U.S. Data Review

- FHFA house price index: firm increase in September
- New home sales: sales drop in October, likely influenced by adverse weather; inventory of homes available for sale remains elevated
- Consumer confidence: attitudes improve in November

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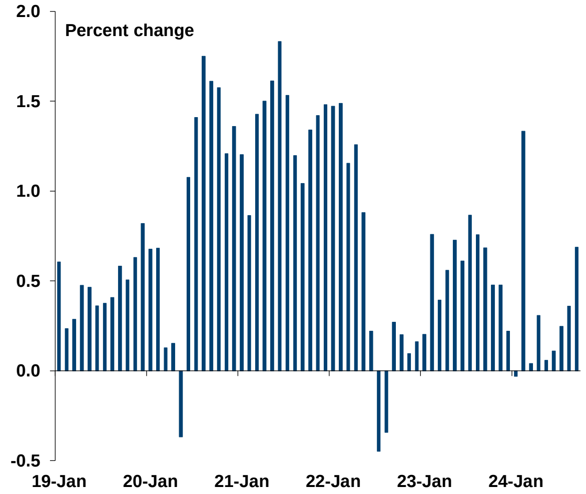
FHFA House Price Index

- The house price index released by the Federal Housing Finance Agency, which tracks data furnished by Freddie Mac and Fannie Mae and covers a broad subset of transactions, increased by 0.7 percent in September, surpassing the Bloomberg median expectation of a pickup of 0.3 percent. Moreover, the latest reading augmented firming results in the first two months of Q3 after a subdued performance in the first half of the year (an average monthly increase of 0.3 percent during that period which was skewed by a high-side reading of +1.3 percent in February; chart, right). While not yet overtly concerning, recent price changes bear close watching as affordability issues are already a notable constraint on home ownership -- particularly after a surge in prices from mid-2020 through mid-2022 (a cumulative surge of 37.2 percent from June 2020 to June 2022; chart, below left). A reacceleration could further hamper a hoped-for recovery in the housing market.

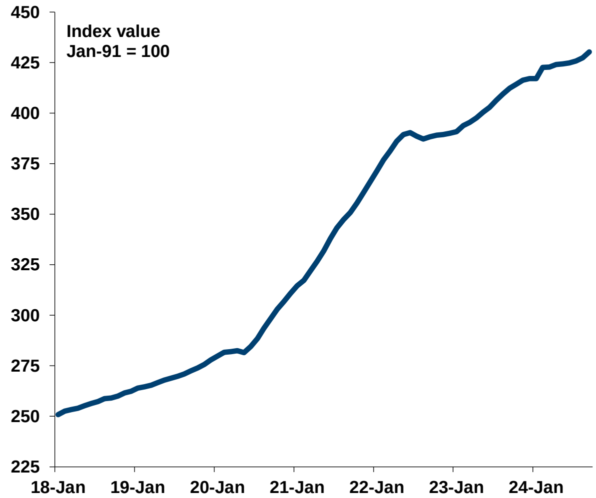
House Price Index



Source: Federal Housing Finance Agency via Haver Analytics

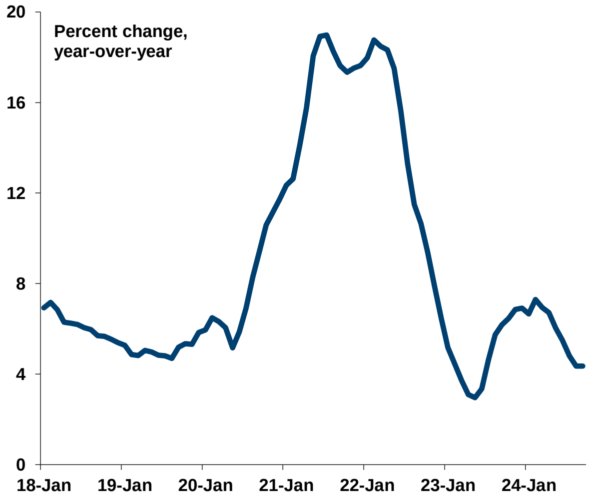
- On a year-over-year basis, the FHFA house price index rose 4.4 percent in the latest month (matching August's observation). After easing from the cycle high growth rate of 19.0 percent in July 2021, growth in home prices again accelerated from the spring of 2023 to winter of 2024 (reaching a high of 7.3 percent in February 2024). Since then, however, the year-over-year change has moderated to a rate that is mostly consistent with readings seen just prior to the onset of the pandemic (chart, below right) – although we again emphasize that the price level shift in recent years has been significant.

House Price Index



Source: Federal Housing Finance Agency via Haver Analytics

House Price Index



Source: Federal Housing Finance Agency via Haver Analytics

New Home Sales

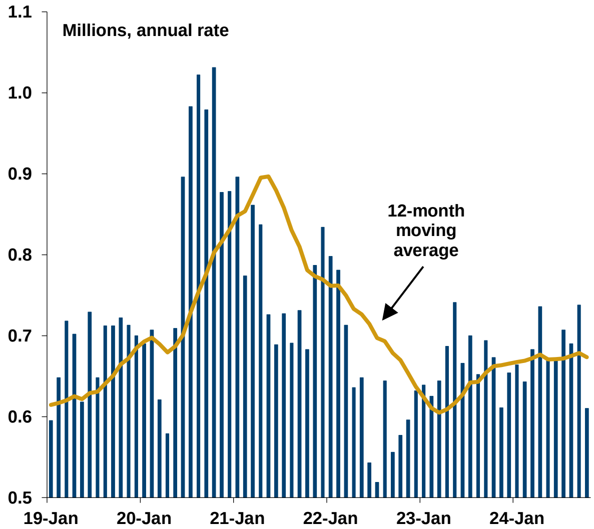
- Sales of new homes fell 17.3 percent to 0.610 million units, annual rate, in October after an increase of 7.0 percent in the prior month (associated with a year-over-year decline of 9.4 percent). The latest result was noticeably softer than the market expectation of a dip to 0.725 million units and was the lowest level observed since a reading of 0.596 million in November 2022. October's disappointing reading could be contributed to a several factors, including: average mortgage rates rising over the past month, likely slowed the flow of new mortgage contracts signed, and (perhaps most significantly) weather effects from hurricanes Helene and Milton. With respect to adverse weather, sales in the South plunged 27.7 percent to 0.339 million, annual rate, only a shade above the pandemic-low of 0.334 million in April 2020. Contrastingly, sales in the Northeast and Midwest improved (up 53.3 and 1.4 percent, respectively), while sales in the West fell 9.0 percent but remained in the middle of the recent range.

- Beyond specific factors likely contributing to the sluggish performance in October, we emphasize that this series can show marked volatility on a month-to-month basis (range of -17.3 percent to +7.0 percent in the past three months), with the latest observation having a 90 percent confidence interval of ± 12.8 percent. Observing activity on 12-month moving average basis to smooth some of the inherent volatility, however, shows that after easing from mid-2021 to early-2023, sales have essentially moved sideways since mid-2023 at a level comparable to those seen pre-pandemic (chart, below left). Nevertheless, while affordability constraints stemming from elevated prices and interest rates have restrained activity, the new homes segment of the housing market has performed favorably relative to that for existing homes.

- The median sales price in October rose 2.5 percent to $437,300 (not seasonally adjusted). On a year-over-year basis, prices moved higher for the second consecutive month (+4.7 percent). Similarly, the average sales price increased by 7.0 percent to a new record high of $545,800 (associated with a year-over-year advance of 9.4 percent). This metric, like the FHFA measure, indicates that home prices remain problematic with respect to affordability concerns.

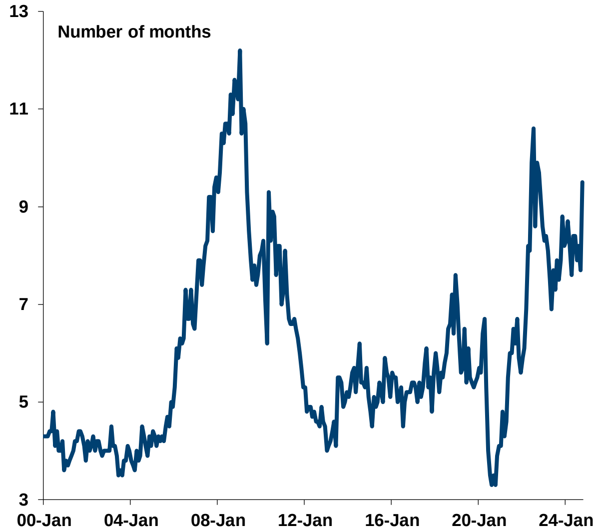
- The inventory of unsold homes rose 2.1 percent to 481,000 units in October (+8.8 percent year-over-year), the seventh increase in the first ten months of 2024. Inventories remain below the peak of 572,000 seen during the housing bubble in 2005-07, but they are still elevated from a long-term perspective. Along with the uptick in inventories, the drop in the pace of sales led to an increase of 1.8 months in the months' supply of unsold homes to 9.5 months. While the latest reading is below the recent high of 10.6 July 2022, it is still in the upper end of the longer-run range (chart, below right).

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes

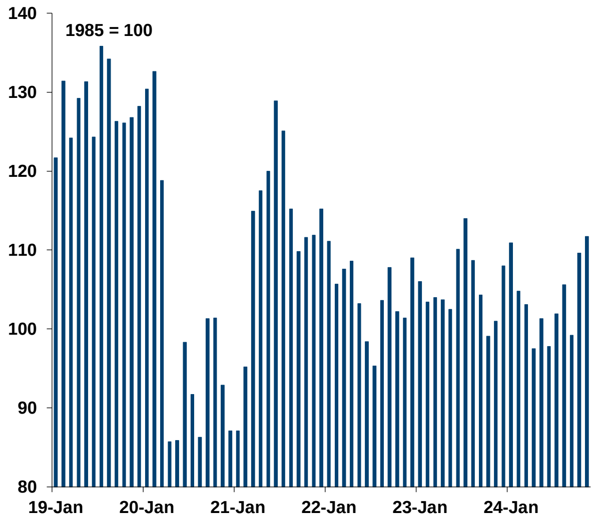


Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence

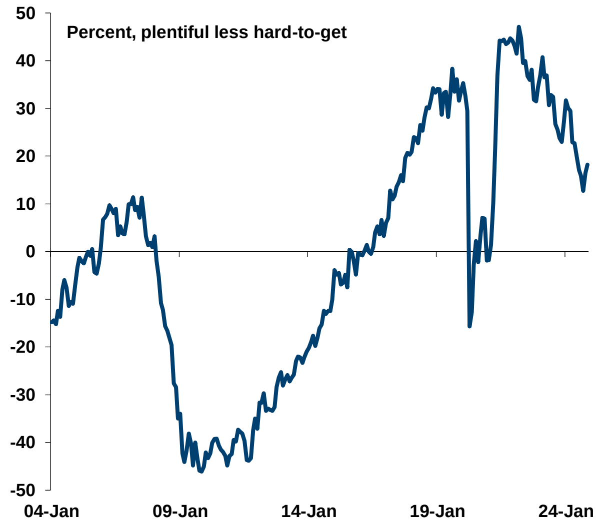
- Consumer confidence increased 2.1 index points (1.9 percent) in November to 111.7 from an upwardly revised reading in the prior month (109.6 versus a preliminary estimate of 108.7; chart, below left). While the uptick pushed confidence to the upper end of the range over the past two years, it still remains markedly below the post-pandemic high of 128.9 in June 2021 – a reading that was bolstered by the economy emerging from COVID-related restrictions.
- Consistent with the improvement in confidence, respondents' assessments of the labor market remained favorable. While the share of people reporting that jobs were plentiful dropped 0.7 percentage point to 33.4 percent, that was overshadowed by the drop in the share reporting that jobs were hard-to-get (-2.4 percentage point to 15.2 percent). Thus, the net reading (also referred to as the labor market differential) rose from 16.5 percent to 18.2 percent. Although the latest reading is well below the cycle high of 47.1 percent in March 2022, it is still firm in a longer-term context and indicative of solid underlying labor market conditions (chart, below right).
- Inflation expectations, which also had previously weighed on consumer attitudes, eased in November. The 12-month-ahead measure included with the confidence survey dipped to 4.9 percent in November from 5.3 percent in the prior month -- well below the cycle peak of 7.9 percent in March 2022 and consistent with readings prior to the onset of the pandemic.

Consumer Confidence



Source: The Conference Board via Haver Analytics

Labor Market Differential*



** The share of survey respondents who reported that jobs were "plentiful" less those who said they were "hard-to-get."*
Source: The Conference Board via Haver Analytics