HaMMR Digest

Stay current with economic and mortgage market trends.

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Parker Ross — Global Chief Economist
pross@archgroup.com | 914 216 7270

Leonidas Mourelatos — Director of Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

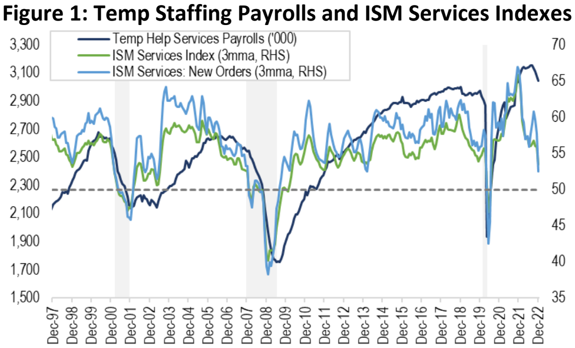
ARCH MORTGAGE INSURANCE COMPANY® | 230 NORTH ELM STREET GREENSBORO NC 27401 | ARCHMI.COM

Weekly Wrap – What Lies Ahead?

- After a solid 3Q, economic activity appears to have softened into year-end.
- The downshift in labor demand has so far been orderly and mostly concentrated in sectors that over-hired.
- Prior rate hikes are still filtering through the economy — we expect a pause after two more modest hikes.

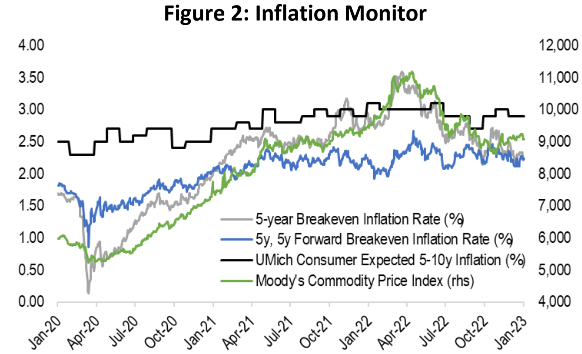
While 3Q22 real GDP growth was revised up 30bps to 3.2%, recent data indicates that weakness is setting in. Households reined in holiday shopping, particularly on goods, compared to last year as real spending was flat in November despite a decent uptick in real disposable income. The Leading Economic Index has been falling into deeper negative territory since August and declined -1.0% m/m (con. -0.5%) in November. Key business survey data from the ISM Manufacturing Index slipped below break-even levels in December with manufacturing down to 48.4 (cons. 48.5) and the services index slipping to 49.6. Manufacturing activity is set to follow housing into recessionary territory as core capital goods orders continued to slow while both imports and exports dropped significantly in November, confirming weakness abroad and cooling personal spending. Building permits fell -11% m/m (cons. -2.1%) and existing home sales plunged -7.7% m/m (cons. -5.2%) in November, while the October S&P/Case-Shiller 20-City Composite Home Price Index (HPI) declined -0.5% m/m (cons. -1.1%) and was down for the fourth month in a row.

Figure 1: Temp Staffing Payrolls and ISM Services Indexes



Sources: ISM, BLS, Arch MI

Figure 2: Inflation Monitor



Sources: Moody's, University of Michigan, FRB, Arch MI

Even within the labor market data, cracks are starting to show. On the surface, the labor market is still very healthy with nonfarm payrolls rising 223k m/m (cons. 205k) in December while the unemployment rate fell 20bps to 3.5% (cons. 3.7%). Moreover, jobless claims remained low, layoffs have remained concentrated in tech/housing/finance, and the number of job openings per unemployed remains historically elevated at 1.7. However, out of the numerous labor demand proxies we track, job openings seem to be the standout, still showing strength at 10.5m (cons. 10.1m) in November. Most telling and ominous of all has been temporary staffing payrolls that have rolled over since July. Temporary staffing has been a key warning signal as firms cut these positions first before resorting to widespread layoffs. In addition, the new orders component of the ISM Services Index plunged 10.8pts m/m to 45.2 in December, a sequential change and the overall level is reading conducive with weaker labor market conditions ahead (Figure 1).

Despite recent hawkish commentary from Fed officials, they must be pleased with recent developments. Prior rate hikes are filtering through the system, hitting interest rate-sensitive and overvalued sectors first in housing, technology and construction, then tempering broader demand which has seen manufacturing activity downshift and the average work week regress to pre-COVID norms. Average quarterly payrolls gains ended the year at 250k in 4Q, down from 540k in 1Q. Labor income growth has been slower than previously reported with average hourly earnings growth revised downward for the prior two months, bringing the quarterly annualized pace to 3.7% in December from 7.6% in 1Q22, while inflation expectations continue to tick lower (Figure 2). The pace of change in several economic measures are concerning and certainly echo trajectories observed at the onset of prior recessions, but the easing of labor market tightness has been orderly — suggesting that the majority of firms are in the midst of “right-sizing” their operations instead of completely "packing it in." December's CPI inflation report will be pivotal and if it remains weak like October and November, the Fed will have more than enough evidence to step down to a 25bps rate hike in February.

Recent Data Releases

Key economic and housing data releases over the last week:

Date	Indicator	Period	Actual	Consensus	Previous	Note
12/19/22	NAHB Housing Market Index	Dec	31.0	34.0	33.0	index, sa
12/20/22	Housing Starts	Nov	1,427	1,400	1,434	k, saar
12/20/22	Housing Starts m/m	Nov	-0.5%	-1.8%	-2.1%	sa
12/20/22	Building Permits	Nov	1,342	1,480	1,512	k, saar
12/20/22	Building Permits m/m	Nov	-11.2%	-2.1%	-3.3%	sa
12/21/22	Existing Home Sales	Nov	4,090	4,200	4,430	k, saar
12/21/22	Existing Home Sales m/m	Nov	-7.7%	-5.2%	-5.9%	sa
12/21/22	Conf. Board Consumer Confidence	Dec	108.3	101.0	101.4	index, sa
12/22/22	GDP Annualized q/q	3Q T	3.2%	2.9%	2.9%	saar
12/22/22	Personal Consumption q/q	3Q T	2.3%	1.7%	1.7%	saar
12/22/22	Conference Board Leading Index	Nov	-1.0%	-0.5%	-0.9%	m/m, sa
12/23/22	Personal Income	Nov	0.4%	0.3%	0.7%	m/m, sa
12/23/22	Personal Spending	Nov	0.1%	0.2%	0.9%	m/m, sa
12/23/22	Real Personal Spending	Nov	0.0%	0.1%	0.5%	m/m, sa
12/23/22	PCE Inflation m/m	Nov	0.1%	0.1%	0.4%	sa
12/23/22	PCE Inflation y/y	Nov	5.5%	5.5%	6.1%	nsa
12/23/22	PCE Core Inflation (ex Food and Energy) m/m	Nov	0.2%	0.2%	0.3%	sa
12/23/22	PCE Core Inflation (ex Food and Energy) y/y	Nov	4.7%	4.6%	5.0%	nsa
12/23/22	U. of Mich. Sentiment	Dec F	59.7	59.1	59.1	index, nsa
12/23/22	U. of Mich. 1 Yr Inflation	Dec F	4.4%	4.6%	4.6%	nsa
12/23/22	U. of Mich. 5-10 Yr Inflation	Dec F	2.9%	3.0%	3.0%	nsa
12/23/22	New Home Sales	Nov	640	600	605	k, saar
12/23/22	New Home Sales m/m	Nov	5.8%	-5.1%	8.2%	sa
12/27/22	FHFA House Price Index m/m	Oct	0.0%	-0.7%	0.1%	sa
12/27/22	S&P CoreLogic CS 20-City m/m SA	Oct	-0.5%	-1.1%	-1.4%	sa
12/27/22	S&P CoreLogic CS 20-City y/y NSA	Oct	8.6%	8.0%	10.4%	nsa
12/28/22	Pending Home Sales m/m	Nov	-4.0%	-1.0%	-4.7%	sa
12/28/22	Pending Home Sales y/y	Nov	-38.6%	--	-36.7%	nsa
1/4/23	MBA Mortgage Applications	12/30/23	-10.3%	--	-3.2%	w/w, sa
1/4/23	ISM Manufacturing	Dec	48.4	48.5	49.0	index, sa
1/4/23	ISM Prices Paid	Dec	39.4	42.9	43.0	index, nsa
1/4/23	JOLTS Job Openings	Nov	10.5	10.1	10.5	m, sa
1/4/23	Wards Total Vehicle Sales	Dec	13.3	13.4	14.1	m, saar
1/5/23	ADP Employment	Dec	235	150	182	k, m/m, sa
1/5/23	Initial Jobless Claims	12/31/23	204	225	223	k, sa
1/5/23	Continuing Claims	12/24/23	1,694	1,728	1,718	k, sa
1/6/23	Nonfarm Payrolls	Dec	223	205	256	k, m/m, sa
1/6/23	Private Payrolls	Dec	220	188	202	k, m/m, sa
1/6/23	Unemployment Rate	Dec	3.5%	3.7%	3.6%	sa
1/6/23	Average Hourly Earnings m/m	Dec	0.3%	0.4%	0.4%	sa
1/6/23	Average Hourly Earnings y/y	Dec	4.6%	5.0%	4.8%	nsa
1/6/23	Average Weekly Hours All Employees	Dec	34.3	34.4	34.4	sa
1/6/23	Labor Force Participation Rate	Dec	62.3%	62.2%	62.1%	sa
1/6/23	ISM Services Index	Dec	49.6	55.0	56.5	index, nsa

Sources: Bloomberg Consensus Survey of Economists, Arch MI

Green = beat expectations; **Red** = worse than expectations; (compared vs. prior if no consensus estimates available)

HOUSING MARKET SLUMPS INTO YEAR-END

Activity in the housing market ended 2022 in somewhat typical fashion, taking a break for the normal holiday season but also showing more weakness amid the turmoil brought on by the surge in mortgage rates. Purchase applications dropped for three weeks in a row through Dec. 30, according to the Mortgage Bankers Association (MBA), with the current pace close to 2014 levels. After taking a modest step back since peaking in the beginning of November, mortgage rates inched up to end 2022 at 6.48% (Freddie Mac), up 337bps from one year ago. We don't expect a pronounced rebound in sales without a meaningful decline in mortgage rates as there is still palpable uncertainty lingering over the possibility of a recession.

Early demand indicators suggest that buyers are still in search of deals that best fit their needs, and budgets, but they are not pulling the trigger on sales nearly as fast as last year. Pending home sales based on the latest data from Redfin for the week ending Dec. 25 are down around -23k y/y (Figure 3), or -40% below the year-ago level and -10% below the pre-pandemic average. Counterbalancing the drop in demand has been the steady decline in new listings that were down -20% and delisted homes up 19% relative to the pre-pandemic averages for this time of year.

Figure 3: U.S. Existing Home Sales Market Dynamics

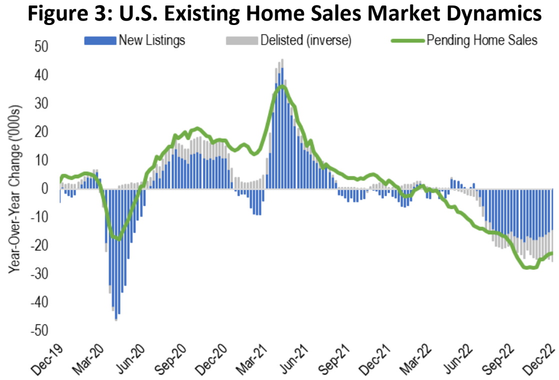
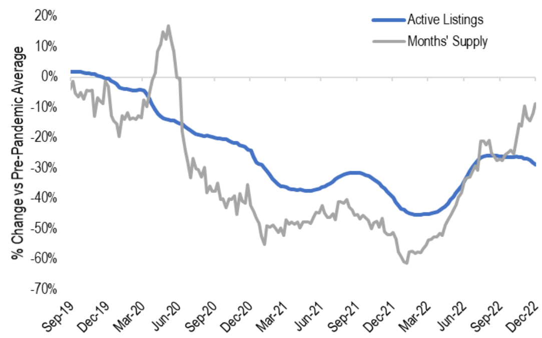


Figure 4: U.S. Active Listings & Months' Supply



Source: Redfin, Arch MI

The pullback in new listings and rising share of delisted homes has pulled total active listings lower relative to the pre-pandemic average and has helped keep the upward march of months' supply relatively in check, thus far (Figure 4). The accelerating annual decline in pending home sales has seemingly ended for now and reversed somewhat in response to the recent decline in mortgage rates, hinting that the market may be stabilizing around a new equilibrium. Even with the dramatic decline in the pace of sales, the national market remains somewhat tight given months' supply is 3.5 months, 9% below the pre-pandemic average for this time a year but a significant increase from the 1.6 months recorded for the same week in 2021 when the market was incredibly tight.

According to Redfin data through the week ending Dec. 25, annual growth in the national median sale price per square foot ticked lower to 2.9% y/y from 3.0% in the prior week and 17% from this time last year. Risks for prices remain skewed to the downside given the downward trajectory for the sale-to-list ratio and upward trajectory for median days on market. Overstretched markets are particularly vulnerable to negative price action and underlying data show that most of the national price weakness continues to emanate from the West region.

Of the major metros we track (Figure 5), annual home price growth was weakest in **Austin** (-8%), **Seattle** (-4%) and **Phoenix** (-1%), with home price growth having slowed most rapidly compared with a year ago in **Austin** (-43%-pts), **Phoenix** (-30%-pts), **Seattle** (-30%-pts) and **Denver** (-23%-pts). The four-week average of annual home price growth has been negative for seven straight weeks in Austin, six consecutive weeks in Seattle, and two weeks in Denver. Median days on the market have extended alongside softening market conditions, with some markets exceeding pre-pandemic timelines including **Austin** (22 days longer), **Phoenix** (17) and **Chicago** (14) with markets like **Washington D.C.** (4) and **Seattle** (3) also starting to climb above their pre-pandemic days on market. Markets that have deteriorated the most based on months' supply include **Austin** and **Seattle**, where months' supply has climbed to a respective 74% and 55% above their pre-pandemic average for the same week from -40% and -63% below one year ago.

Figure 5: Weekly Housing Monitor (as of 12/25/22)

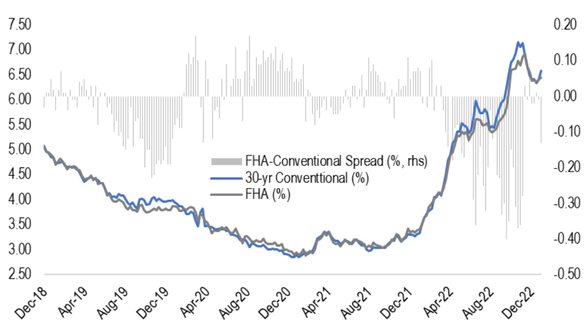
Metro	Median Sale Price psf (% y/y)	Median Sale Price Same Week '21 (% y/y)	Active Listings with Price Drops (% share)	Active Listings with Price Drops (ppt Δ y/y)	Homes Sold Above List (%)	Homes Sold Above List (ppt Δ y/y)	Average Sale-to-List Ratio (%)	Average Sale-to-List Ratio (ppt Δ y/y)	Total Active Listings (% y/y)	Median Days on Market (Δ Pre-Covid Avg)	Median Days on Market Same Week '21(Δ Pre-Covid Avg)	Months' Supply (% Pre-Covid Avg)	Months' Supply Same Week '21 (% Pre-Covid Avg)
All Redfin Metros	3%	17%	5%	3%	23%	-18%	98%	-2%	18%	-12	-22	-9%	-51%
Atlanta	7%	24%	5%	3%	21%	-26%	98%	-3%	32%	-2	-23	6%	-53%
Austin	-8%	35%	7%	4%	12%	-34%	96%	-5%	75%	22	-10	74%	-40%
Baltimore	4%	9%	5%	2%	33%	-7%	100%	-1%	-4%	-14	-20	-26%	-55%
Boston	1%	14%	4%	1%	40%	-14%	100%	-2%	5%	0	-3	-13%	-44%
Chicago	1%	10%	3%	0%	23%	-9%	98%	-1%	18%	14	-26	-2%	-49%
Dallas	6%	25%	7%	5%	18%	-33%	98%	-4%	66%	-6	-28	-1%	-59%
Denver	-2%	21%	7%	5%	19%	-32%	98%	-3%	79%	8	-19	27%	-58%
Houston	7%	20%	6%	3%	14%	-16%	97%	-2%	35%	-11	-32	2%	-52%
Los Angeles	-2%	16%	3%	2%	32%	-28%	99%	-4%	11%	2	-13	16%	-42%
Miami	9%	25%	3%	2%	12%	-8%	96%	-1%	-1%	-9	-11	-2%	-57%
Minneapolis	2%	10%	4%	1%	28%	-19%	99%	-2%	17%	-2	-15	14%	-41%
Nashville	9%	25%	5%	3%	13%	-29%	98%	-3%	85%	1	-24	16%	-62%
New York	-1%	15%	3%	1%	25%	-1%	99%	-1%	-7%	-32	-34	-13%	-42%
Phoenix	-1%	29%	7%	4%	11%	-31%	97%	-3%	57%	17	-14	47%	-49%
Portland	1%	16%	5%	2%	23%	-26%	98%	-3%	48%	-1	-22	23%	-56%
Riverside	3%	24%	4%	2%	26%	-31%	98%	-3%	30%	-4	-24	8%	-56%
San Diego	0%	20%	5%	3%	26%	-32%	98%	-4%	50%	-3	-20	-3%	-66%
Seattle	-4%	26%	5%	3%	17%	-37%	98%	-7%	126%	3	-18	55%	-63%
Tampa	11%	26%	8%	4%	13%	-25%	97%	-3%	96%	-5	-24	8%	-64%
Washington DC	1%	11%	4%	2%	25%	-14%	99%	-1%	3%	4	-5	12%	-40%

Note: Data on 4wk-moving average basis; Median Days on Market and Months' Supply are 3y/3y changes on 4wk-ma basis; Source: Redfin, Arch MI.

MORTGAGE APPLICATIONS END THE YEAR ON A DOWN NOTE

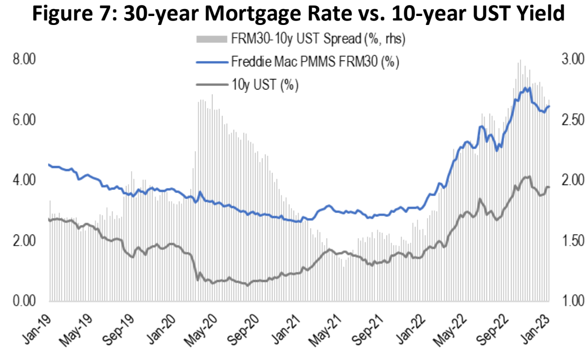
Mortgage rates followed U.S. Treasury yields higher during the second half of December and mortgage applications slowed sharply in response. According to the MBA survey of lenders, the average contract conventional mortgage rate rose 16bps to 6.58% during the week ending Dec. 30 while the FHA contract mortgage rate also rose 4bps to 6.45%, resulting in a -12bps contraction in the spread between the FHA and conventional mortgage rate to -0.13% (Figure 6). Freddie Mac's more recent Primary Mortgage Market Survey (PMMS) for the week ending Jan. 4 indicated that the FRM30 climbed 6bps w/w to 6.48% (Figure 7) as 10-year UST yields climbed 2bps to an average of 3.81% over the same period. Accordingly, the spread between the PMMS FRM30 and the 10-year UST widened 4bps to 2.68%, about 100bps wider than its typical non-stressed level. We expect rate volatility and mortgage spreads to remain wide until more clarity is gained around the path of inflation and monetary policy, which is not likely to occur until well into the second quarter.

Figure 6: Conventional vs. FHA Mortgage Rates



Sources: Mortgage Bankers Association, Arch MI

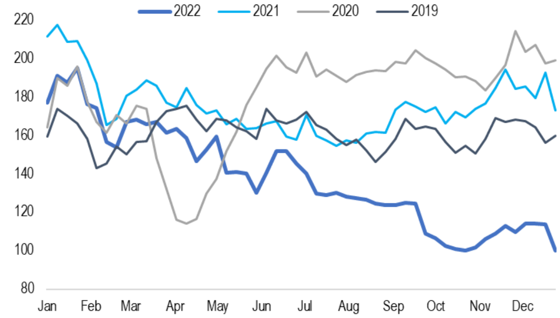
Figure 7: 30-year Mortgage Rate vs. 10-year UST Yield



Sources: Freddie Mac PMMS, FRB, Arch MI

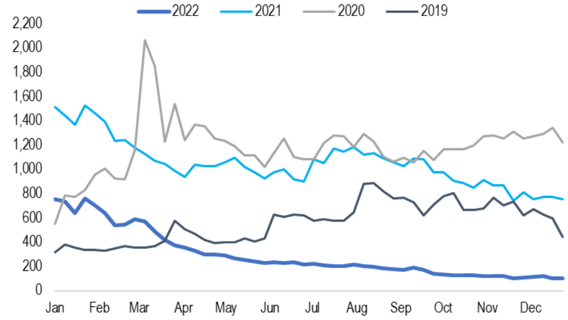
The MBA mortgage application survey for the week ending Dec. 30 declined -10.3% w/w, leaving the index down -68% year-over-year and down -56% compared with pre-pandemic levels (i.e., three years ago). The weekly decline was driven primarily by a -12% decline in purchase applications, which remained down -42% y/y and -37% over three years (Figure 8). Refinancing applications declined -4.4% w/w and were down -87% y/y and -77% relative to 2019 levels (Figure 9).

Figure 8: Purchase Application Activity (Current = 100)



Sources: Mortgage Bankers Association, Arch MI

Figure 9: Refinance Application Activity (Current = 100)



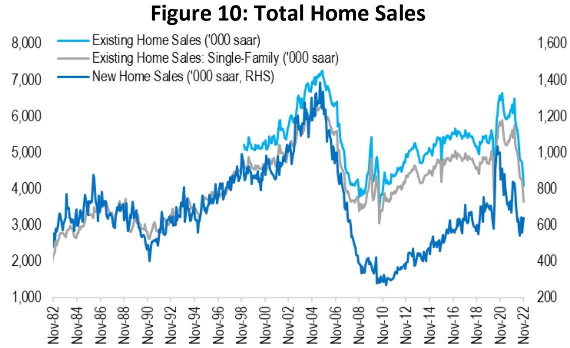
Sources: Mortgage Bankers Association, Arch MI

HOME SALES KEEP TRENDING LOWER

Home sales activity remains challenged with mortgage rates still above 6%. Total home sales (i.e., the sum of existing and new home sales) accelerated further to the downside, falling -6.1% m/m to a 4,730k seasonally adjusted annualized rate (SAAR). Existing home sales have experienced the brunt of the decline, taking their share of total sales down to 86% in November from the typical 90% share. A similar, but more pronounced dynamic can be gleaned from inventory levels where the resale share of total inventory has dropped to 71% in November from the roughly 83% share that was prevalent before COVID.

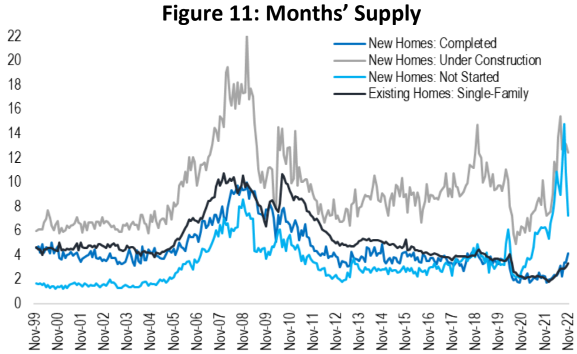
Existing home sales decreased for the tenth straight month in November, falling -7.7% m/m to 4,090k SAAR (cons. 4,200k), marking an annual decline of -35% and a cumulative decline of 37% from January (Figure 10). Supply conditions remained tight despite the slower pace of sales as inventory at the end of November was only 1,126k (sa) units, a 0.3% m/m increase but still -30% below its respective 2019 level. Unsold inventory rose to a 3.3 months' supply (sa) at the present sales pace, a decent uptick from the 2.9 level that held for the prior three months (Figure 11). The seasonally adjusted median sales price of an existing single-family home declined for the fifth time in the last six months, down -0.9% m/m to $384k, although it is important to note that this figure is not adjusted for the quality, size or geography of homes sold.

Figure 10: Total Home Sales



Sources: Census Bureau, NAR, Arch MI

Figure 11: Months' Supply



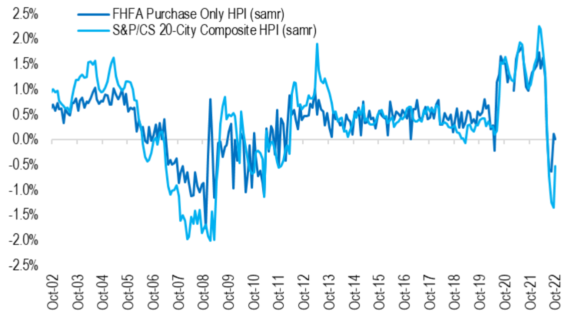
Sources: Census Bureau, Arch MI

New home sales were increasingly volatile in 2022, particularly in the latter half. November new home sales (Figure 10) rose 5.8% m/m to 640k SAAR (cons. 600k) after a downward revision to the prior two months. The -12% m/m decline for completed sales was offset primarily by a 47% jump in sales for the not-started segment. It is also important to note that the Census Bureau reports gross sales, not net, meaning that rising cancellations may not be entirely captured until the data is revised in subsequent months. The supply of new homes for sale took a slight step back — falling -1.7% m/m to 461k in November, but remained up 18% y/y and represented an 8.6 months' supply. The overall months' supply of new homes remained inflated by the number of homes under construction and not started (Figure 11), which represent a combined 86% of the total available for-sale inventory.

HOME PRICES STILL ADJUSTING

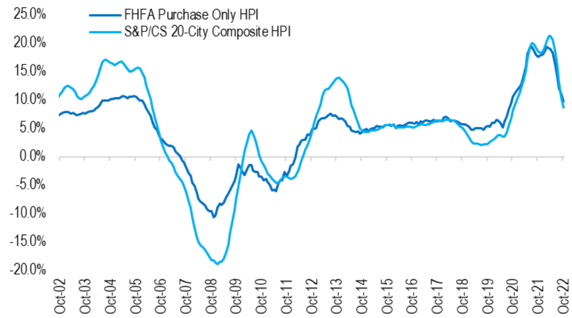
Repeat-sales home price indexes were a mixed bag for the month of October, but the trajectory is still firmly to the downside. The FHFA Purchase-Only House Price Index was unchanged (cons. -0.7%) on a seasonally adjusted basis (Figure 12) after rising 0.1% in September and dropping -0.6% in both August and July. The S&P/Case-Shiller 20-City Composite HPI fell -0.5% (cons. -1.1%) in October, slowing the pace of decline from the -1.3% drop in September. All metros within the composite recorded monthly declines, led by Las Vegas (-1.3%), Phoenix (-1.2%) and San Francisco (-0.9%). The year-over-year growth in the Case-Shiller 20-City index also decelerated to 8.7% from 10.4% in September (Figure 13).

Figure 12: Month-Over-Month Home Price Appreciation



Sources: S&P, FHFA, Arch MI

Figure 13: Year-Over-Year Home Price Appreciation



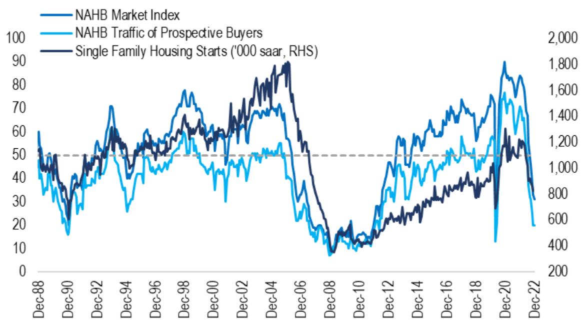
Sources: S&P, FHFA, Arch MI

The headline divergences between the FHFA PO and the S&P/Case-Shiller tend to occur during times of elevated volatility in the housing market. Index compositional differences do play a factor where the FHFA index uses only conforming, conventional loans purchased and securitized by the GSEs (data included in the index are based on the loan origination date) while the S&P/Case-Shiller index captures more transactions and uses a different weighting that places greater emphasis on higher home value regions. Moreover, the S&P/Case-Shiller index is a three-month moving average of closed sales, implying that closed sales for the most recent August-October period covers contracts signed as far back as June.

HOME CONSTRUCTION CONTINUED TO COOL IN NOVEMBER

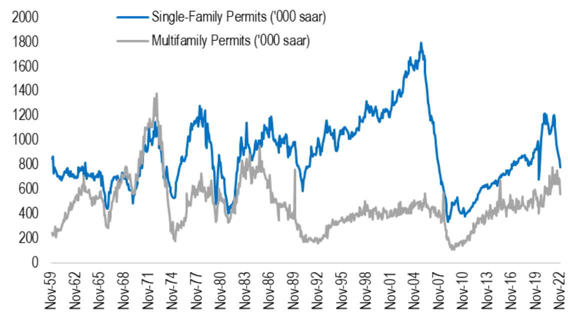
The decline in housing starts eased in November (Figure 14), falling -0.5% m/m to 1,427k SAAR (cons. 1,400k), with modest downward revisions for the prior two months. Construction activity may be in the early innings of stabilization with the December NABH housing index falling two points — the smallest decline in five months — to 31 while the future sales index climbed four points to 35 and buyer traffic remained flat at 20, all still very depressed readings historically.

Figure 14: NAHB Housing Index and Housing Starts



Sources: NAHB, Arch MI

Figure 15: Housing Permits by Type



Sources: US Census Bureau, Arch MI

Single-family starts slowed -4.1% m/m to 828k, marking the tenth decline in the last 12 months. Multifamily starts have been volatile but remained elevated, although that is likely to change as the rental market is showing signs of cooling. More forward-looking building permits were dragged lower across the board as single-family permits decreased -7.1%

m/m to 781k SAAR and for the ninth month in a row, while multifamily permits fell -16.4% m/m to 561k SAAR, the lowest annualized pace since May 2021 (Figure 15).

Completions rose 10.8% m/m, led by the multifamily segment with a 13.9% advance while single-family completions posted a respectable 9.5% increase. Single-family completions are up 10% y/y and have been outpacing the annualized pace of starts since June (Figure 16). Total completions have remained roughly flat over the prior year as builders continue to work through supply chain bottlenecks against an elevated count of 1,709k units under construction (Figure 17).

Figure 16: Housing Completions

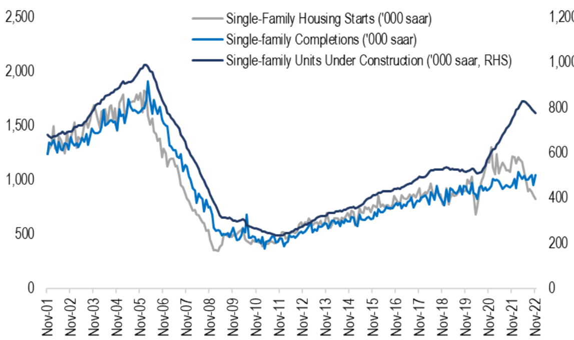
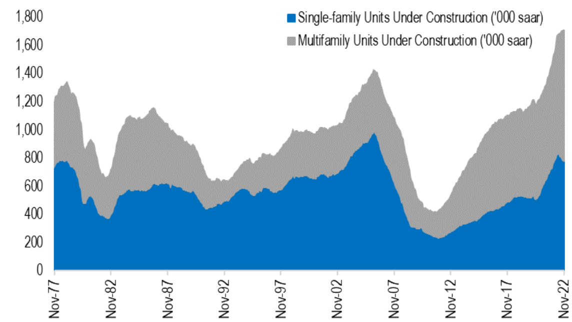


Figure 17: Housing Units Under Construction

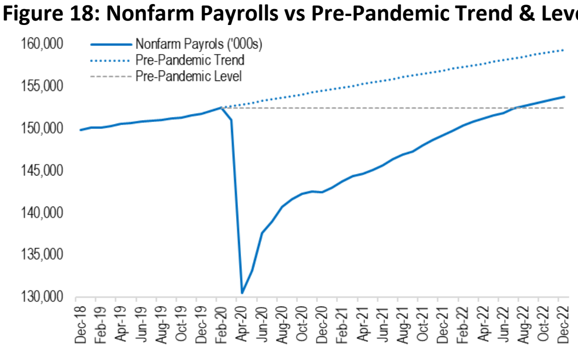


Sources: US Census Bureau, Arch MI

JOB MARKET LOSING MOMENTUM BUT REMAINS TIGHT

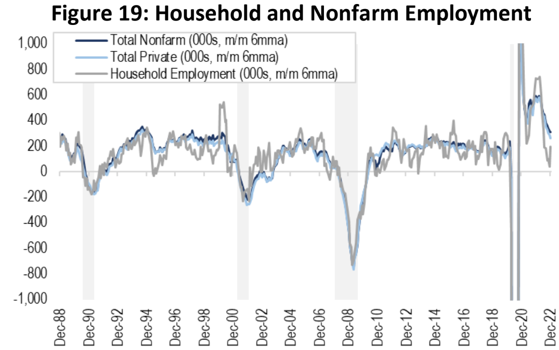
With a gain of 233k jobs in December and 4.5m for 2022, the U.S. economy now has 1,239k more jobs than prior to the pandemic (i.e., February 2020) but remains well below the pre-pandemic trend (Figure 18). While the three-month moving average pace of job gains continued to slow to 248k from 263k last month and 275k in October, labor market indicators generally still point to solid demand. Job openings remained elevated at 10.5m (cons. 10.1m) in November, the quits rate (an indication of worker optimism) ticked up 10bps to 2.7%, and the layoffs rate remained historically low for most industries.

Figure 18: Nonfarm Payrolls vs Pre-Pandemic Trend & Level



Sources: Bureau of Labor Statistics, Arch MI

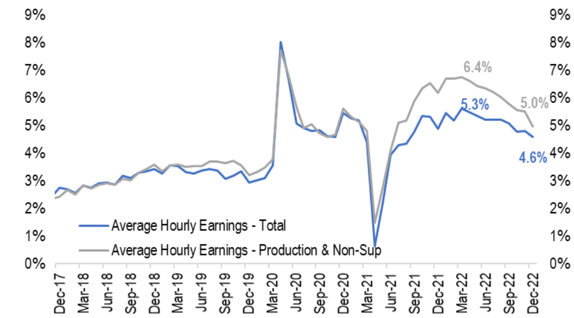
Figure 19: Household and Nonfarm Employment



Sources: Bureau of Labor Statistics, Arch MI

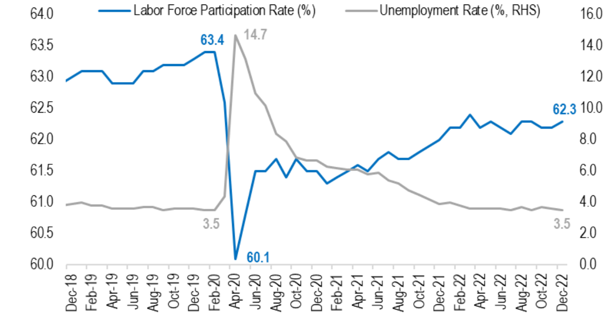
The breadth of job gains also implied that healthy labor demand remained as gains were led by education and health services (78k), leisure and hospitality (67k) and construction (28k). Notable sectors with payroll declines included temporary staffing (-35k) and information (-5k). The household survey recorded a pronounced 717k increase in employment for December but has generally reflected a much-less-rosy picture of the labor market since April (Figure 19) when compared to the establishment survey. Total establishment survey payroll gains for the year totaled 4.5m compared to household employment gains of 3.2m. It is important to note that the household survey uses a different methodology and is much smaller than the establishment survey and accordingly has a larger sampling error, but the weakness still warrants watching.

Figure 20: Average Hourly Earnings Growth (y/y)



Sources: Bureau of Labor Statistics, Arch MI

Figure 21: Labor Force Participation and Unemployment Rates

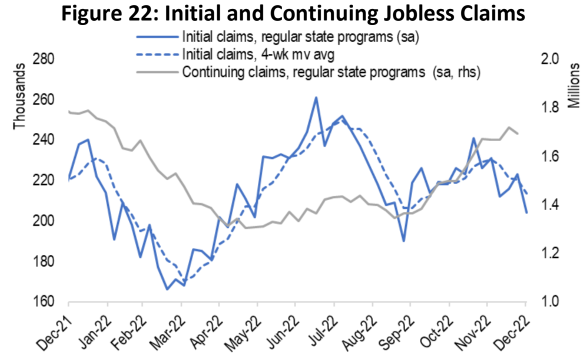


Sources: Bureau of Labor Statistics, Arch MI

Hourly earnings rose 0.3% m/m (cons. 0.4%) in December with downward revisions to the prior few months. The non-supervisory segment rose a bit slower during the month (0.2%) but remained stronger year-over-year at 5.0% (Figure 20). The unemployment rate fell to 3.5% (cons. 3.7%) in December (Figure 21) despite a 10bps increase in the labor force participation rate to 62.3% (cons. 62.2%) amid the surge in household employment.

Separately, the Department of Labor's latest update on claims for unemployment insurance showed initial jobless claims declined by -19k to 204k (consensus: 205k) during the week ending Dec. 31 from 223k the previous week, moving the four-week average down to 214k from 221k (Figure 22). The current level of initial claims matches the lowest level since September 2022 but remains above the lows observed in early 2022 and modestly above the level that prevailed prior to the pandemic. Continuing claims for regular state programs (i.e., repeat filers for unemployment insurance) declined by 24k to 1,694k (consensus: 1,728k) during the week ending Dec. 24. Taken together with last week's jobs report, the labor market remains tight despite cooling somewhat compared with early 2022.

Figure 22: Initial and Continuing Jobless Claims



Source: U.S. Department of Labor, Arch MI

The Week Ahead

This week's key data release will be the December Consumer Price Index (CPI) report. According to the latest Bloomberg Consensus Survey of Economists, headline inflation is expected to decelerate to 0.0% m/m (sa) from 0.1% in November, which would bring annual inflation down to 6.5% from 7.1% previously. Core CPI inflation is expected to accelerate slightly to 0.3% from 0.2% in November, but that monthly pace would still bring annual core inflation down to 5.7% from 6.0% previously. December import prices are also expected to cool to 2.1% y/y from 2.7% in November, adding to the body of evidence that price pressures are broadly abating.

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Previous	Note
1/9/23	Consumer Credit	Nov	--	25.0	27.1	$B, m/m, sa
1/10/23	NFIB Small Business Optimism	Dec	--	91.5	91.9	index, sa
1/10/23	Wholesale Inventories m/m	Nov F	--	1.0%	1.0%	sa
1/11/23	MBA Mortgage Applications	1/6/23	--	--	-10.3%	w/w, sa
1/12/23	CPI m/m	Dec	--	0.0%	0.1%	sa
1/12/23	CPI Core (ex Food and Energy) m/m	Dec	--	0.3%	0.2%	sa
1/12/23	CPI y/y	Dec	--	6.5%	7.1%	nsa
1/12/23	CPI Core (ex Food and Energy) y/y	Dec	--	5.7%	6.0%	nsa
1/12/23	Initial Jobless Claims	1/7/23	--	218	204	k, sa
1/12/23	Continuing Claims	12/31/23	--	1,718	1,694	k, sa
1/13/23	Import Price Index y/y	Dec	--	2.1%	2.7%	nsa
1/13/23	U. of Mich. Sentiment	Jan P	--	60.5	59.7	index, nsa
1/13/23	U. of Mich. 1 Yr Inflation	Jan P	--	4.4%	4.4%	nsa
1/13/23	U. of Mich. 5-10 Yr Inflation	Jan P	--	2.9%	2.9%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch MI