

# Monthly Economic Update

April 2023



## Mortgage Rate Growth Moderates Ahead of Peak 2023 Housing Season

This economic update uses recent housing market data to assess the performance of the spring housing market, which typically runs from March through July. As the Federal Reserve combats inflation, mortgage rates have increased dramatically, and analysts are evaluating whether higher rates will have a material impact on home sales and prices. This update tracks five housing metrics for Pennsylvania:

- **Number of Homes Listed** Number of homes listed for sale during the month by the National Association of Realtors (NAR). In March, a little over 33,200 homes were listed for sale, 19.8% lower than the prior year. (See table below.)
- **Number of Homes Sold** Monthly number of homes sold. In March, about 9,700 homes were sold, a 17.4% year-over-year decline from the prior year.
- **Median Sales Price** Median sales price of homes sold. The statewide median sales price was \$200,800 in March, a 1.5% increase from the prior year. However, fewer homes under \$375,000 were sold than compared to the past twelve months.
- **Median Days on Market** Median number of days between when a home is listed and when it goes under contract. This metric typically ranges from 55 to 70 days and indicates the degree of competition in the market. A lower number suggests a more competitive market. For March, the data show the median days on market was 38 days.
- **U.S. Average 30-Year Fixed Rate** Mortgage rates determine the cost to finance a home purchase. The March average rate was 6.5% for the U.S., 2.3 percentage points higher than the prior year. The latest rate published by Freddie Mac is 6.39% for the week ending April 20, down from 6.54% for March.

The monthly data leading up to the peak housing market season show signs of weakness compared to the prior year. The rapid and dramatic increase in mortgage rates not only increased costs to own a home, it also likely sidelined potential sellers who locked into a record low mortgage rate, many under 3.0%. For a \$300,000 mortgage, the monthly (annual) payment increases by \$630 (\$7,560) for a mortgage with a 6.5% rate compared to a 3.0% rate.

### Pennsylvania Housing Market Indicators

	NAR Listings	Homes Sold	Sales Price	Days on Market	U.S. Avg. 30-Yr Rate
<u>2022</u>					
January	36,493	9,929	\$190,381	40	3.4%
February	37,658	8,658	\$186,000	44	3.8%
March	41,421	11,803	\$197,787	34	4.2%
<u>2023</u>					
January	30,513	6,953	\$195,123	52	6.3%
February	31,107	6,804	\$199,678	47	6.3%
March	33,215	9,744	\$200,787	38	6.5%
<u>YOY Growth/Change</u>					
January	-16.4%	-30.0%	2.5%	12	+2.9 ppt
February	-17.4%	-21.4%	7.4%	3	+2.5 ppt
March	-19.8%	-17.4%	1.5%	4	+2.3 ppt

Note: March 2023 data are preliminary. Sales Price and Days on Market are medians. Data exclude sales by owners.

Source: Pennsylvania Association of Realtors and Redfin.

## Pennsylvania Economic Indicators

<u>Monthly Data</u>	<u>Nov-22</u>	<u>Dec-22</u>	<u>Jan-23</u>	<u>Feb-23</u>	<u>Mar-23</u>
Unemployment Rate (U3) <sup>1</sup>	4.4%	4.3%	4.3%	4.4%	4.2%
Net Job Gains (000s) <sup>2</sup>	187.6	184.8	193.2	164.8	159.0
Avg. Gasoline Price <sup>3</sup>	\$3.85	\$3.47	\$3.47	\$3.46	\$3.41
CPI-U All Items <sup>4</sup>	7.1%	6.4%	6.7%	6.9%	n.a.
Natural Gas Price <sup>5</sup>	\$4.04	\$4.74	\$2.58	\$2.02	\$2.14
Number of Home Sales <sup>6</sup>	-5.3%	-3.7%	-3.8%	4.0%	0.0%
PA Turnpike Traffic (cars) <sup>7</sup>	-18.0%	0.5%	16.4%	n.a.	n.a.
PA Turnpike Traffic (commercial) <sup>7</sup>	-1.2%	-3.4%	4.5%	n.a.	n.a.
<u>Quarterly Data</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>	<u>2022.3</u>	<u>2022.4</u>
Gross Domestic Product <sup>8</sup>	8.4%	-1.1%	-0.9%	3.2%	3.2%
Personal Income <sup>9</sup>	5.8%	-4.6%	2.2%	3.5%	5.0%
Wages and Salaries <sup>10</sup>	8.3%	10.0%	9.5%	9.6%	8.1%
FHFA House Price Index <sup>11</sup>	13.4%	14.6%	12.9%	9.6%	8.1%

## United States Economic Indicators

<u>Monthly Data</u>	<u>Nov-22</u>	<u>Dec-22</u>	<u>Jan-23</u>	<u>Feb-23</u>	<u>Mar-23</u>
Unemployment Rate (U3) <sup>1,12</sup>	3.6%	3.5%	3.4%	3.6%	3.5%
Unemployment Rate (U6) <sup>1,12</sup>	6.7%	6.5%	6.6%	6.8%	6.7%
Number of Home Sales <sup>6</sup>	-7.2%	-2.2%	-0.7%	13.8%	-2.4%
S&P 500 <sup>13</sup>	-10.7%	-19.4%	-9.7%	-9.2%	-9.3%
10-Year Note <sup>14</sup>	3.70	3.88	3.53	3.92	3.49
Leading Economic Index (LEI) <sup>15</sup>	113.5	110.5	110.3	110.0	108.6
<u>Quarterly Data</u>	<u>2021.4</u>	<u>2022.1</u>	<u>2022.2</u>	<u>2022.3</u>	<u>2022.4</u>
Gross Domestic Product <sup>8</sup>	7.0%	-1.6%	-0.6%	3.2%	2.6%
Personal Income <sup>9</sup>	6.9%	-3.5%	3.2%	4.6%	5.7%
Wages and Salaries <sup>10</sup>	9.9%	10.9%	9.1%	9.0%	7.5%
Corporate Profits <sup>16</sup>	25.5%	13.0%	5.5%	5.0%	1.2%

Sources and Notes:

1. Source: U.S. Bureau of Labor Statistics- Survey of Households.
2. Year-over-year increase in payroll employment. Source: U.S. Bureau of Labor Statistics- Survey of Establishments.
3. Average price for one gallon of regular gasoline in the Central Atlantic region. Source: U.S. Energy Information Administration.
4. Annual change in average price level for U.S. and PA-NJ-DE-MD. Source: U.S. Bureau of Labor Statistics.
5. Price is weighted average from major Pennsylvania gas hubs. Unit is dollars per MMBtu. Source: Bentek Energy.
6. Seasonally Adjusted Annual Rate. Pennsylvania figures represent northeast region. Source: National Association of Realtors.
7. Year-over-year growth rate of monthly traffic counts based on entry data. Source: Pennsylvania Turnpike.
8. The quarterly, annualized real growth rate of the economy. Excludes inflation. Source: U.S. Bureau of Economic Analysis.
9. Year-over-year growth rate of personal income. Source: U.S. Bureau of Economic Analysis.
10. Year-over-year growth rate of wages and salaries paid to all payroll employees. Source: U.S. Bureau of Economic Analysis.
11. Source: Federal Housing Finance Agency.
12. The U3 (official) unemployment rate is total unemployed as a percent of the civilian labor force. The U6 rate includes the U3 unemployed plus those marginally attached to the labor force, discouraged workers and those working part-time for economic reasons.
13. Year-over-year growth rate of S&P 500 closing price. Data as of the first of the month. Source: Yahoo! Finance.
14. Source: Yahoo! Finance.
15. The LEI is a predictive variable that anticipates turning points in the business cycle, including recession periods or economic expansions, and is highly correlated with real GDP. Source: The Conference Board.
16. Year-over-year growth rate, domestic profits only. Source: U.S. Bureau of Economic Analysis.