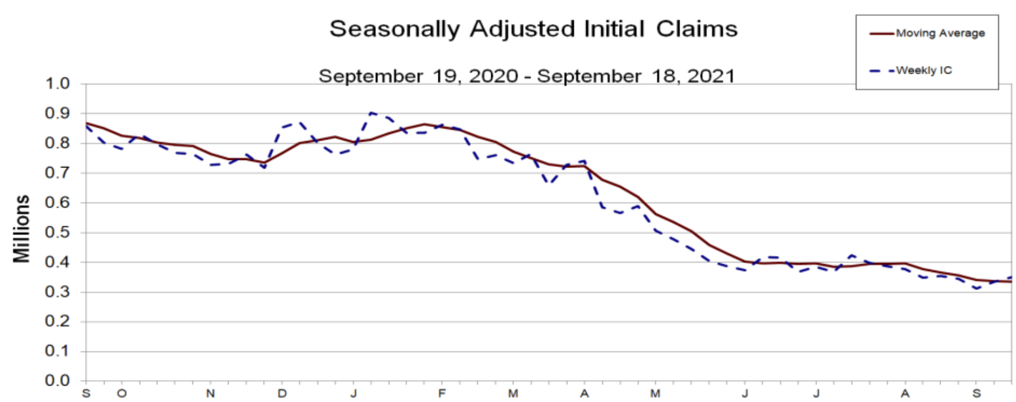
Economic Update, September 24, 2021
Submitted by Kevin Vanzant

Summary: The Federal Reserve said this week that the recovery looks strong enough for it to begin decreasing asset purchases by the end of the year, and half of Fed officials now think the Federal Reserve will start raising interest rates by late next year. Last March, most officials didn't see rates increasing until 2024. In their economic projections, Fed officials increased their forecast for core inflation in 2022 to 2.3% from the 1.8% that was estimated a year ago. Initial claims for unemployment benefits increased last week to 351,000, its highest level in a month. The housing market slowed in August, but the construction sector continued to show confidence in positive housing momentum going forward.

Federal Government Indicators and Reports

Department of Labor

Thursday, Unemployment Insurance Weekly Claims: "In the week ending September 18, the advance figure for seasonally adjusted initial claims was 351,000, an increase of 16,000 from the previous week's revised level. . . The 4-week moving average was 335,750, a decrease of 750 from the previous week's revised average. . . The advance seasonally adjusted insured unemployment rate was 2.1% for the week ending September 11, an increase of 0.1 percentage point from the previous week's revised rate."



Economic Indicators and Confidence

Federal Reserve Board and Federal Open Market Committee

Wednesday, Economic Projections: Federal Reserve officials increased their forecast for core PCE inflation in 2022 to 2.3%. In September of 2020, the projection had been 1.8%.

Wednesday, Press Release from Sept. 21-22 Meeting: "The Committee decided to keep the target range for the federal funds rate at 0 to 0.25% and expects it will be appropriate to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. Last December, the Committee indicated that it would continue to increase its holdings of Treasury securities by at least $80 billion per month and of agency mortgage-backed securities by at least $40 billion per month until substantial further progress has been made toward its maximum employment and price stability goals. Since then, the economy has made progress toward these goals. If progress continues broadly as expected, the Committee judges that a moderation in the pace of asset purchases may soon be warranted."

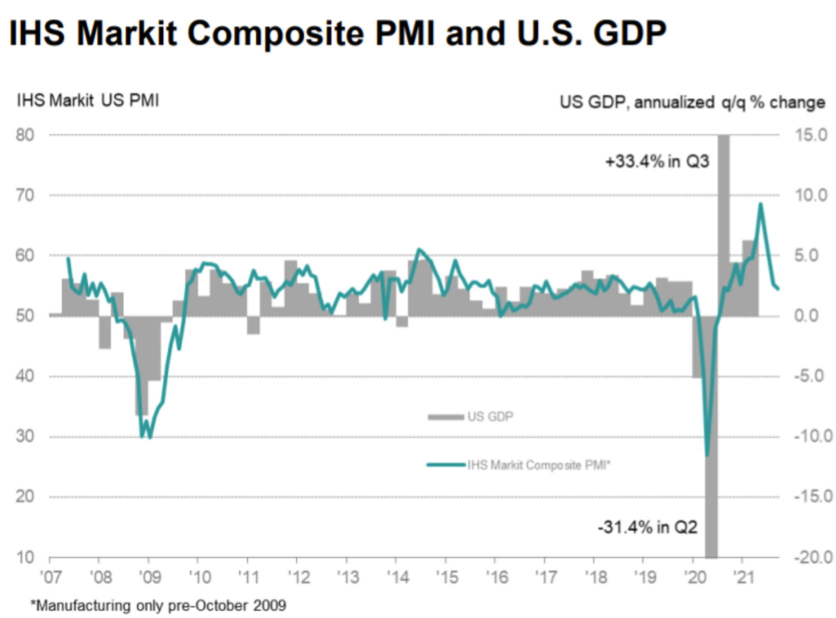
Thursday, National Activity Index: The index "decreased to +0.29 in August from +0.75 in July."

The Conference Board

Thursday, Leading Economic Index: The index "'rose sharply in August and remains on a rapidly rising trajectory,' said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. 'While the Delta variant—alongside rising inflation fears—could create headwinds for labor markets and the consumer spending outlook in the near term, the trend in the LEI is consistent with robust economic growth in the remainder of the year.'"

IHS Markit

Thursday, Flash US Composite PMI: The index "posted 54.5 in September, down from 55.4 in August and much lower than May's record high. . . Private sector firms in the US signalled a solid expansion in output during September, albeit at the slowest pace for a year and one that was much softer than that seen at the start of the summer. The overall upturn was weighed on by the weakest increase in service sector business activity in the current 14-month sequence of growth."



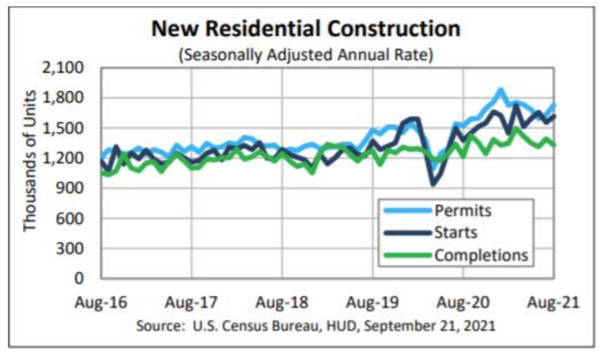
Mortgages and Housing Markets

National Association of Homebuilders/Wells Fargo

Monday, Housing Market Index: "Ending a three-month decline, builder sentiment in the market for newly built single-family homes edged up one point to 76 in September . . . 'Builder sentiment has been gradually cooling since the HMI hit an all-time high reading of 90 last November,' said NAHB Chairman Chuck Fowke. 'The September data show stability as some building material cost challenges ease, particularly for softwood lumber. However, delivery times remain extended and the chronic construction labor shortage is expected to persist as the overall labor market recovers.'"

Census Bureau

Tuesday, New Residential Construction: "Building Permits - Privately-owned housing units authorized by building permits in August were at a seasonally adjusted annual rate of 1,728,000. This is 6.0% above the revised July rate of 1,630,000 and is 13.5% above the August 2020 rate of 1,522,000. . . Housing Starts - Privately-owned housing starts in August were at a seasonally adjusted annual rate of 1,615,000. This is 3.9% above the revised July estimate of 1,554,000 and is 17.4% above the August 2020 rate of 1,376,000. . . Housing Completions - Privately-owned housing completions in August were at a seasonally adjusted annual rate of 1,330,000. This is 4.5% below the revised July estimate of 1,392,000, but is 9.4% above the August 2020 rate of 1,216,000."



Friday, New Residential Sales: "Sales of new single-family houses in August 2021 were at a seasonally adjusted annual rate of 740,000 . . . This is 1.5% above the revised July rate of 729,000, but is 24.3% below the August 2020 estimate of 977,000."

National Association of Realtors

Wednesday, Existing Home Sales: "Existing-home sales retreated in August, breaking two straight months of increases. . . Total existing-home sales completed transactions that include single-family homes, townhomes, condominiums and co-ops, fell 2.0% from July to a seasonally adjusted annual rate of 5.88 million in August. Year-over-year, sales dropped 1.5% from a year ago (5.97 million in August 2020). . . 'Sales slipped a bit in August as prices rose nationwide,' said Lawrence Yun, NAR's chief economist. 'Although there was a decline in home purchases, potential buyers are out and about searching, but much more measured about their financial limits, and simply waiting for more inventory.'"