

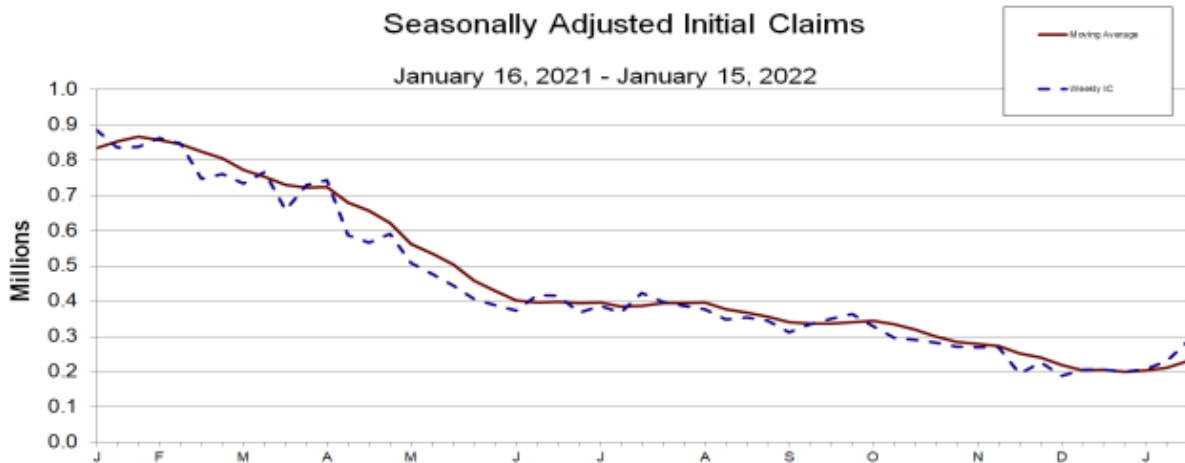
Economic Update, January 21, 2022
Submitted by Kevin Vanzant

Summary: This week featured several new reports on the current state of the housing market. The Commerce Department reported that housing starts in December rose 1.4 percent, reaching their highest level since March, despite [reported](#) labor shortages and rising prices for materials. Existing home sales, however, hurt by a low supply, fell 4.6 percent in December, according to the National Association of Realtors (NAR). There were just 910,000 homes for sale at the end of December, [representing](#) a 1.8-month supply – a balanced market between buyers and sellers is usually a four- to six-month supply. The total supply of homes is at all-time lows going back to when NAR began tracking this data in 1982. Homebuilder confidence also fell one point to 83 in January, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Anything above 50 is considered positive for that index, but this was the first [drop](#) in four months. Jobless claims took an unexpected turn higher last week, totaling 286,000, above the Dow Jones estimate of 225,000 and up from the previous week’s 231,000, potentially [signaling](#) that the wintertime omicron surge is affecting employment.

Federal Government Indicators and Reports:

Department of Labor

Thursday, [Unemployment Insurance Weekly Claims](#): “In the week ending January 15, the advance figure for seasonally adjusted initial claims was 286,000, an increase of 55,000 from the previous week’s revised level. . . . The 4-week moving average was 231,000, an increase of 20,000 from the previous week’s revised average. . . . The advance seasonally adjusted insured unemployment rate was 1.2 percent for the week ending January 8, an increase of 0.1 percentage point from the previous week’s unrevised rate.”



Mortgages and Housing Markets

National Association of Homebuilders/Wells Fargo

Tuesday, [Housing Market Index](#): “Builder confidence in the market for newly built single-family homes moved one point lower to 83 in January. . . . The HMI has hovered at the 83 or 84 level, the same rate as the spring of 2021, for the past three months. . . . ‘The HMI data was collected during the first two weeks of January and do not fully reflect the recent jump in mortgage interest rates,’ said NAHB Chief Economist Robert Dietz. ‘While lean existing home inventory and solid buyer demand are

supporting the need for new construction, the combination of ongoing increases for building materials, worsening skilled labor shortages and higher mortgage rates point to declines for housing affordability in 2022.”

Census Bureau

Wednesday, [New Residential Construction](#): “[Building Permits](#) - Privately-owned housing units authorized by building permits in December were at a seasonally adjusted annual rate of 1,873,000. This is 9.1 percent above the revised November rate of 1,717,000 and is 6.5 percent above the December 2020 rate of 1,758,000. Single-family authorizations in December were at a rate of 1,128,000; this is 2.0 percent above the revised November figure of 1,106,000. . . . [Housing Starts](#) - Privately-owned housing starts in December were at a seasonally adjusted annual rate of 1,702,000. This is 1.4 percent above the revised November estimate of 1,678,000 and is 2.5 percent above the December 2020 rate of 1,661,000. Single-family housing starts in December were at a rate of 1,172,000; this is 2.3 percent below the revised November figure of 1,199,000.”

Mortgage Bankers Association

Wednesday, [Mortgage Applications](#): “Mortgage applications increased 2.3 percent . . . for the week ending January 14, 2022.” According to Joel Kan, MBA’s Associate Vice President of Economic and Industry Forecasting, “Mortgage rates hit their highest levels since March 2020, leading to the slowest pace of refinance activity in over two years. . . . Despite the increase in rates, purchase applications jumped almost 8 percent, with conventional purchase applications accounting for much of the stronger activity. The average loan size for a purchase application set a record at \$418,500. The continued rise in purchase loan application sizes is driven by high home-price appreciation and the lack of housing inventory on the market - especially for entry-level homes. The slower growth in government purchase activity is also contributing to the larger loan balances and suggests that prospective first-time buyers are struggling to find homes to buy in their price range.”

National Association of Realtors

Thursday, [Existing Home Sales](#): “Existing-home sales declined in December, snapping a streak of three straight months of gains. . . . Each of the four major U.S. regions witnessed sales fall in December from both a month-over-month and a year-over-year basis. Despite the drop, overall sales for 2021 increased 8.5%. Total existing-home sales . . . dropped 4.6% from November to a seasonally adjusted annual rate of 6.18 million in December. From a year-over-year perspective, sales waned 7.1% (6.65 million in December 2020). ‘December saw sales retreat, but the pull back was more a sign of supply constraints than an indication of a weakened demand for housing,’ said Lawrence Yun, NAR’s chief economist. ‘Sales for the entire year finished strong, reaching the highest annual level since 2006.’”