Economics: Job Openings Reach Series High

This week’s slate of releases included the Federal Open Market Committee’s (FOMC) minutes from its September 25-26 meeting at which it raised the federal funds rate to a range of 2.00 percent to 2.25 percent. The minutes indicated that since last meeting in August, participants generally thought real economic activity had risen at a strong rate, labor market conditions had strengthened, and inflation had remained near the Committee’s target. In view of these conditions, “all participants” believed it would be appropriate for the FOMC to continue to raise its key policy rate at this meeting and “almost all participants” thought it appropriate to remove language stating that “the stance of monetary policy remained accommodative.” The removal of this phrase was not meant to signal a change in the expected path of policy but rather to articulate the considerable uncertainty surrounding all estimates of the neutral rate. Participants generally anticipated that further gradual increases in the target range for the federal funds rate would most likely be appropriate over the medium term. However, a “few participants” expected that policy would need to become modestly restrictive for a time, while others indicated that they would not favor restrictive policies in the absence of clear signs of an overheating economy and rising inflation. In releases covering recent economic activity, the Leading Economic Indicators (LEI) rose in September, suggesting that the U.S. business cycle remains on a strong growth trajectory. Initial claims for unemployment insurance declined to a level just shy of the cycle low reached four weeks ago. Among very low unemployment, the number of quits remained near its cycle high despite falling slightly in August. However, the number of hires continues to lag the level of job openings, which reached a fresh series high in August. Meanwhile, third quarter consumption growth was underpinned by an increase in retail sales in September. Core retail sales, which exclude food, autos, building materials, and gasoline, also posted a solid gain, while auto dealer sales ended three months of declines by rising 0.8 percent, likely reflecting replacement demand from Hurricane Florence. Growth of industrial production slowed modestly in September as manufacturing decelerated, but the lower rate of manufacturing production growth reflected an upwardly revised August number. Utilities were flat after rising 1.1 percent in August, but mining accelerated modestly over the month.

- Retail sales rose by 0.1 percent in September and 4.7 percent annually, according to the Census Bureau. Core sales climbed 0.5 percent over the month and 4.9 percent annually.
- Industrial production, a gauge of output in the manufacturing, utility, and mining sectors, increased by 0.3 percent in September, according to the Federal Reserve Board. Manufacturing growth slowed one-tenth to 0.2 percent and utilities were unchanged from last month. Mining growth rose to 0.5 percent from 0.4 percent.
- The Job Openings and Labor Turnover Survey showed that job openings rose 0.8 percent to 7.1 million in August, according to the Bureau of Labor Statistics. The job openings rate rose 0.1 point to 4.6 percent. Hires increased 1.2 percent to 5.8 million, and the hires rate rose a tick to 3.9 percent, tying an expansion best. Total quits fell 0.9 percent.
- The Conference Board Leading Economic Index, a gauge of the economic outlook over the next three to six months, rose 0.5 percent to 111.8, faster than the 0.4 percent rate of growth in August.
- Initial claims for unemployment insurance decreased by 5,000 to 210,000 in the week ending October 13, according to the Department of Labor. The four-week moving average increased by 2,000 to 211,750 as the cycle low of 202,000 dropped out of the calculation.

Quits Level Trends Up as Initial Unemployment Insurance Claims Fall

Job Openings Continue to Outpace Hires
Housing: Home Building and Existing Sales Both Fall

Total housing starts disappointed in September, falling for the first time in three months, driven by drops in both single-family and multifamily. The outlook for home building was equally disappointing as multifamily permits fell for the sixth consecutive month to the lowest level since March 2016, and the increase in single-family permits failed to recover from August’s large decline. Existing home sales fell in September for the sixth consecutive month, sliding to the lowest level since November 2015. Single-family home sales posted the largest monthly decline since January, and condo/coop sales fell to the lowest level in over three years. Annually, sales fell for the eighth time this year, with year-to-date sales 2.1 percent below sales during the same period a year ago. The number of existing homes available for sale rose 1.1 percent from a year ago, posting the second consecutive monthly increase since the end of 2014. The Job Openings and Labor Turnover Survey showed that the shortage of qualified construction workers continues to be a problem for the housing industry. Construction job openings rose in August for the seventh time in eight months to reach the highest level in 17 years, but hiring fell to the lowest level since April. Mortgage demand plummeted last week, posting the largest weekly decline in over a year. According to Freddie Mac, the average yield on 30-year fixed mortgages fell 5 basis points to 4.85 percent this week, though it remains just shy of the 7-year high reached last week. Finally, the National Association of Home Builders Housing Market Index edged up in October, increasing for the first time in five months. However, builder sentiment will likely continue its downward slide in coming months as the shortage of labor, rising input costs due to tariffs, and declining mortgage demand amid increasing mortgage rates continue to weigh on builders’ confidence.

- **Housing starts** fell 5.3 percent in September to 1.20 million annualized units, according to the Census Bureau. Multifamily starts posted the largest decline in three months, falling 15.2 percent to 330,000 units. Single-family starts edged down 0.9 percent to 871,000 units. Year-to-date multifamily starts were 7.4 percent greater than the level during the same period last year, and single-family starts were 6.0 percent higher. Multifamily permits dropped 7.6 percent to 390,000, while single-family permits rose 2.9 percent to 851,000.

- **Existing home sales** declined 3.4 percent to 5.15 million units (seasonally-adjusted annualized rate) in September, according to the National Association of REALTORS®. Single-family and condo/coop sales both fell by 3.4 percent to 4.58 million units and 570,000 units, respectively. The median sales price, which is not adjusted for the mix of sales, increased 4.2 percent from last September.

- The **Job Openings and Labor Turnover Survey** showed that construction job openings increased 8.4 percent in August to 298,000, according to the Bureau of Labor Statistics. The job openings rate jumped to 3.9 percent, marking the sixth consecutive monthly rise to an expansion best. Construction hires fell 4.0 percent to 358,000 and the hires rate declined two-tenths to 4.9 percent. The quits rate fell 0.2 percentage points to 2.3 percent.

- The **National Association of Home Builders/Wells Fargo Housing Market Index** edged up 1 point to 68 in October (a reading greater than 50 means more builders view conditions as good than poor). Both the component measuring current sales conditions and the component gauging expectations ticked up 1 point to 74 and 75, respectively, while the component assessing buyer traffic jumped 4 points to 53.

- **Mortgage applications** fell 7.1 percent for the week ending October 12, according to the Mortgage Bankers Association. Purchase and refinance applications posted significant declines, falling 5.9 percent and 9.0 percent, respectively. The survey’s average 30-year fixed mortgage rate rose 5 basis points to 5.10 percent.

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