

Fed Brings on a Recession: Elevated Inflation and Rates

HBA of Metropolitan Portland
November 3, 2022

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NAHB Chief Economist

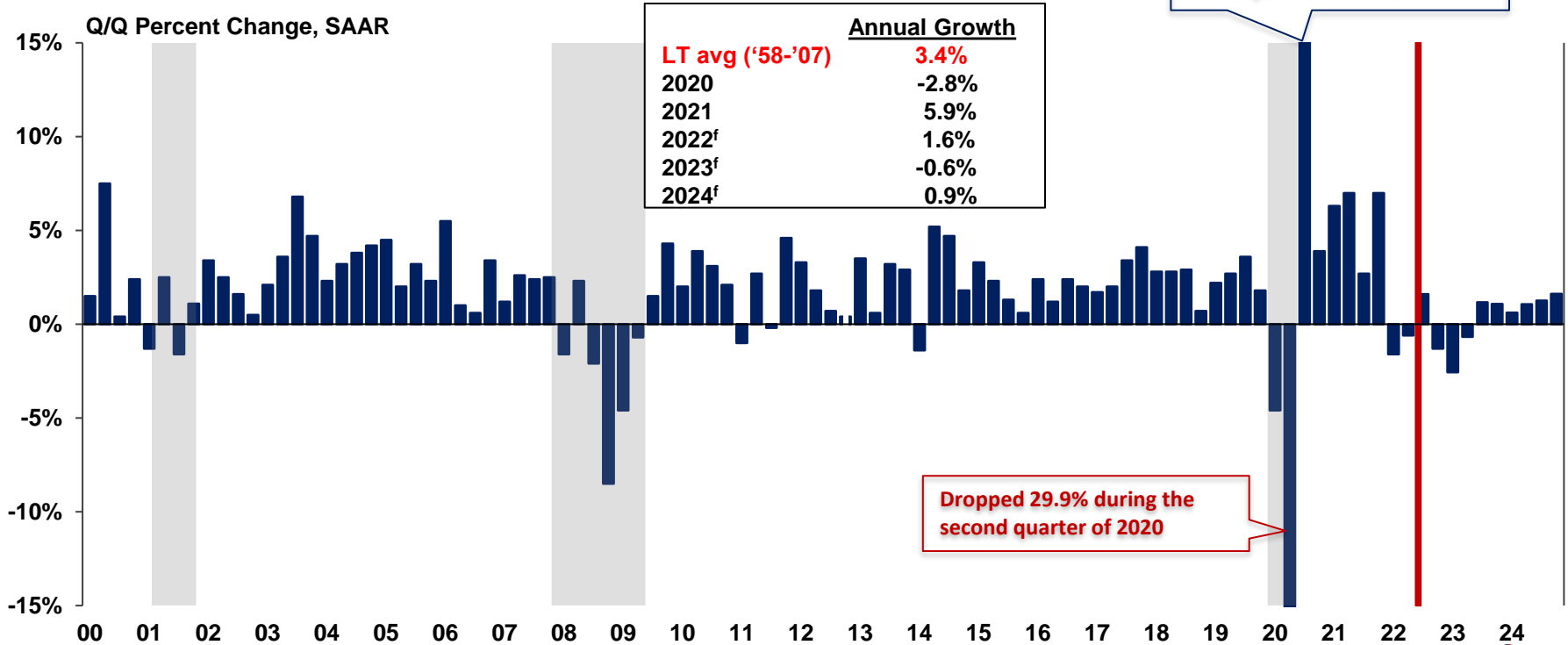


Home Builders Association
of Metropolitan Portland



GDP Growth – Recession in the Forecast Window

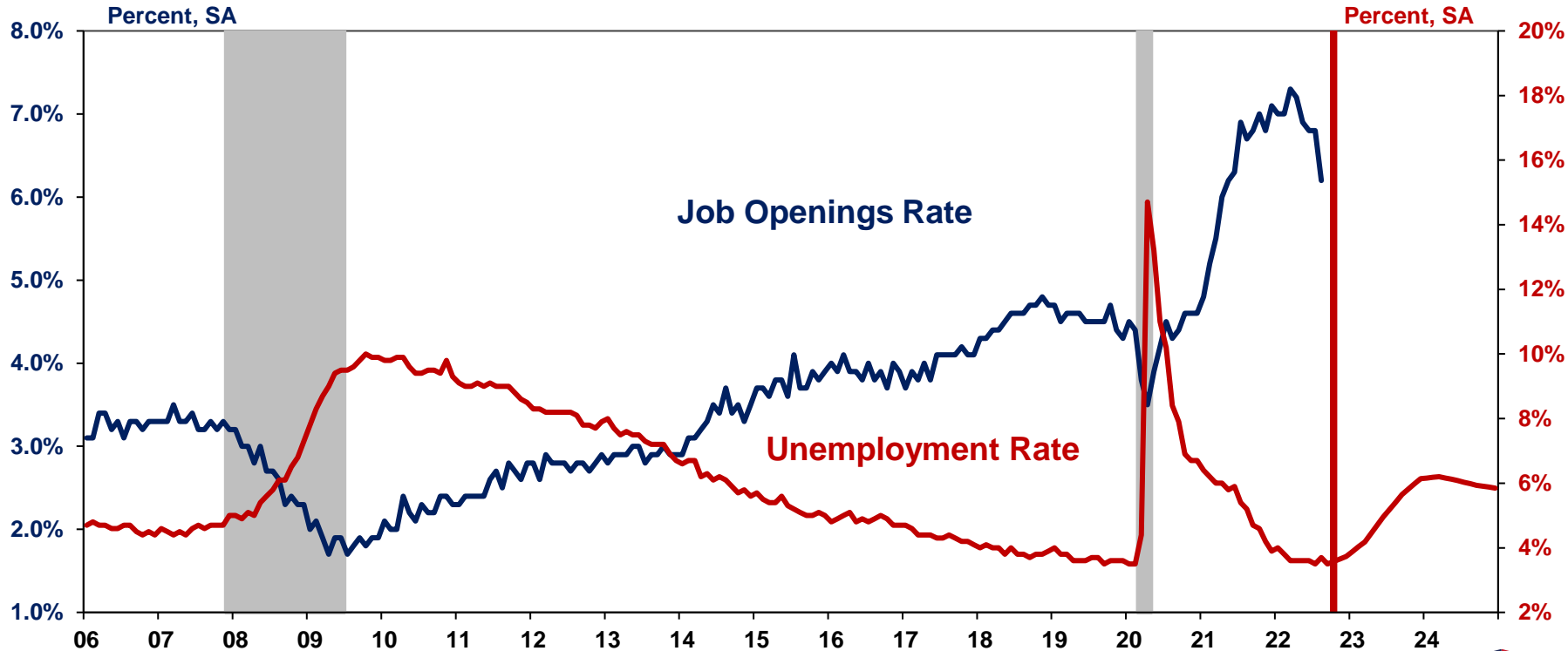
From 2022 to mid-2023: five of six quarters of GDP declines



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast.

Job Openings Fell

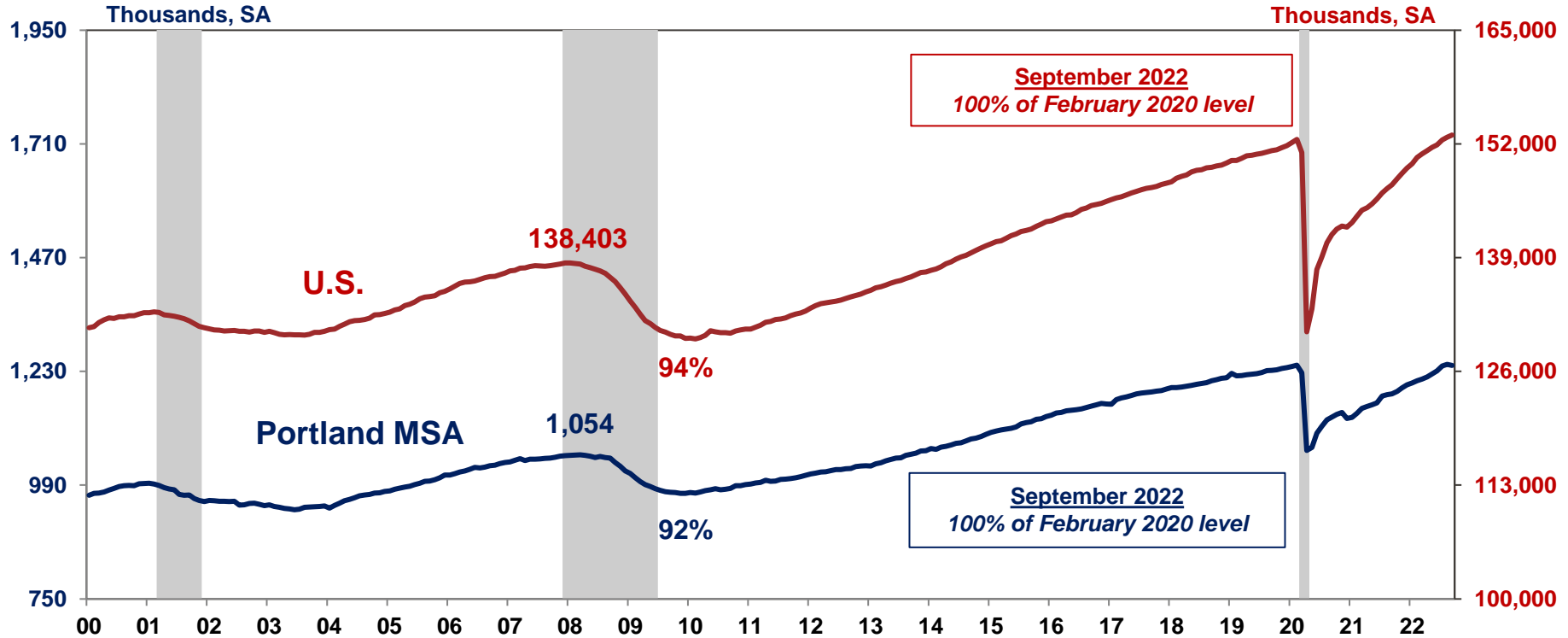
About 10 million open jobs



Source: U.S. Bureau of Labor Statistics (BLS) and NAHB forecast.

Payroll Employment

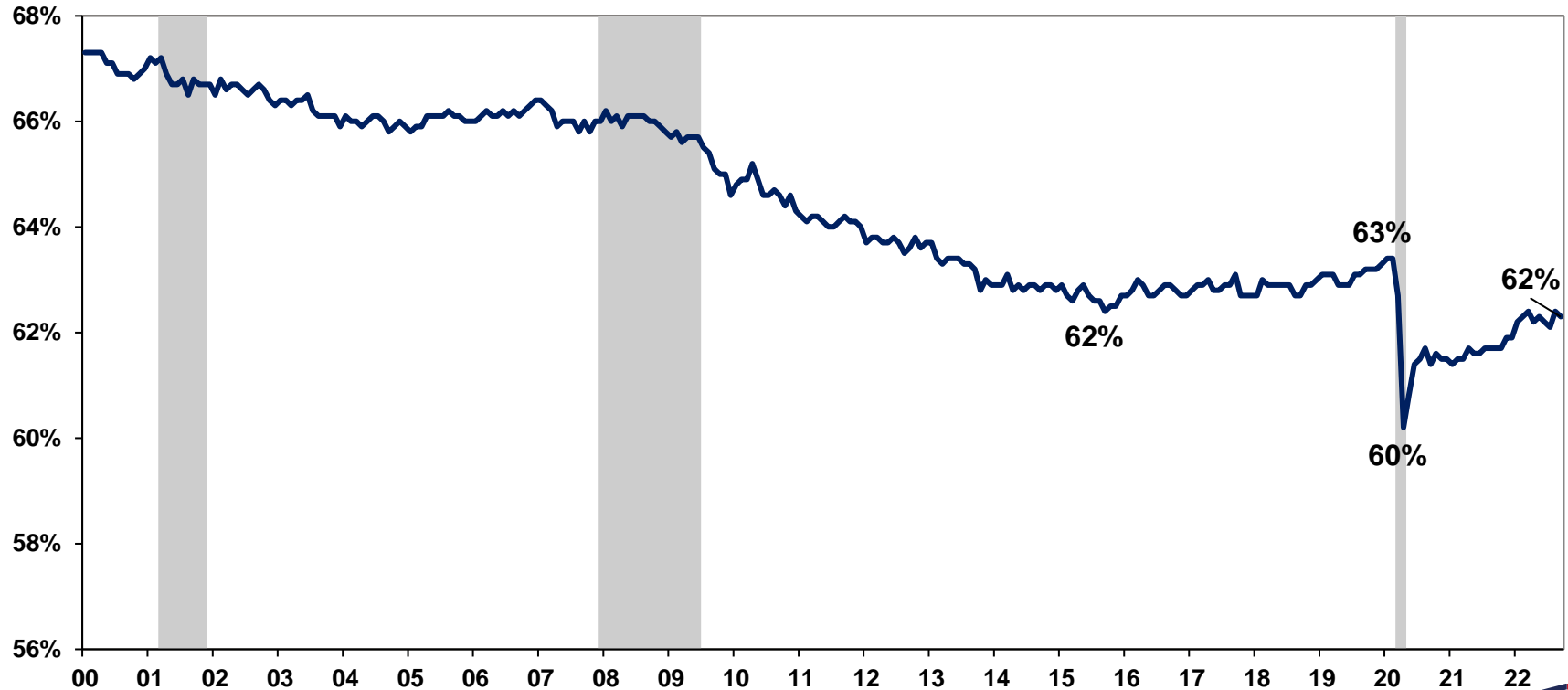
Portland MSA recovered from COVID-19 recession



Source: U.S. Bureau of Labor Statistics (BLS)

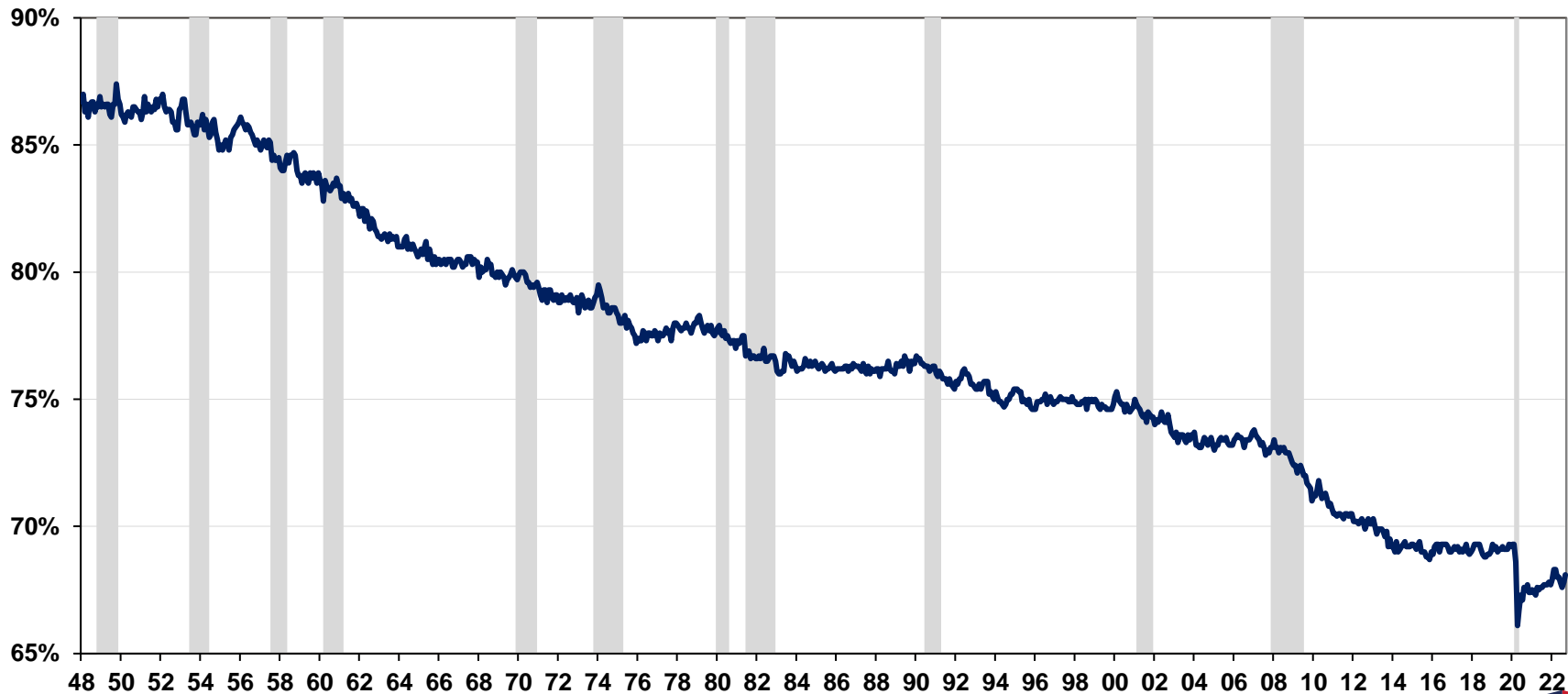
Labor Force Participation Rate

Labor force participation must be repaired as part of job market recovery



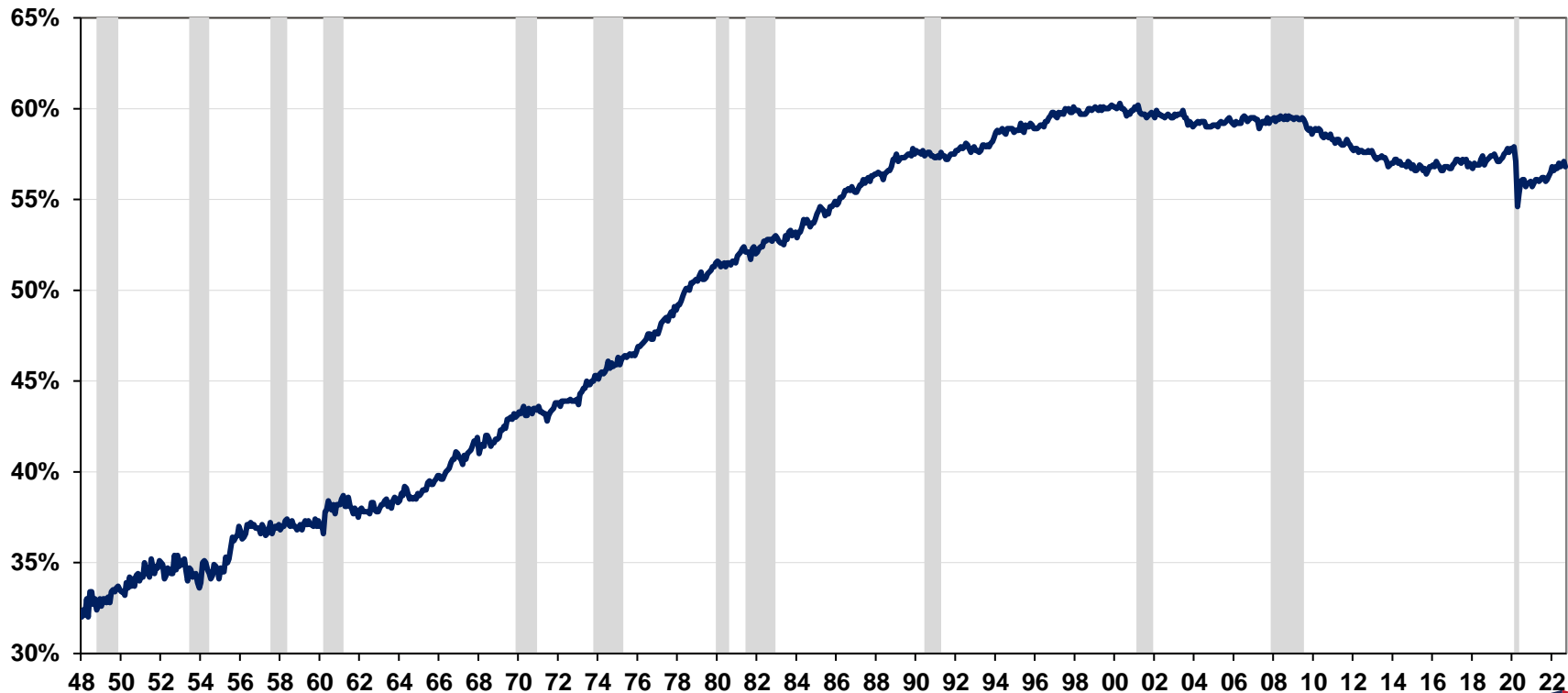
Source: U.S. Bureau of Labor Statistics (BLS).

Labor Force Participation Rate -- Men



Source: U.S. Bureau of Labor Statistics (BLS).

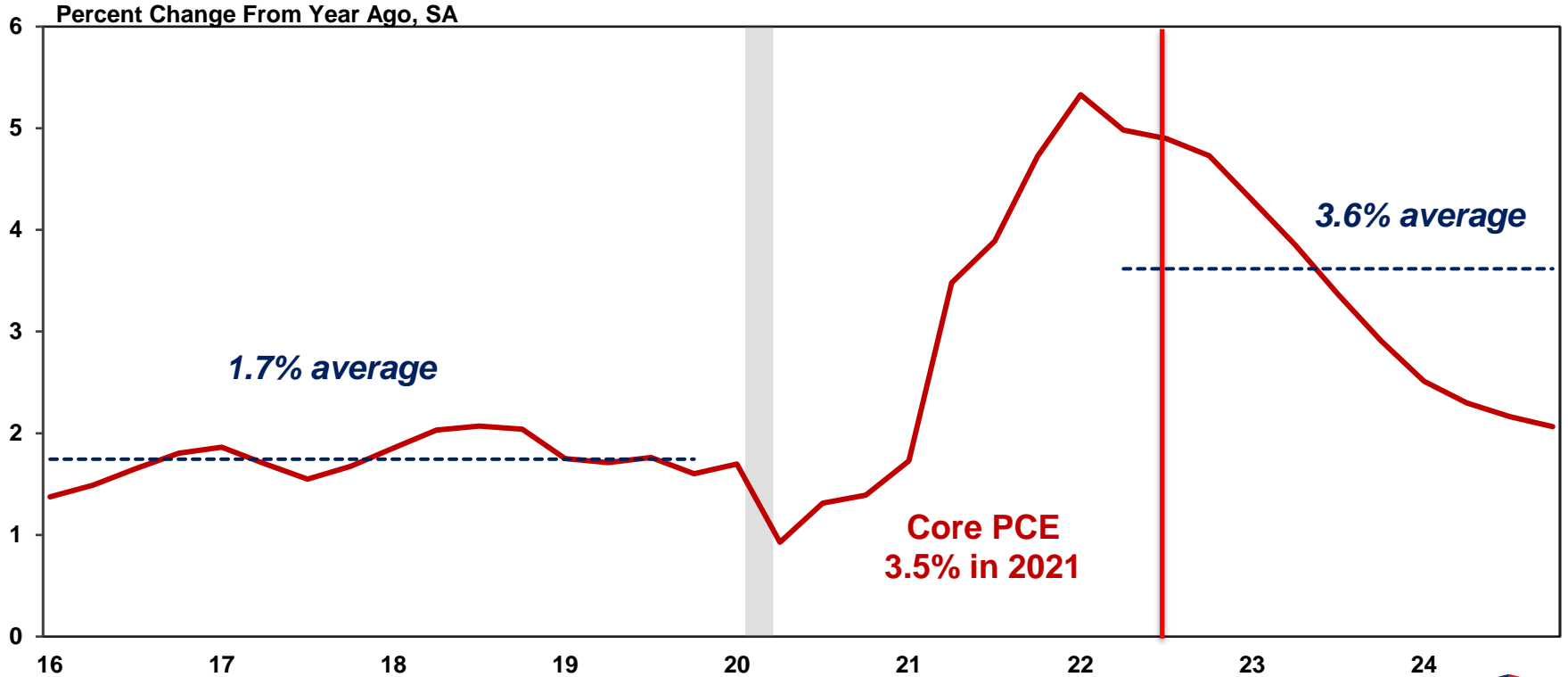
Labor Force Participation Rate -- Women



Source: U.S. Bureau of Labor Statistics (BLS).

Core Inflation

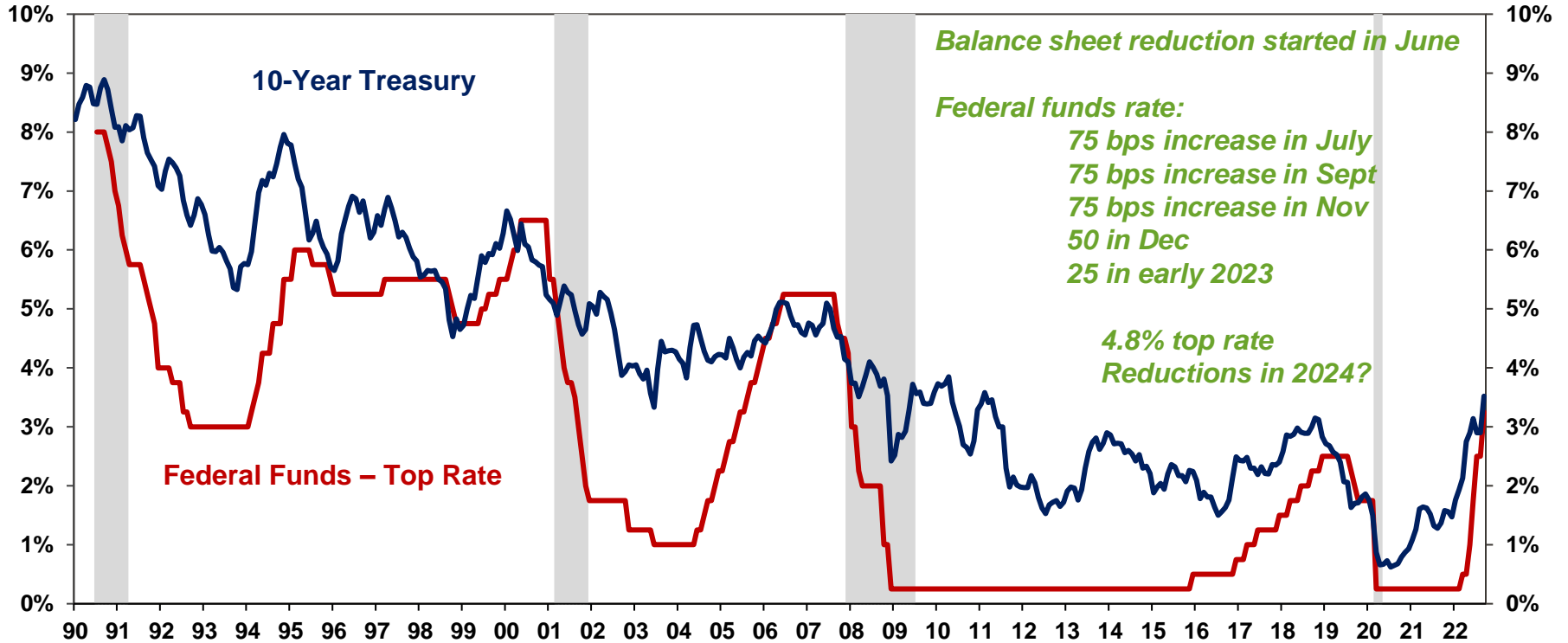
Inflation has peaked



Source: U.S. Bureau of Economic Analysis (BEA) and NAHB forecast

Monetary Policy Tightening in Response to Inflation

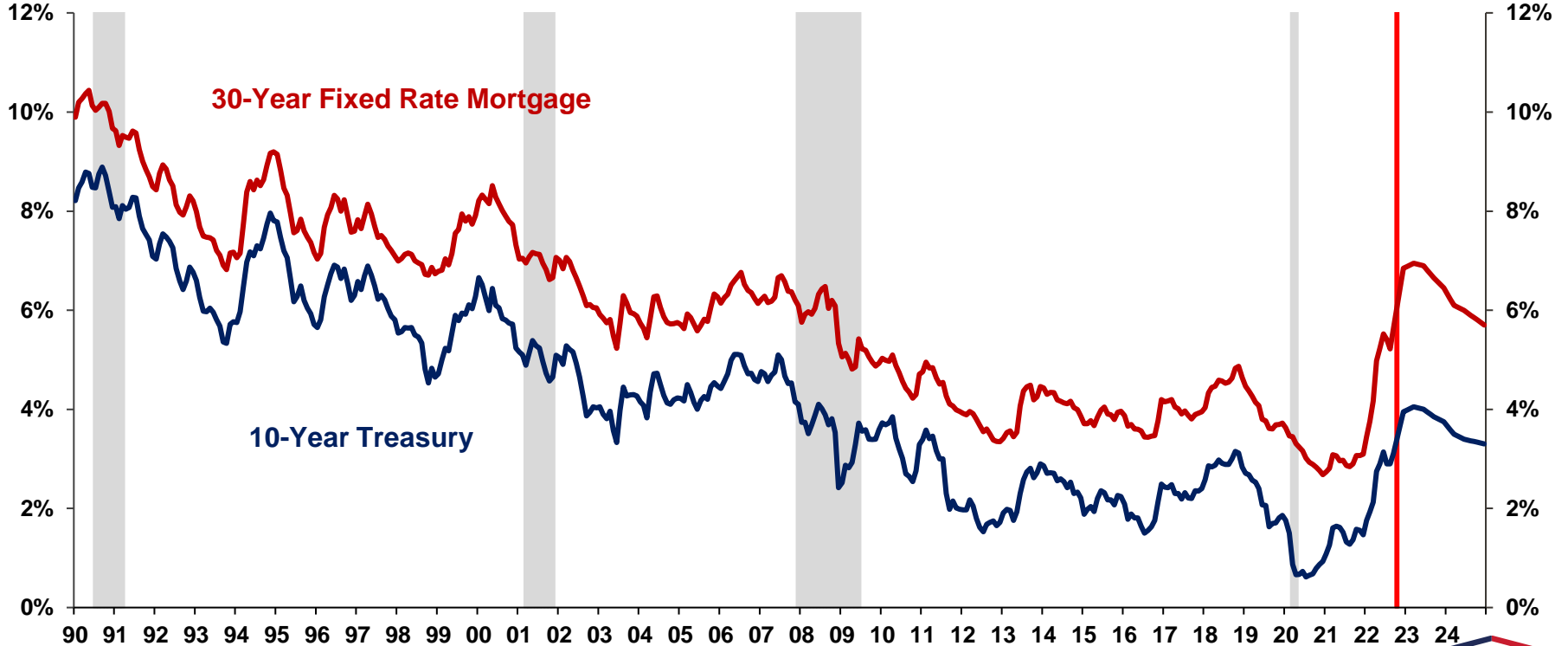
Rising federal funds rate in 2022



Source: U.S. Board of Governors of the Federal Reserve System (FRB).

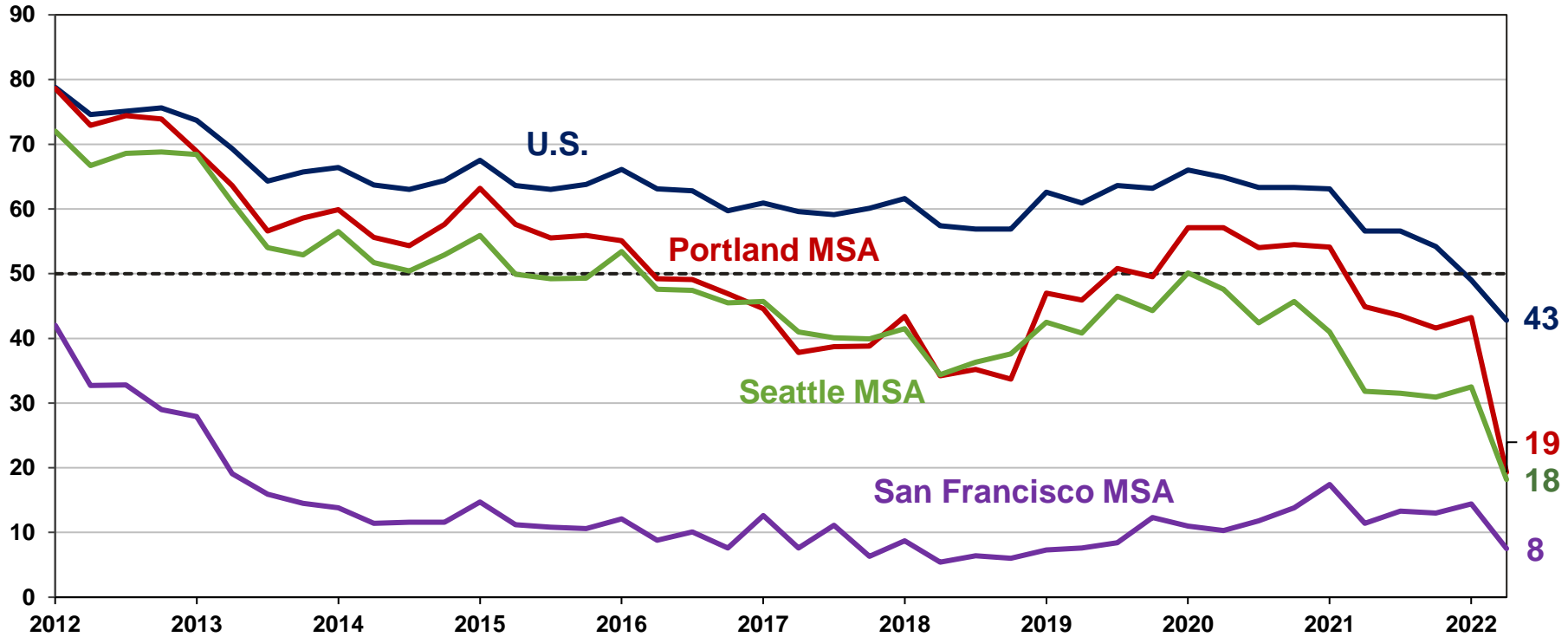
Interest Rates Trending Higher

Federal Reserve is tightening monetary policy



Source: Federal Reserve and Freddie Mac data and NAHB forecast.

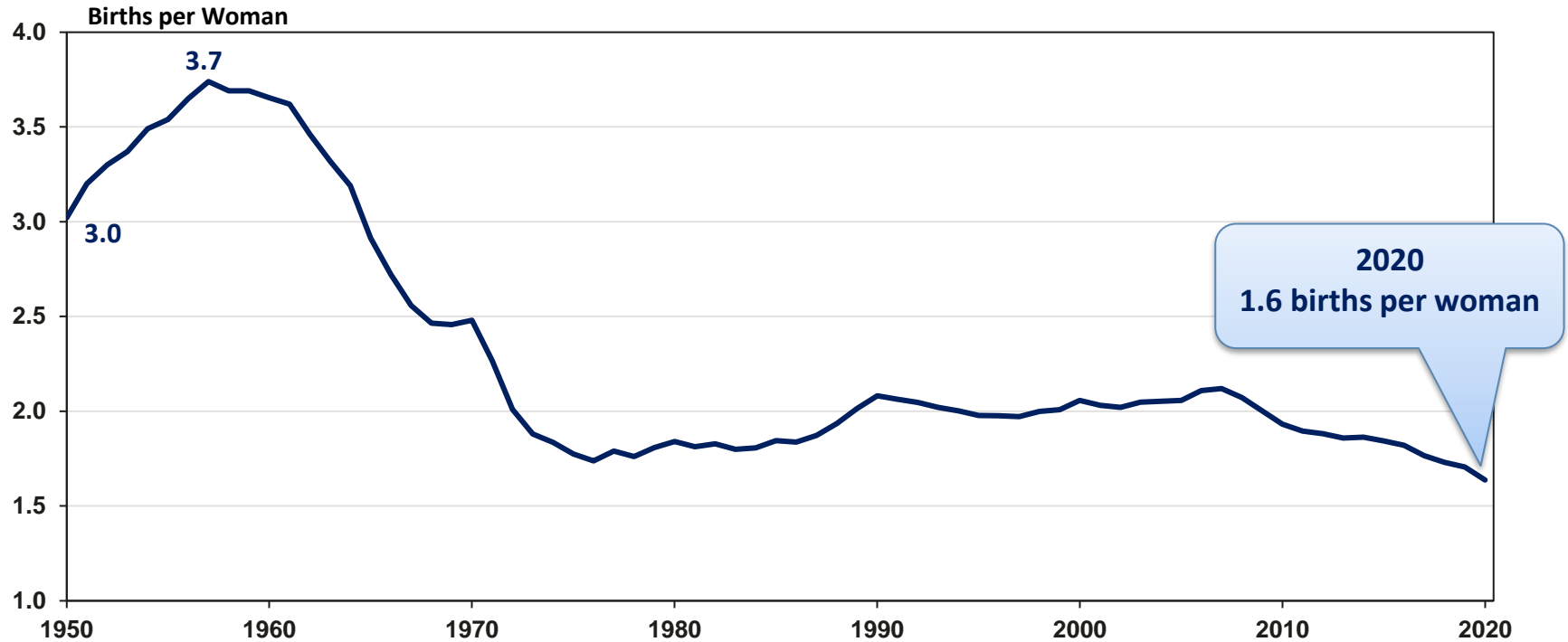
Housing Affordability Declines? NAHB/Wells Fargo HOI Lower



Source: NAHB/Wells Fargo Housing Opportunity Index (HOI).

Total Fertility Rate

U.S. fertility rate hit an all-time low in 2020



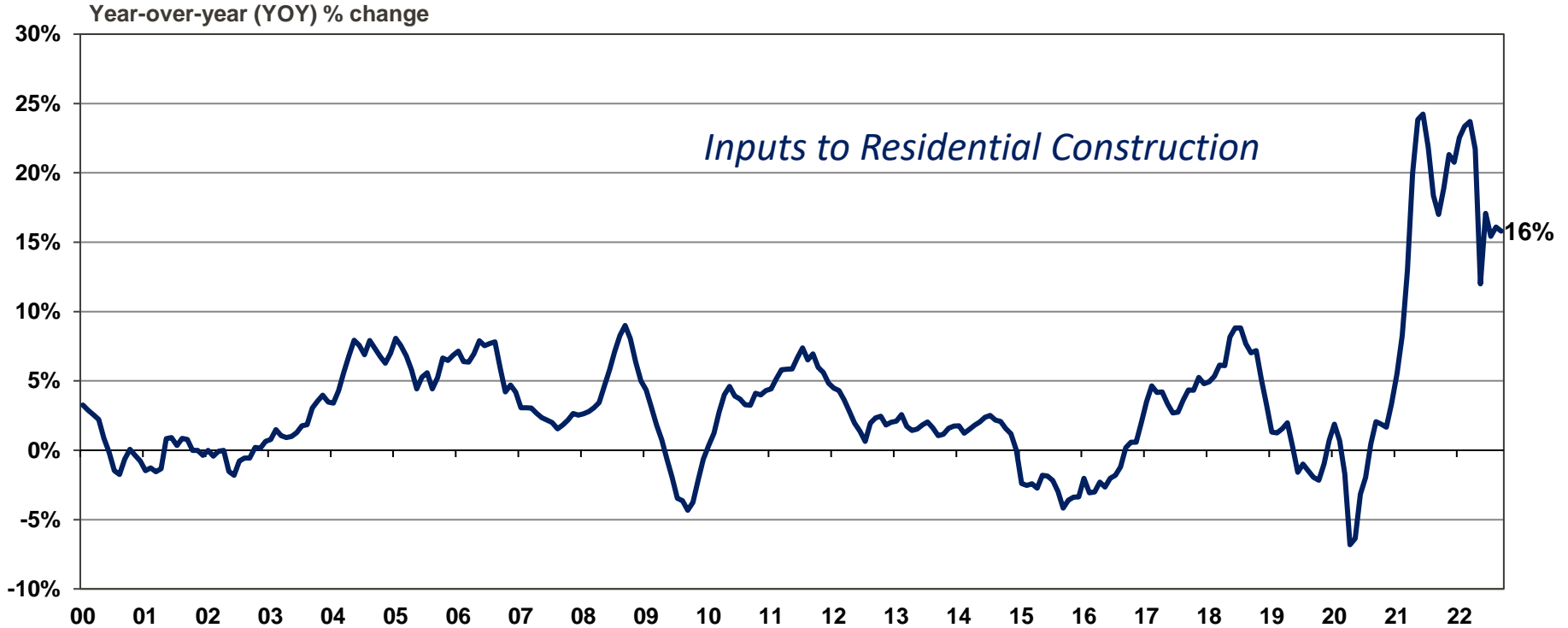
Source: The World Bank and <https://www.statista.com/statistics/1033027/fertility-rate-us-1800-2020/>



Supply-Side Factors



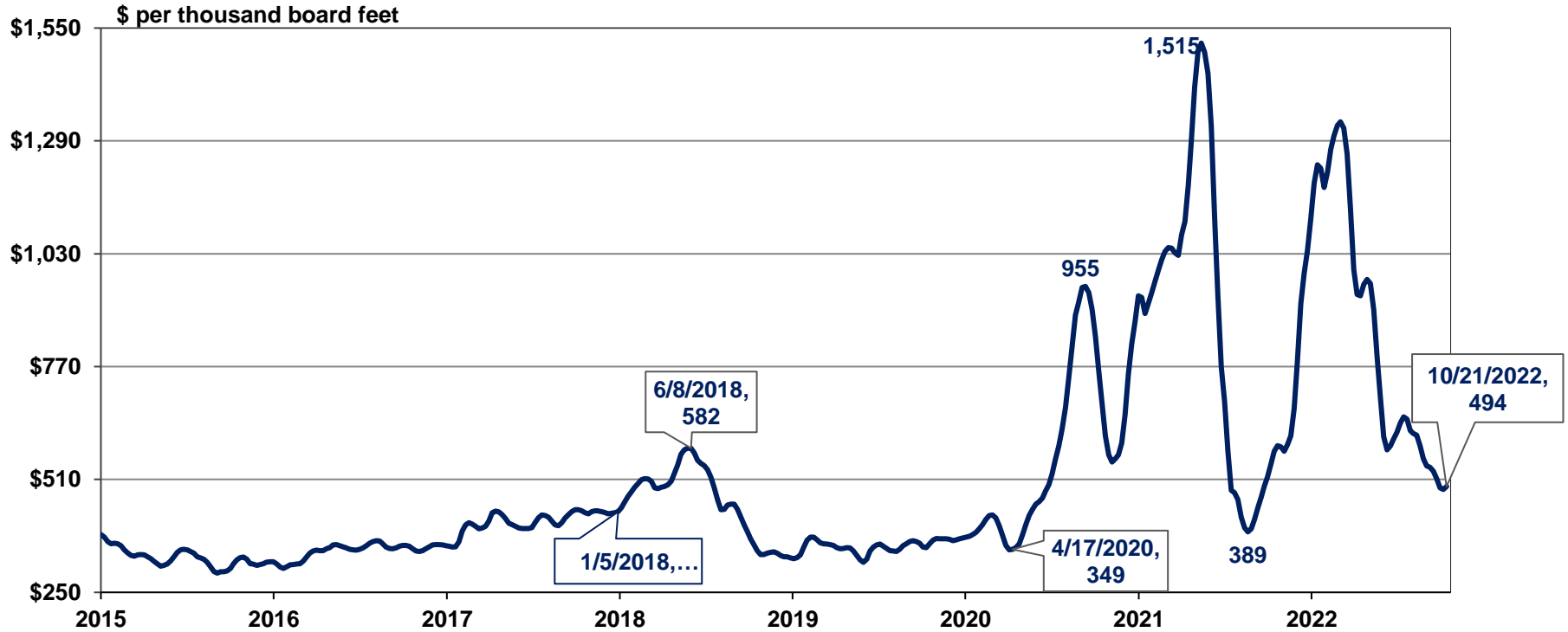
Building Materials - Residential Construction Cost



Source: U.S. Bureau of Labor Statistics (BLS): Producer Price Index (PPI)

Lumber Prices Rebounded

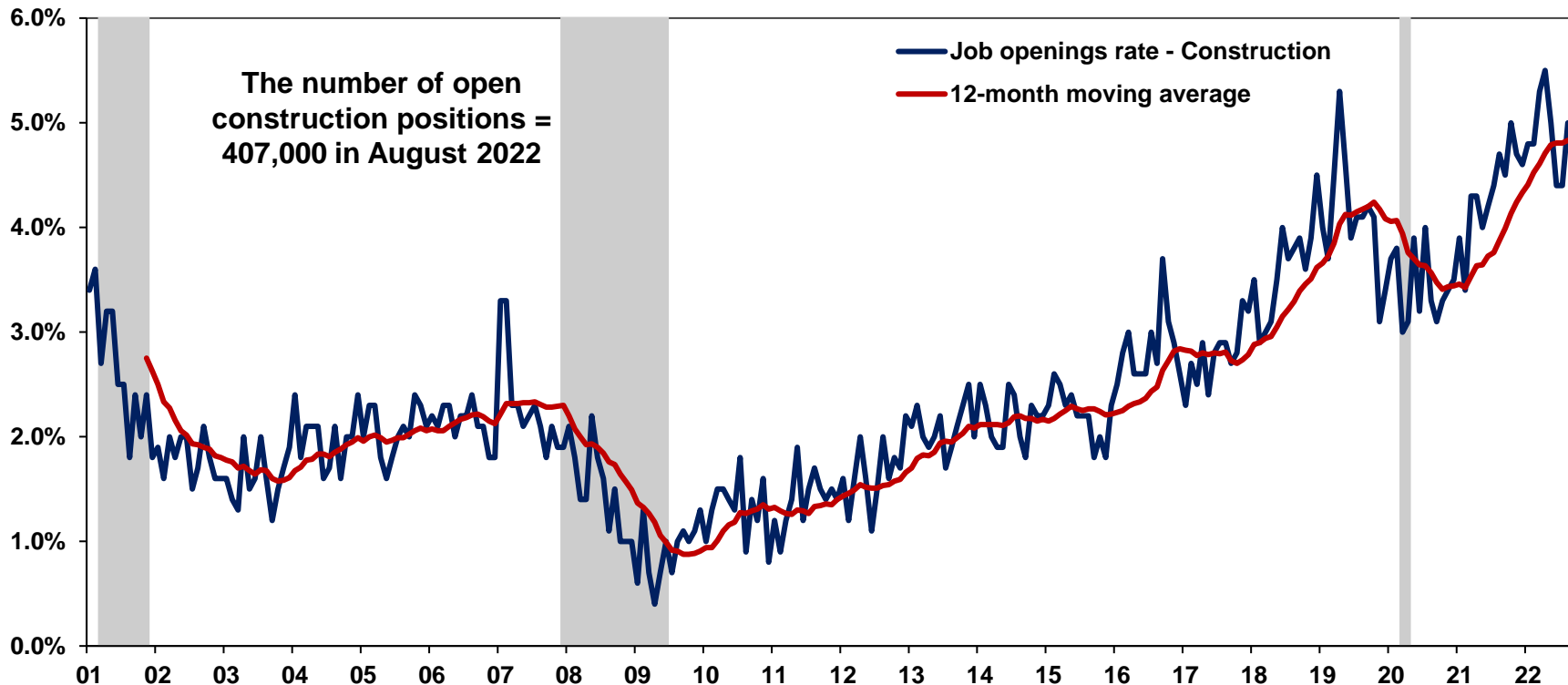
Current October price is \$494; rebounded 1%, the first increase since July



Source: NAHB Analysis; Random Lengths Composite Index

Labor – Construction Job Openings Stable

Skilled labor shortage persists; 233,900 net gain for residential construction since Jan 2020



Source: U.S. Bureau of Labor Statistics (BLS).

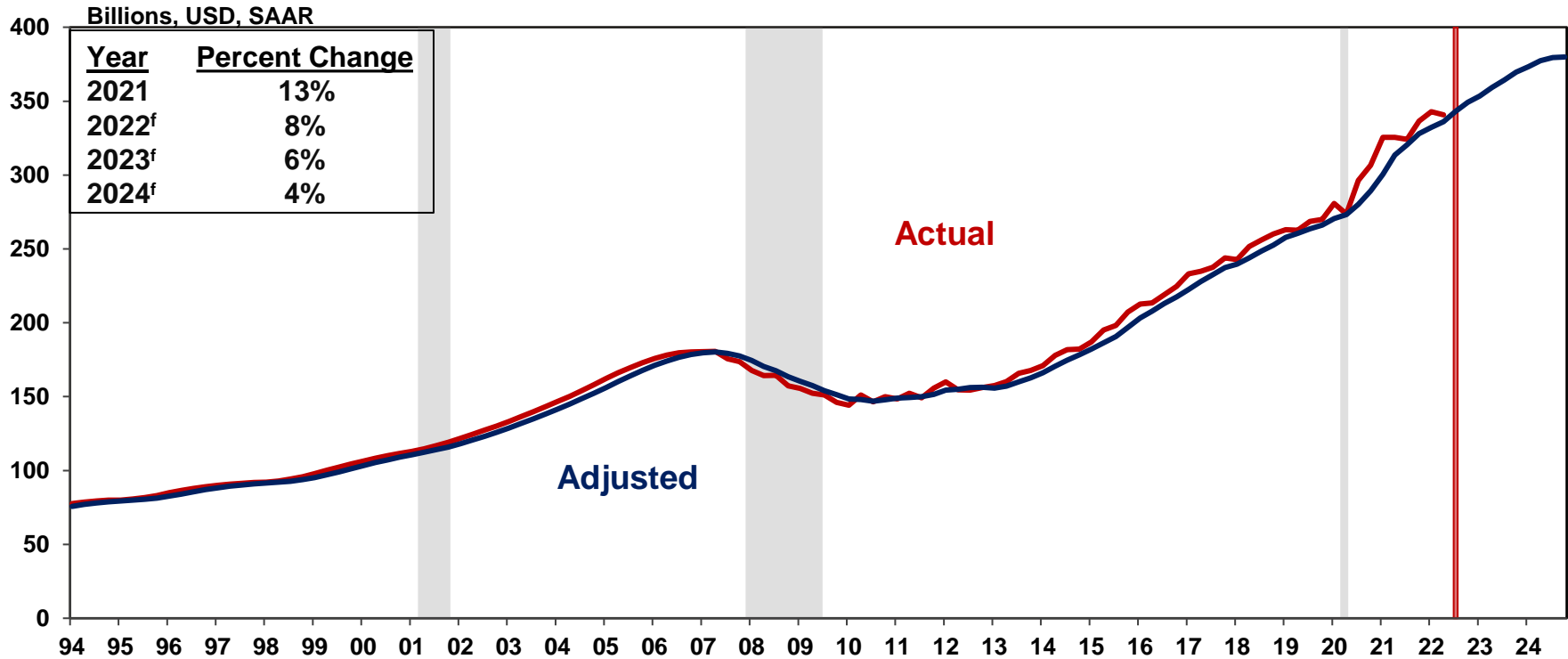


Construction Outlook



Residential Remodeling

Remodeling growth is expected to soften as housing demand is weakening

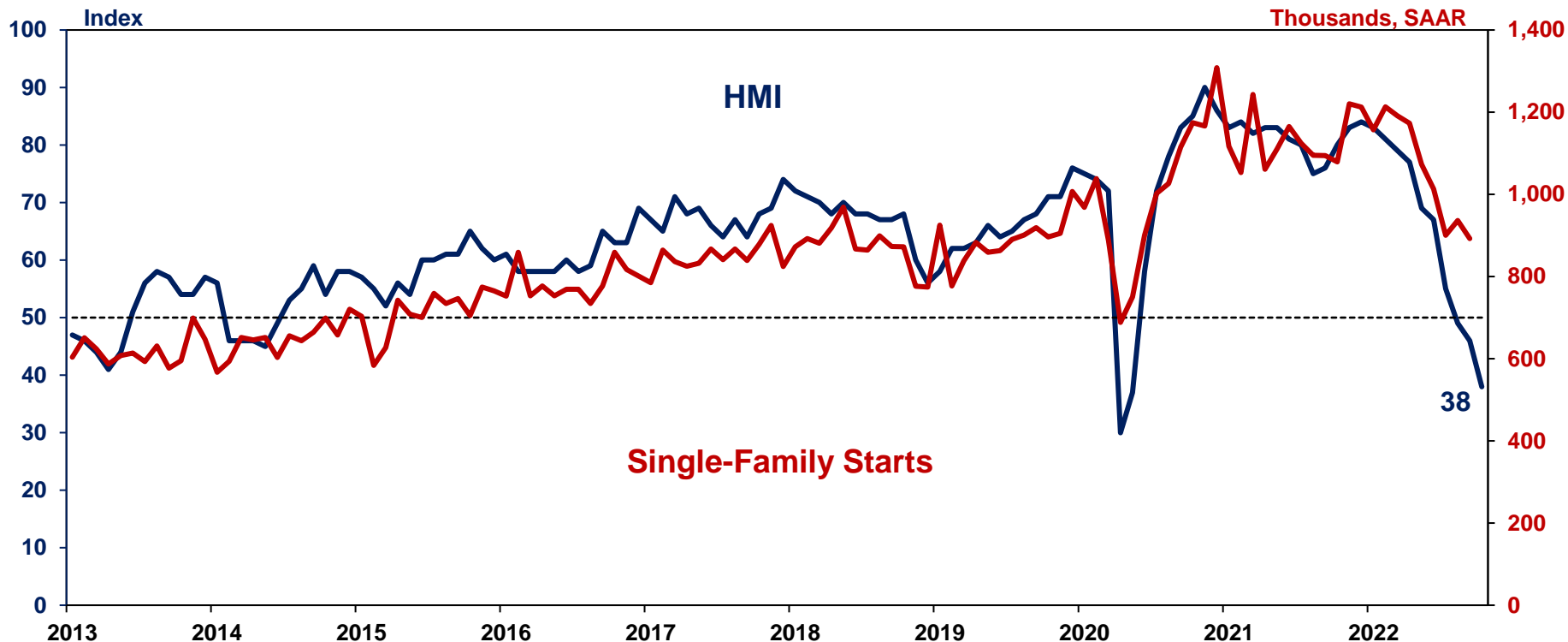


Source: U.S. Bureau of Economic Analysis (BEA): National Income and Product Accounts (NIPA) and NAHB forecast.

Note: In the analysis, 1-year moving average is used for adjusted data to smooth the trend.

NAHB/Wells Fargo Housing Market Index (HMI)

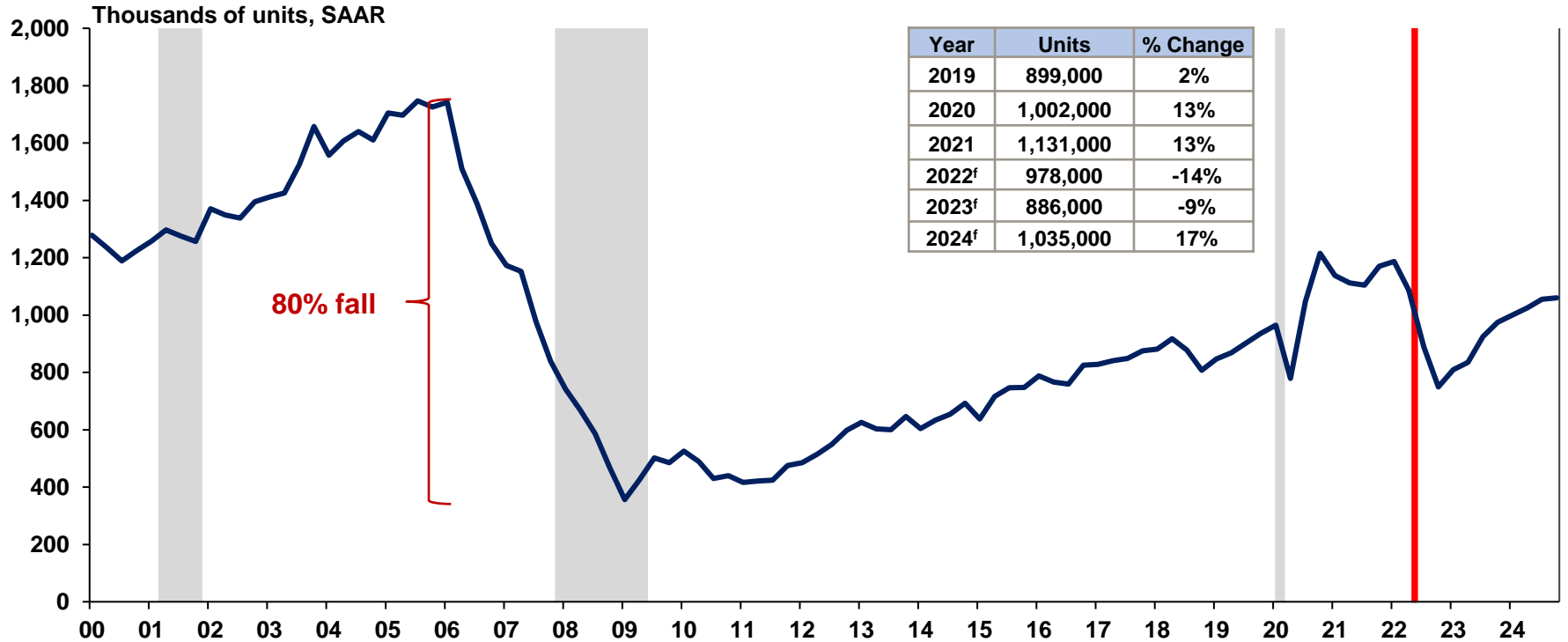
Builder confidence fell for the tenth straight month as housing slowdown continues



Source: Census Bureau and NAHB/Wells Fargo HMI survey

Single-Family Starts

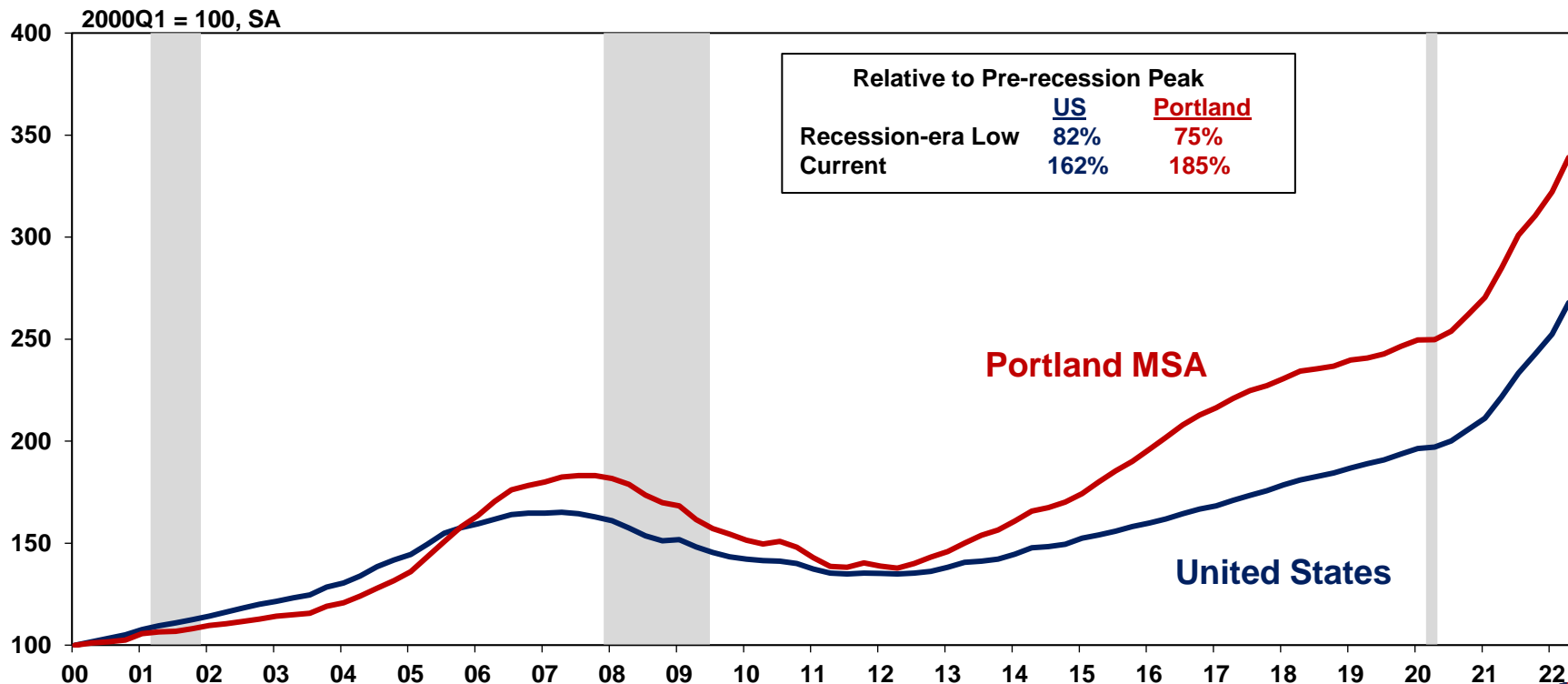
Home building declines as interest rates increase



Source: U.S. Census Bureau (BOC) and NAHB forecast

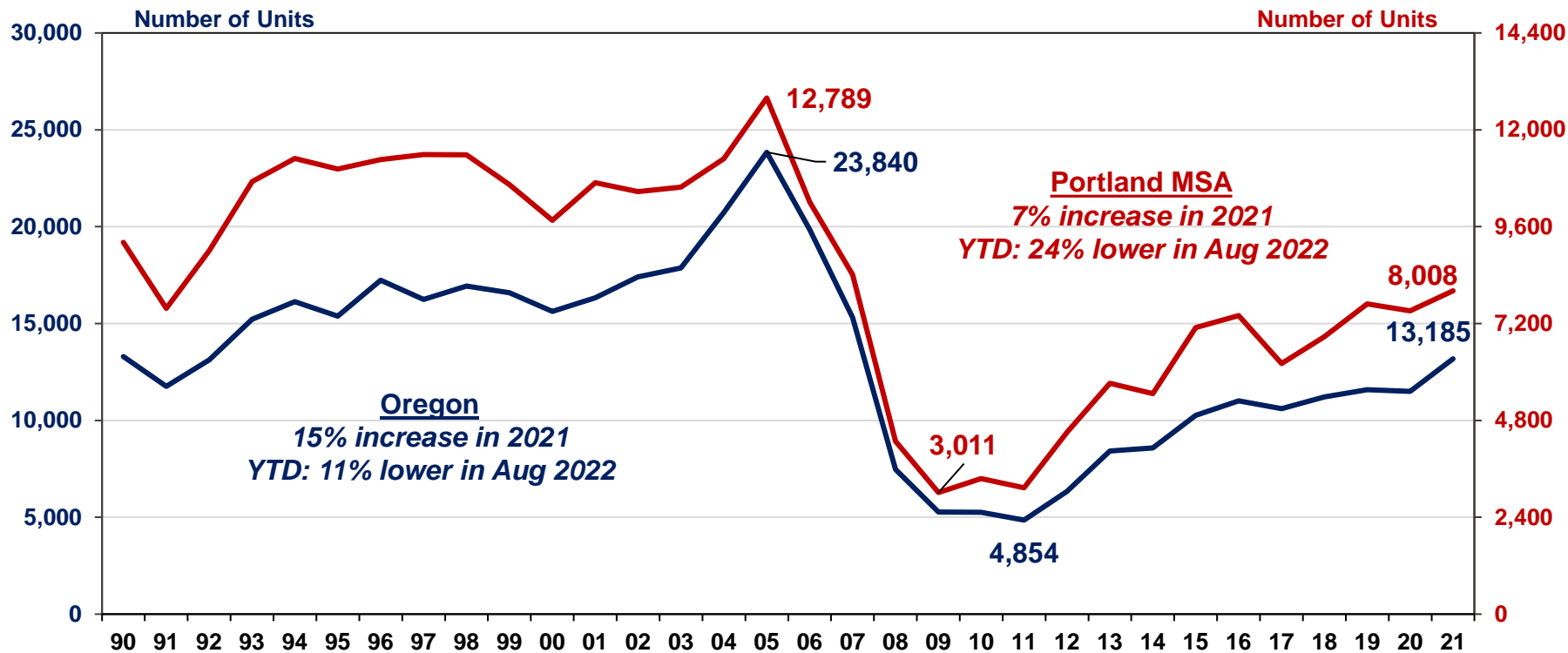
Existing House Price Index

Portland MSA house prices increased 36% since January 2020



Source: U.S. Federal Housing Finance Agency (FHFA).

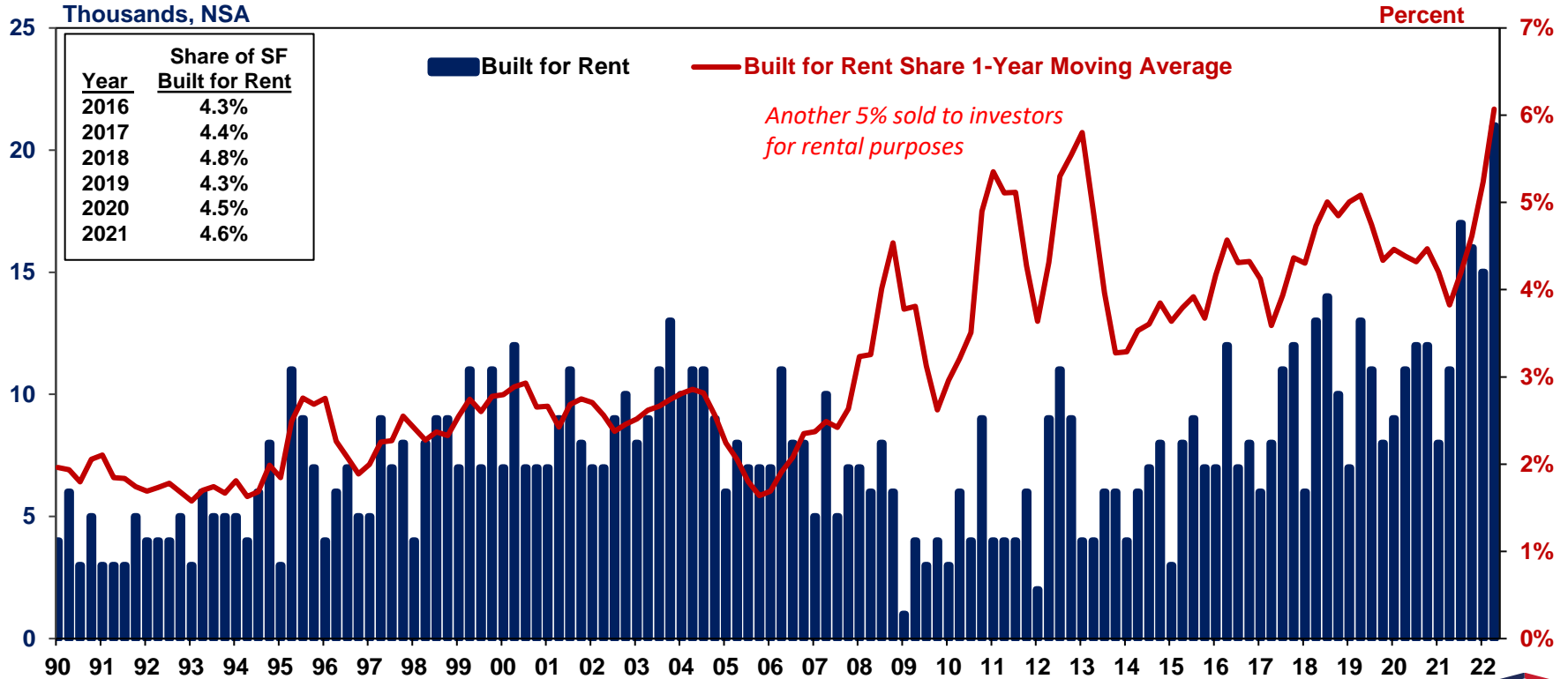
Single-Family Building Permits – Oregon and Portland MSA



Source: Census Bureau.

Single-Family Built-for-Rent Construction

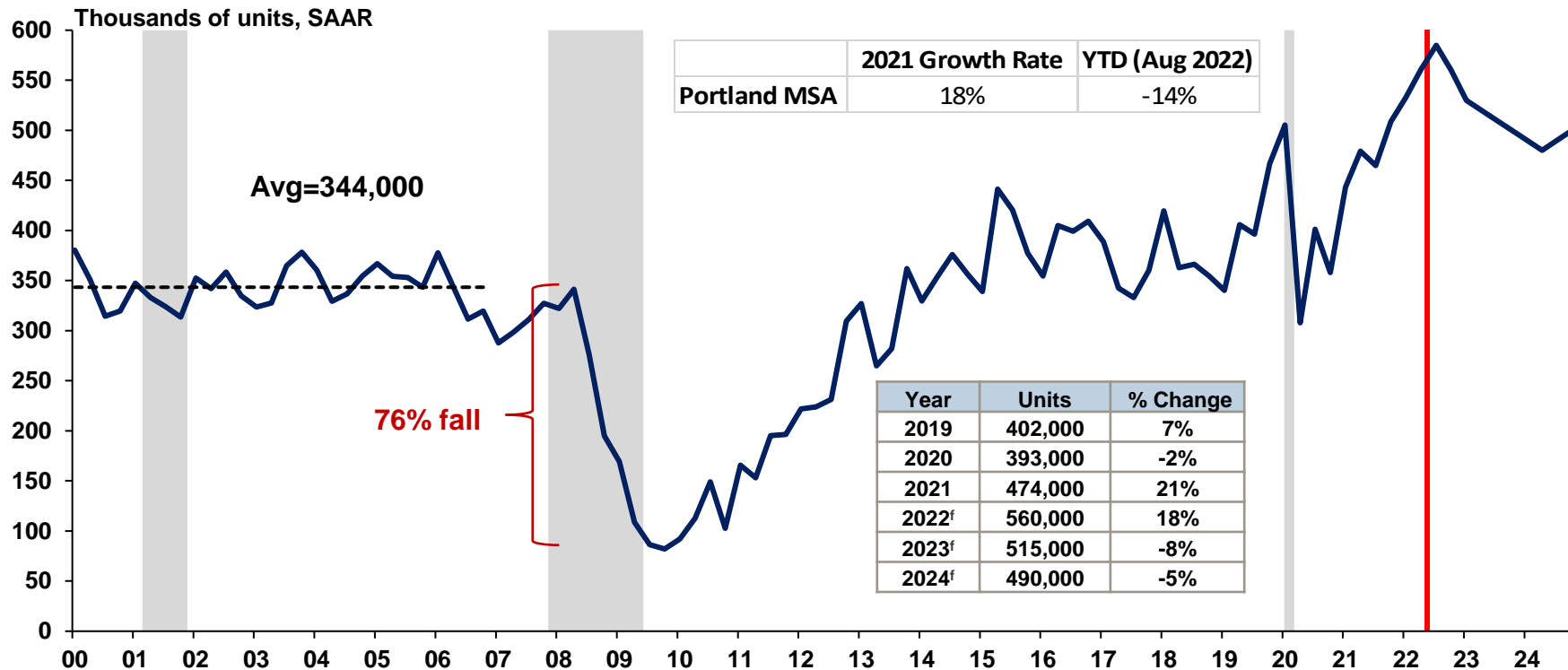
A window of opportunity



Source: U.S. Census Bureau (BOC)

Multifamily Construction Growing

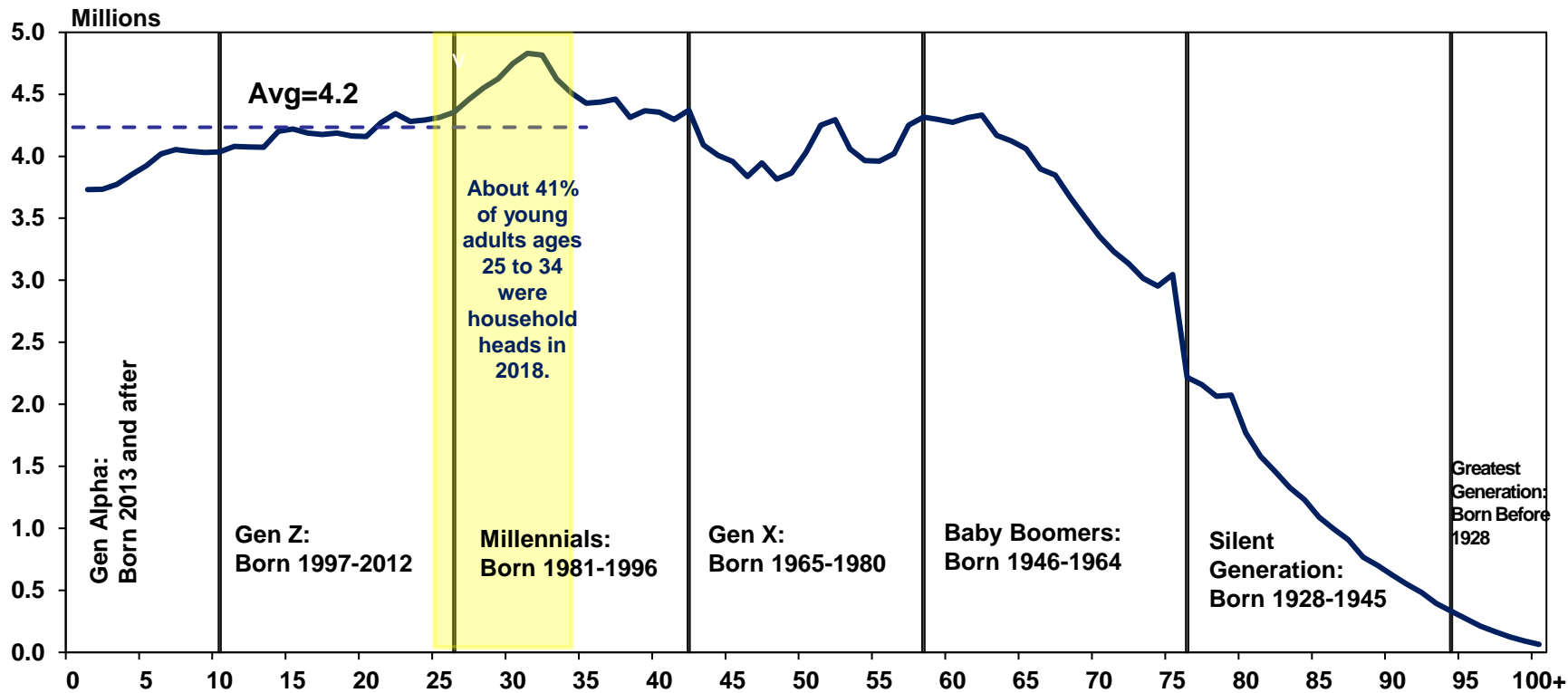
Multifamily strong in 2022 and then weakening



Source: U.S. Census Bureau (BOC) and NAHB forecast

Rising Population Entering Housing Demand Years: 2022

Gen X the majority of new construction home buyers



Source: U.S. Census Bureau (BOC).

Thank you

Questions?

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Economic Leadership Sponsor



Home Mortgage

eyeonhousing.org
housingeconomics.com