$72/Barrel (Dec 31).

Interest Rates and Fed Watch

The January FOMC Meeting wrapped up with the Fed leaving Interest Rates unchanged - which everyone expected. The target range for Fed Funds continues at 4.25% - 4.50%. All FOMC Members voted unanimously to keep rates the same. The Fed Statement released after the meeting said: "The unemployment rate has stabilized at a low level in recent months, and labor market conditions remain solid. Inflation remains somewhat elevated."

Fed Speak Translation: The Labor Market remains stronger than the Fed likes, and the Fed is in no hurry to lower Interest Rates.

The Economy is humming along, the Unemployment Rate is hovering around 4.0%, Inflation is stuck at about 3.0%, and the Economy is growing at a 2.5% GDP pace. Lowering Interest Rates at this point would risk reigniting Inflation. Market Analysts don't expect another Interest Rate cut until July at the earliest - maybe September - maybe not at all in 2025. The Next FOMC Meeting is March 18th & 19th.

- **10-Year Treasury Note Yield** fell to 4.52% (Jan 31) from 4.58% (Dec 31).
- **30-Year Treasury Bond Yield** fell to 4.76% (Jan 31) from 4.78% (Dec 31).
- **30-Year Fixed Mortgage** rose to 6.95% (Jan 30) from 6.91% (Jan 02).
- **15-Year Fixed Mortgage** fell to 6.12% (Jan 30) from 6.13% (Jan 02).

Housing Market Data Released during January 2025

We're starting to get a good look at the Housing Data for all of 2024. Remember, these are still rough numbers and will be adjusted later, but here they are. For all of 2024:

- **683,000 New Homes** were sold, up 2.5% from 666,000 in 2023.
- **4,060,000 Existing Homes** were sold (lowest since 1995), down from 4,090,000 in 2023.
- **1,150,000 Single Family Homes** were for sale in Dec 2024, up 16.2% from Dec 2023.
- **1,009,400 Single Family Homes** were started in 2024, up 6.5% from 947,700 in 2023.
- **1,020,600 Single Family Homes** were completed in 2024, up 2.2% from 998,000 in 2023.

Look at the Single Home Completion number of 1,020,600. We need to build more than 1 million New Homes per Year to resolve the current Housing Crisis.

- **Existing Home Sales** (closed deals in December) rose 2.2% to an annual rate of 4,240,000 homes (3,830,000 SFR + 410,000 Condos), up 9.3% in the last 12 months. The median Single-Family Home price is \$409,300, up 6.1% YoY. The Median Condo price is \$359,000, up 4.5% YoY. Homes were on the market for an average of 35 days. Currently, 1,115,000 homes are for sale, up 16.2% YoY.
- **New Home Sales** (signed contracts in December) rose 3.6% to a seasonally adjusted annual rate of 698,000 homes, up 6.7% YoY. (683,000 New Homes were sold in 2024 and 668,000 in 2023). The median New Home price is \$427,000 (Peak of \$496,800 in Oct 2022). The average price is \$513,600 (Peak of \$568,700 in Dec 2022). There are 494,000 New Homes for sale (a low of 281,000 in October 2020), an 8.5 month supply.
- **Pending Home Sales Index** (signed contracts in December) fell 5.5% to 74.2 from 79 the previous month, down 5.0% YoY.

- **Building Permits** (issued in December) fell 0.7% to a seasonally adjusted annual rate of 1,483,000 units - down 3.1% YoY. Single-Family Permits rose 1.6% to an annual pace of 992,000 homes, down 2.5% YoY.
- **Housing Starts** (excavation began in December) rose 15.8% to a seasonally adjusted annual rate of 1,499,000, down 4.4% YoY. Single-Family Starts rose 3.3% to 1,050,000 units, down 2.6% YoY.
- **Housing Completions** (completed in December) fell 4.8% to a seasonally adjusted annual rate of 1,544,000 units - down 0.8% YoY. Single-Family Completions fell 7.4% to an annual adjusted rate of 948,000 homes - down 7.4 YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.4% in November, up 4.3% YoY.
- **FHFA Home Price Index** rose 0.3% in November, up 4.2% YoY.
- **NAHB Index** for January rose to 47 from 46 the prior month and 44 in Jan 2024, up 6.8 YoY.

Labor Market Economic Data Released during January 2025

The **Economy** created 256,000 New Jobs during December while the Unemployment Rate fell slightly to 4.1%. The Unemployment Rate has remained steady at 4.0% - 4.3% from May through December. This is a key metric since the low Unemployment Rate translates to strong Worker Demand and Wage Growth. That fuels Consumer Demand - that's good for Economic growth but makes it harder to reduce Inflation. Strong Worker Demand is also reflected in Job Openings, which increased to 8,098,000 in January. The US Labor Market continues to clip along at a robust pace. When workers are secure in their jobs, they spend money. That spending exerts upward pressure on prices, making it challenging to lower Inflation.

- The **Economy** created 256,000 New Jobs during December and 212,000 in November.
- The **Unemployment Rate** fell to 4.1% in December from 4.2% in November.
- The **Labor Force Participation Rate** was unchanged at 62.5% during December.
- The **Average Hourly Wage** rose 0.3% during December, up 3.9% YoY.
- **Job Openings** rose to 8,098,000 in November from a revised 7,839,000 in October, down 10.80% YoY.

Inflation Economic Data Released during January 2025

Inflation finished 2024 at 2.9%, down from 3.9% in December 2023. Inflation followed a downward trajectory during most of 2024 but headed back up in the last few months. What's pushing Inflation back up? The culprit in December was Energy and Food Prices. Energy Prices were up 2.6% in December but down 0.5% YoY. Gasoline prices rose in December 2024 but were down 3.4% from Dec 2023. It's no coincidence that the rise in Inflation in the last few months paralleled an increase in Energy Prices. Food prices also accelerated, up 0.3% in December (+2.6% YoY). Egg Prices are up 37% for the year thanks to Bird Flu. The bigger question is: does the re-heating of Inflation indicate a re-acceleration of the US Economy? If that is the case, the war on Inflation will become more difficult.

- **CPI** rose 0.4%, up 2.9% YoY | **Core CPI** rose 0.2%, up 3.2% YoY
- **PPI** rose 0.2%, up 3.3% YoY | **Core PPI** unchanged, up 3.5% YoY
- **PCE** rose 0.3%, up 2.6% YoY | **Core PCE** rose 0.2%, up 2.8% YoY

GDP Economic Data Released during January 2025

The 1st estimate of 4th Quarter 2024 GDP showed the **US Economy** grew at a 2.3% annualized rate (+2.8% YoY). This is slower than 3rd Quarter growth of 3.1%, but higher than the Fed's 2.0% goal. This is the first estimate of 4th Quarter GDP, so expect revisions in the next 2 months. It's still too early to tell if the Economy is slowing or re-accelerating. As long as Consumers stay employed, they will keep spending, and our Consumer based US Economy will keep growing. Don't expect the Economy to slow down or Inflation to cool off until the Labor Market softens.

Consumer Economic Data Released during January 2025

The final numbers are in for 2024 and the Holiday Shopping Season. Retail Sales rose 0.4% in December and 3.9% for all of 2024. The Consumer remained in a buying mood all year and during the Holidays. What were Consumers buying in December? Car Sales were up 0.7%, Furniture up 2.3%, Sporting Goods up 2.6%, Electronics up 0.4%, Clothing up 1.5%. Building Materials was down 2.0%, but that can be seasonal. Surprisingly, Restaurant Sales, which were up most of the year, fell 0.3% during the Holidays, when you would expect it to increase.

- **Retail Sales** rose 0.4% during December, up 3.9% in the last 12 months.
- **Consumer Confidence Index** fell 4.9% to 104.1 from a revised 109.5 (104.7 initial reading) the prior month, down 6.1% YoY.
- **Personal Income** rose 0.4% in December, up 5.3% YoY.
- **Personal Spending** rose 0.7% in December, up 5.7% YoY.
- **Personal Savings Rate** fell to 3.8% in December from 4.1 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** rose to \$73/Barrel (Jan 31) from \$72/Barrel (Dec 31).
- **North Sea Brent Crude** rose to \$77/Barrel (Jan 31) from \$75/Barrel (Dec 31).
- **Natural Gas** fell to \$3.07/MMBtu (Jan 31) from \$3.63/MMBtu (Dec 31).
- **Gasoline (Wholesale Futures Price)** rose to \$2.03/Gal (Jan 31) from \$2.00/Gal (Dec 31).
- Donald Trump was inaugurated as the 47th President on January 20th.
- Hamas and Israel reached a ceasefire agreement.
- Early estimates indicate the Los Angeles wildfires caused \$350B in damage and burned 16,000 homes.

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