

Economic highlights from the week ending on October 22, 2021

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The pace of economic growth appears to be moderating from a very high level, but the outlook for economic growth remains strong. Some economists have recently tempered their forecasts for economic growth through year-end and 2022. The current Bloomberg consensus estimates for 2021 and 2022 US GDP growth are 5.7% and 4.0%, respectively, which remain consistent with strong economic growth, and are well above the long-run trend growth rate of about 1.8%. We believe ongoing supply chain disruptions and lingering impact of the health crisis are largely the reasons that



GDP estimates have moderated, as these issues are now widely expected to persist into 2022. The Conference Board expects economic growth to remain strong but lowered their GDP forecasts this week and now expect 5.7% GDP growth for 2021 and 3.8% GDP growth in 2022 (down from 6.0% and 4.0%, respectively, last month). The Conference Board's Leading Economic Index (LEI) increased 0.2% month-over-month in September (below expectations), following a 0.8% increase in August. According to the Conference Board, the LEI's slower rate of growth in recent months suggests the economy is on a more moderate growth trajectory compared to the first half of the year.

Housing demand appears to remain strong, but we believe supply chain bottlenecks and high materials and input costs have recently held back the pace of new starts. Total housing starts declined 1.6% in September to an annual pace of 1,555,000. Permits also declined 7.7% in the month. Single-family starts were flat in September while multi-family starts fell 5.0%, month-over-month. Meanwhile, existing home sales rose 7.0% in September to a seasonally adjusted rate of 6.290 million units, exceeding expectations, following a 2.0% decline in August. The median resale price eased slightly in September which may have provided a boost to sales in the month, though prices were still up 13.3% year-over-year. We believe tight inventory remains supportive of home prices, despite a recent uptick in mortgage rates. The supply of existing homes for sale was down 13.0% year-over-year in September. The NAHB/Wells Fargo Housing Market Index rose to 80 in October from 76 in September, exceeding expectations, which indicates that homebuilder optimism remains strong.



Next Week

Chicago Fed National Activity Index, Case-Shiller Home Price Index, FHFA House Price Index, New Home Sales, Consumer Confidence, Durable Goods, GDP, Pending Home Sales, Personal Income & Outlays, Consumer Sentiment



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