U.S. Data Review

- FHFA house price index: moderate increase in January
- New home sales: activity picks up in February; prices move lower; inventories elevated
- Consumer confidence: fourth consecutive decline; expectations slump

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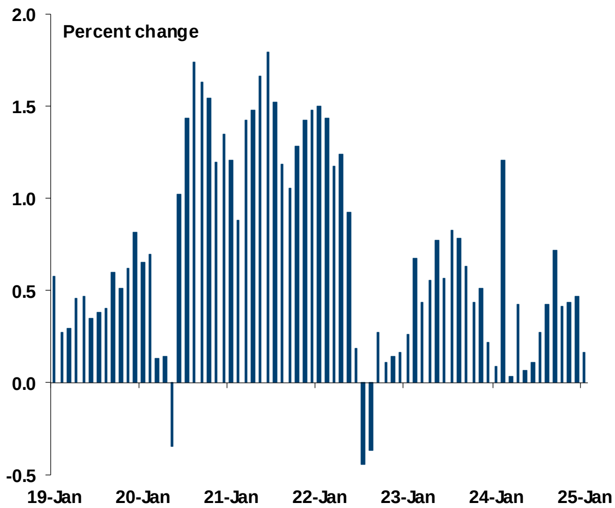
FHFA House Price Index

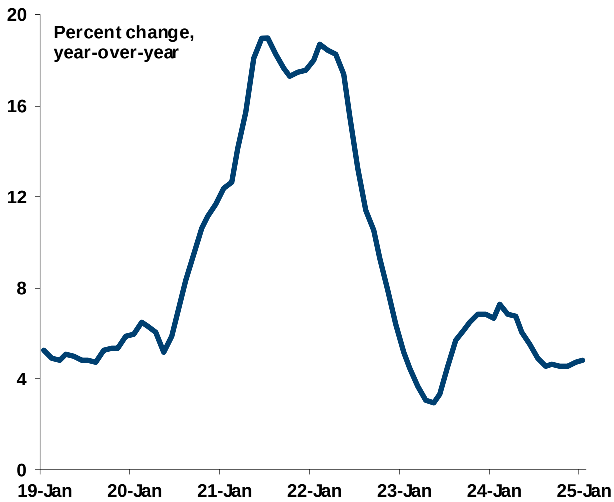
- The house price index released by the Federal Housing Finance Agency, which tracks data furnished by Freddie Mac and Fannie Mae and covers a broad subset of transactions involving conforming conventional mortgage loans, increased by 0.2 percent in January, a touch softer than the Bloomberg survey median expectation of a 0.3 percent pickup. The latest observation trailed the average increase of 0.5 percent in 2024-H2, although it is too soon to make inferences about trend price growth in 2025 (chart, below left).
- On a year-over-year basis, the FHFA house price index rose 4.8 percent in January (versus +4.7 percent in the prior month). After easing from the record high of 19.0 percent in July 2021, growth in home prices picked up again in mid-2023 before settling back into a range akin to that which prevailed prior to the onset of the pandemic (chart, below right). That said, the surge in prices over the past few years has reduced affordability for many potential homebuyers – even as growth has moderated.

House Price Index



Source: Federal Housing Finance Agency via Haver Analytics

House Price Index



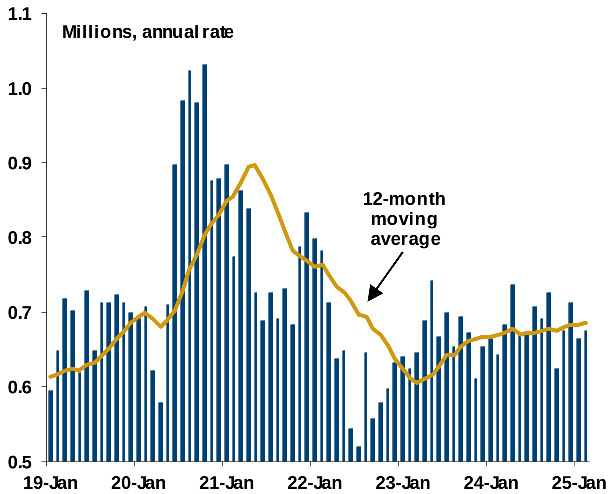
Source: Federal Housing Finance Agency via Haver Analytics

New Home Sales

- Sales of new homes rose 1.8 percent to 0.676 million units, annual rate, in February from an upwardly revised read of 0.664 million in January (associated with a year-over-year advance of 5.1 percent). The latest result was a bit shy of the Bloomberg median expectation of an increase to 0.680 million units, although it was well within the recent range. Activity by region was mixed, with only two of the four major geographical areas reporting an increase. Specifically, purchases of new homes in the Midwest and South advanced 20.6 and 6.6 percent, respectively, to 0.076 and 0.438 million units after winter weather affected activity in January. On the other hand, sales in the Northeast and West dropped 21.4 and 13.6 percent, respectively, to 0.022 and 0.140 million units. Activity in the South was firm from a longer-term perspective, whereas new sales in the Northeast were near the bottom of the historical range (although activity in this region is constrained by lack of buildable land and stringent zoning requirements in many areas).

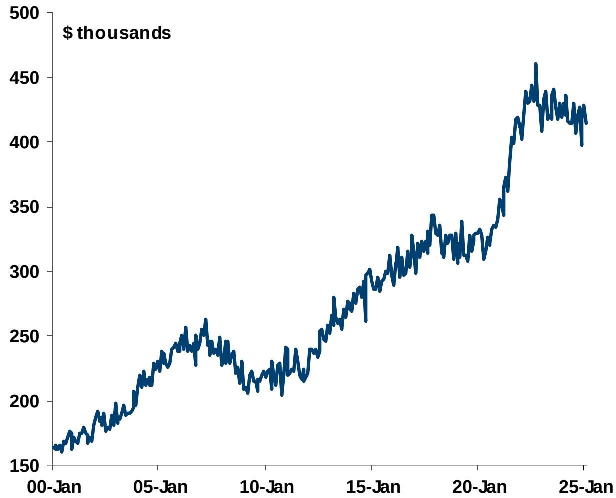
- While sales rebounded after weather depressed activity in January, it should also be noted that this series often exhibits marked volatility on a month-to-month basis (range of -14.2 to +8.5 percent in the past six months), and revisions are often large. Furthermore, the latest reading has a 90 percent confidence interval of ±18.6 percent, indicating a relatively high degree of uncertainty regarding the precision of the estimate. Thus, observing activity on a 12-month moving average basis can help in smoothing out some of the statistical noise: after easing between mid-2021 and early-2023, sales have since tilted moderately higher on balance and are now at a level that is comparable to what was seen prior to COVID (chart, below left).
- The median sales price in February dipped 3.0 percent to $414,500 (not seasonally adjusted). On a year-over-year basis, prices moved lower for the fourth consecutive month (-1.5 percent; chart, below right). Similarly, the average sales price decreased 4.1 percent to $487,100 (associated with a year-over-year decline of 4.4 percent). Like the FHFA measure, despite the easing seen in recent months, the prior spike in home prices seen in 2021-2022 still present a problem to prospective buyers with respect to affordability.

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Median Sales Price of New Homes*

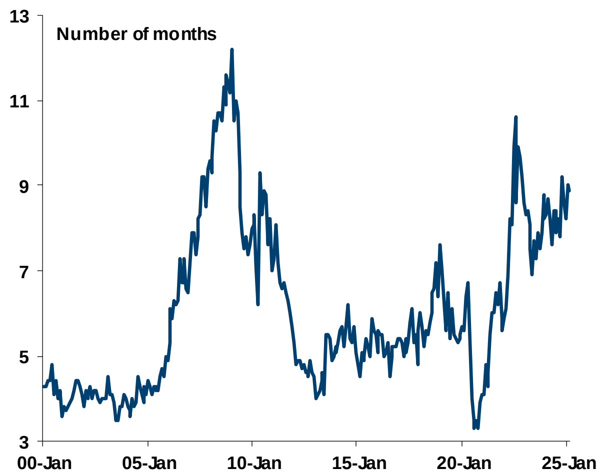


** Not seasonally adjusted*

Source: U.S. Census Bureau via Haver Analytics

- The inventory of unsold homes rose 0.8 percent to 0.500 million units in February (+7.5 percent year-over-year), its seventh consecutive increase. While inventories remain below the highs seen during the housing bubble of the mid-2000s, they are still elevated from a long-term perspective. On that point, the uptick in sales contributed to a dip of 0.1 month in the months' supply of unsold homes to 8.9 months. While this reading is below the cycle high of 10.6 months in July 2022, it suggests that builders are grappling with excess inventories (chart).

Months' Supply of Unsold Homes

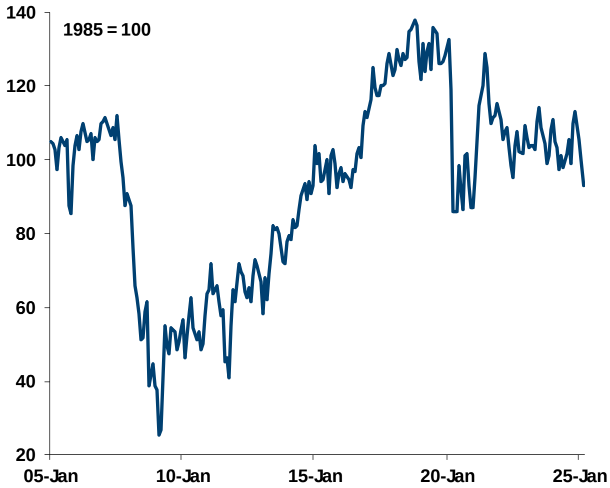


Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence

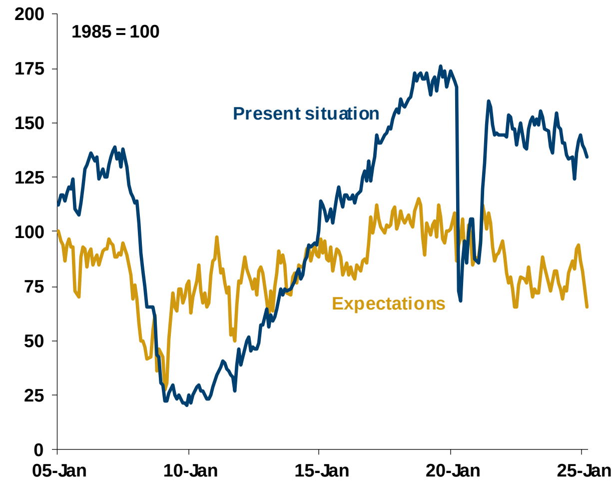
- The Conference Board's consumer confidence index fell for the fourth consecutive month in March, with the drop of 7.2 index points (-7.2 percent) leaving the latest tally of 92.9 below the median estimate of 94.0. Moreover, the cumulative drop of 19.9 index points over that span (-17.6 percent) pushed the measure back into the lower end of the range of the current expansion – akin to readings when the economy was still influenced by the COVID pandemic (chart, next page, left). Both the present situation and expectations components declined in March, but expectations stood out with its fourth consecutive plunge. Indeed, the latest reading of 65.2 (-9.6 index points or -12.8 percent month-over-month) is the lowest read of the current expansion thus far. The present situation component slipped (-3.6 index points or -2.6 percent), but the latest reading was solid from a longer-term perspective (chart, below right).

Consumer Confidence



Source: The Conference Board via Haver Analytics

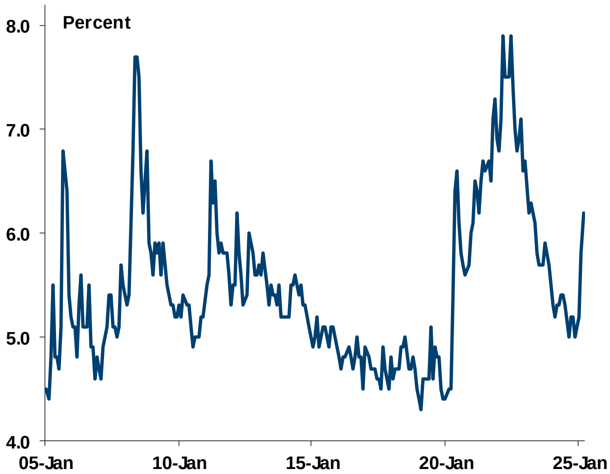
Consumer Confidence



Source: The Conference Board via Haver Analytics

- Fears stemming from potential tariff-related strains on household budgets is likely at the heart of the recent swoon in confidence, as evidenced by deterioration in consumer inflation expectations (at least according to some measures). In that regard, the inflation expectations 12 months hence query included in the confidence survey showed a jump in the expected rate to 6.2 percent from 5.8 percent in the prior month (chart, below left). The measure remains below the current cycle peak of 7.9 percent in 2022, but the stirring in early 2025 bears close watching.
- In contrast to views on inflation, survey respondents still hold a generally favorable outlook on the labor market. The share of individuals reporting that jobs were plentiful in March was unchanged from the prior month's reading at 33.6 percent. The latest reading is below the record of 56.7 in March 2022, but the labor market was unsustainably tight at that time and March's observation is still favorable from a longer-term view. Additionally, the share indicating that jobs were hard to get slipped from 16.0 percent to 15.7 percent. The net differential (plentiful less hard to get) of 17.9 percent is well below the record of 47.1 percent in March 2022 but still indicative of a healthy labor market (chart, below right). All told, however, concerns about inflation were still the dominant theme of the latest survey.

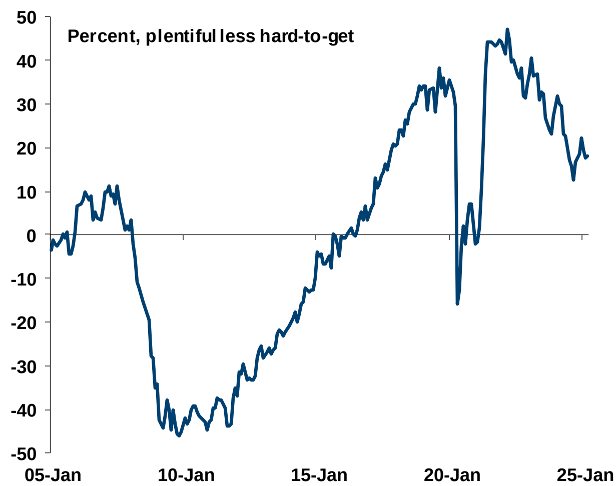
Consumer Inflation Expectations*



** 1 year hence*

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