

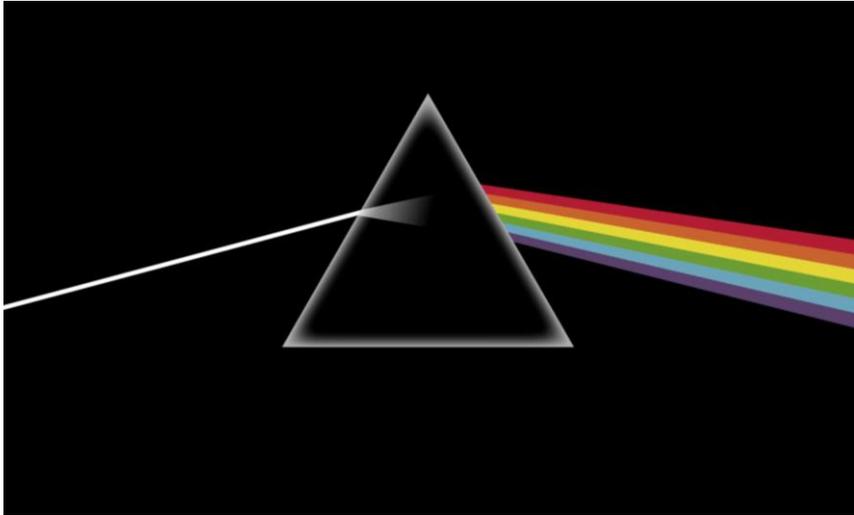
That 70's Show: Stagflation Risks for the Economy

NAHB Leadership Council
June 18, 2022

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NAHB Chief Economist



Good Things from the '70s



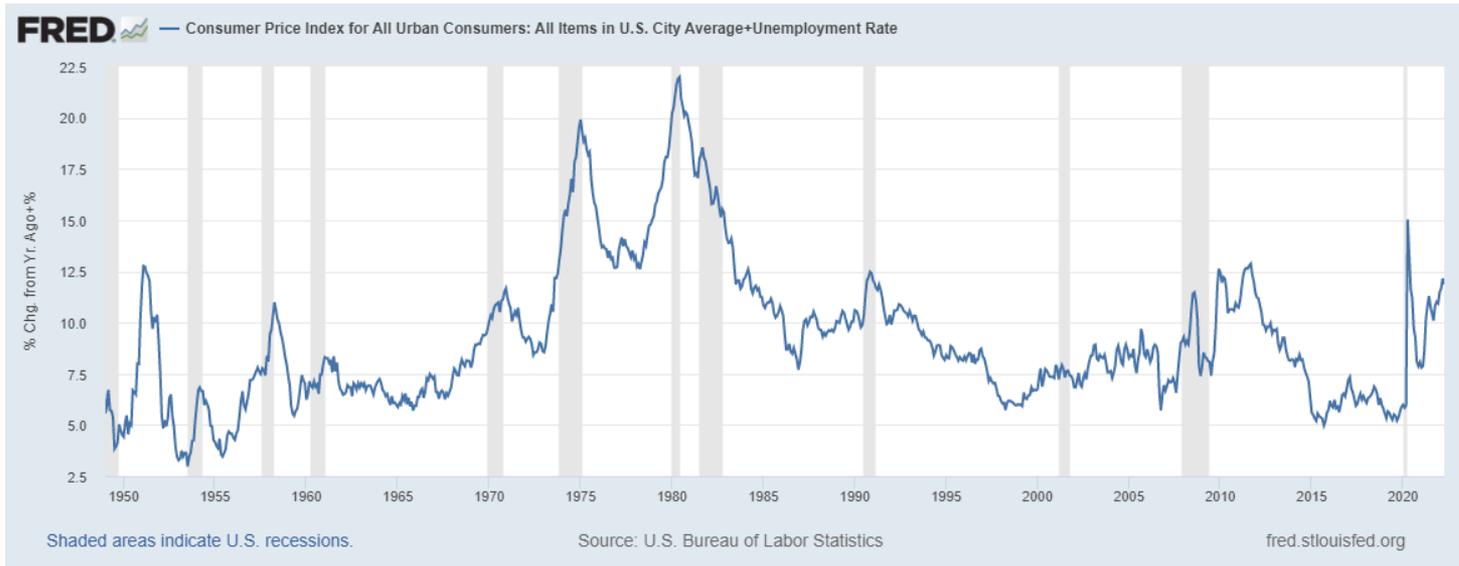
Dark Side of the Moon (1973)



Gen X (1965 through 1979)

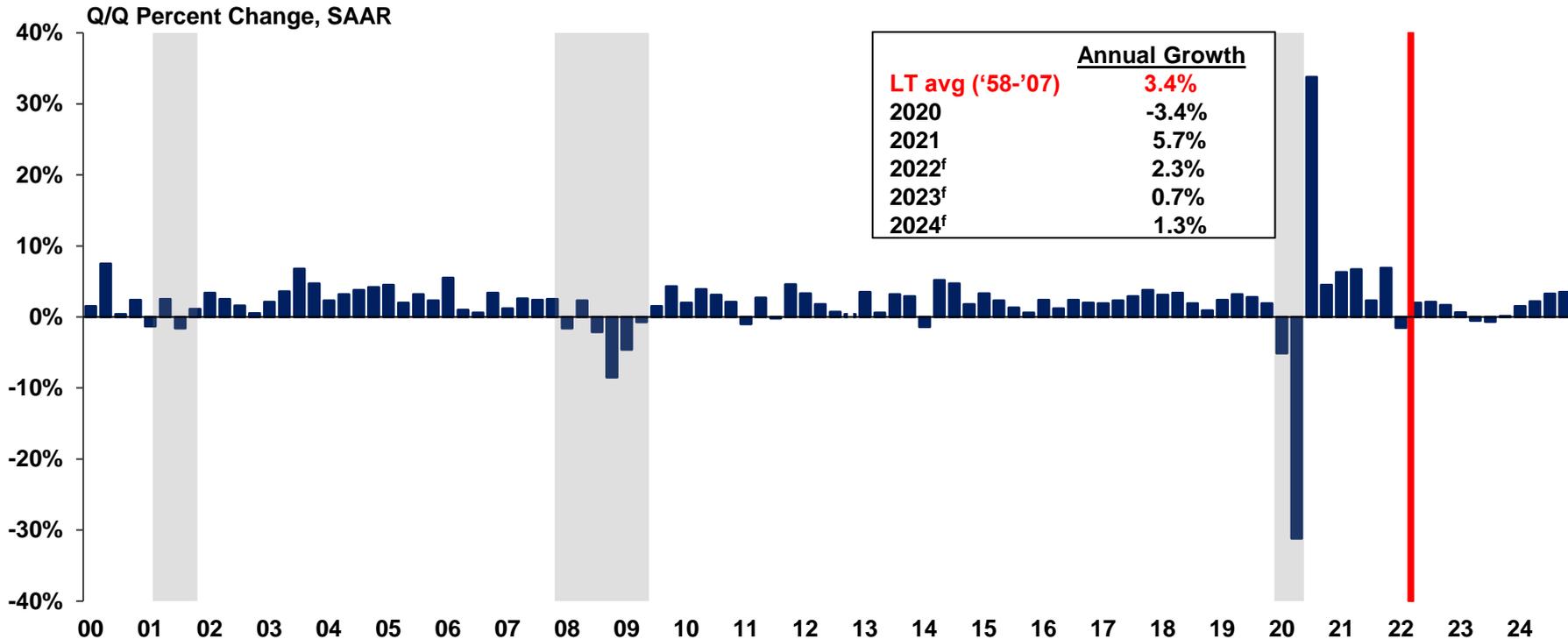
Bad Economics of the 1970s

- *Stagflation*
 - *High inflation and low economic growth*
- *With a slowing economy, we will again talk about the “misery index”*
 - *The sum of the inflation rate and the unemployment rate*



2023 Recession in the Forecast

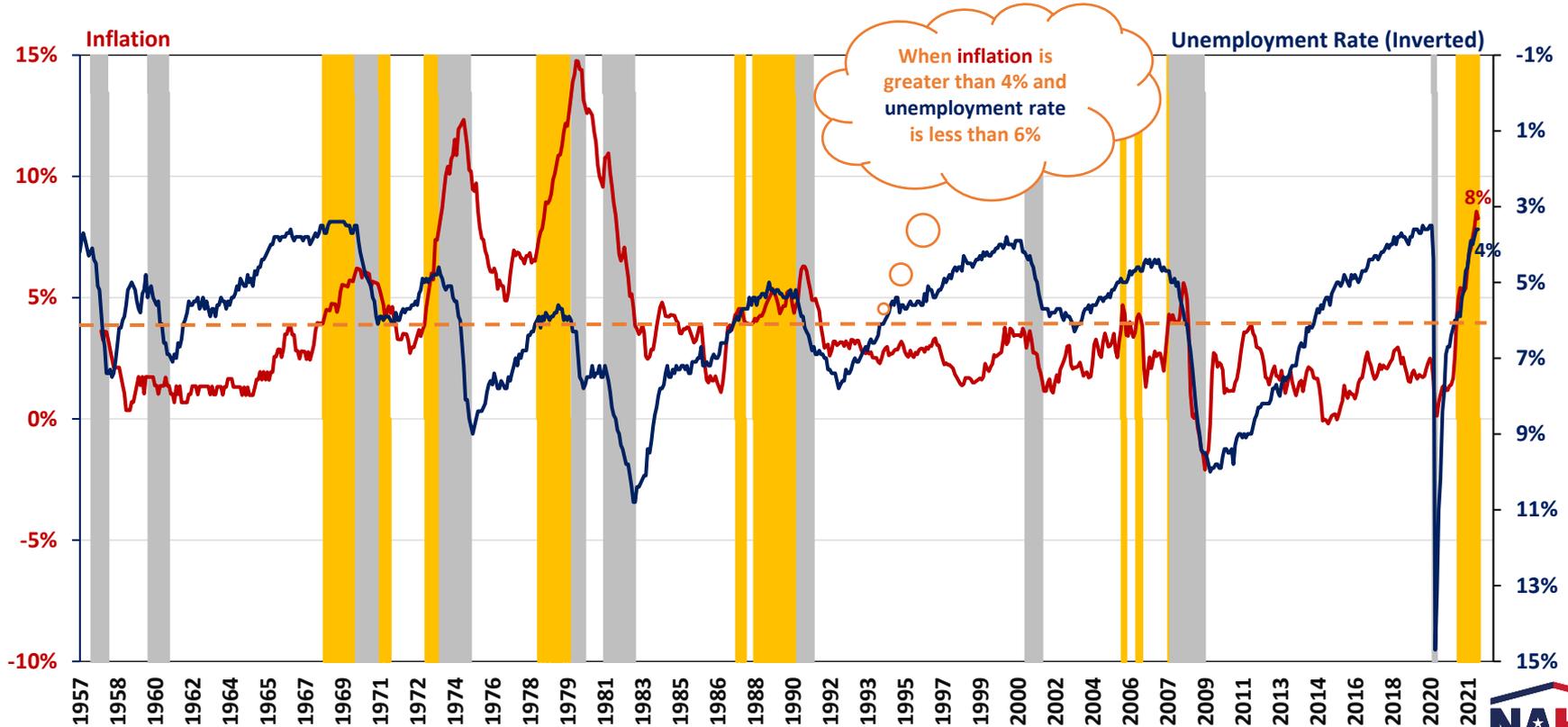
Weak first quarter of 2022 as Fed tightens credit conditions



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

Inflation and Unemployment

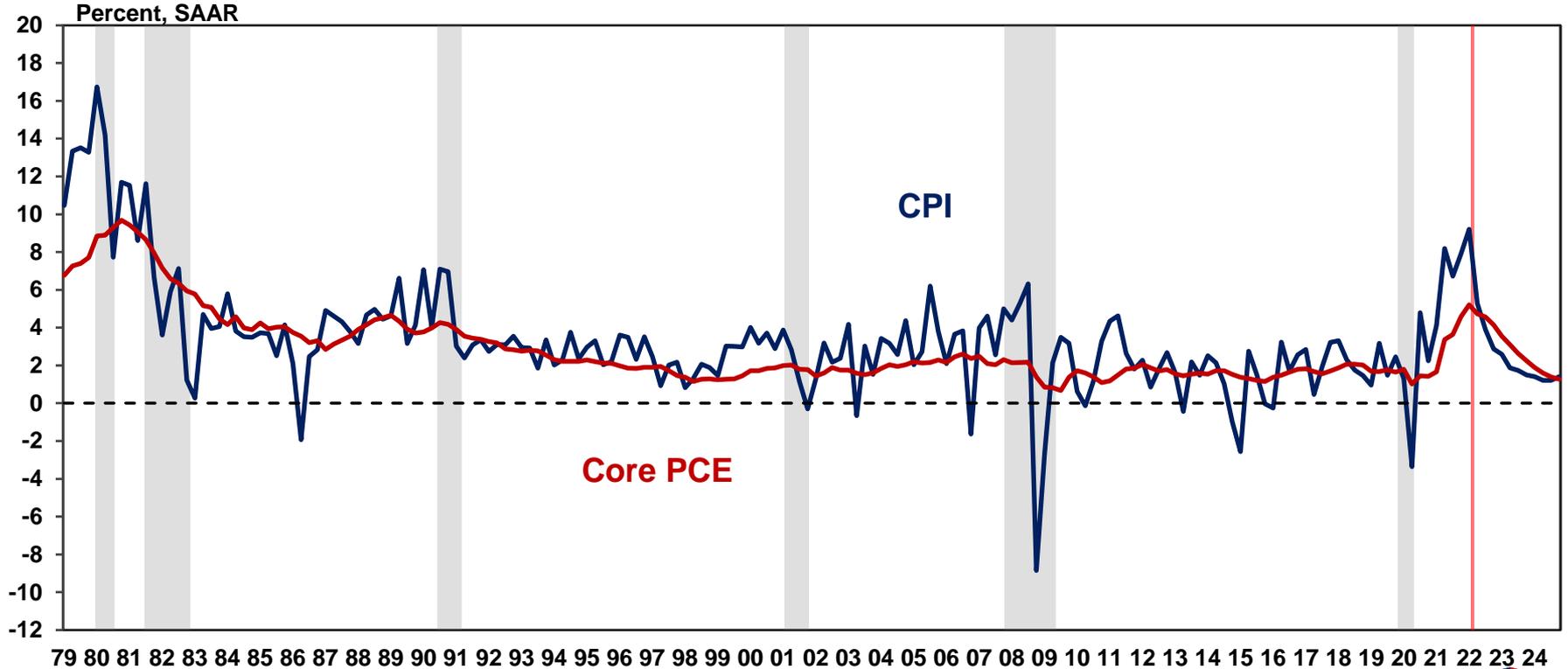
Is a recession looming? History says yes



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA) and NAHB analysis

Inflation at 40-Year Highs

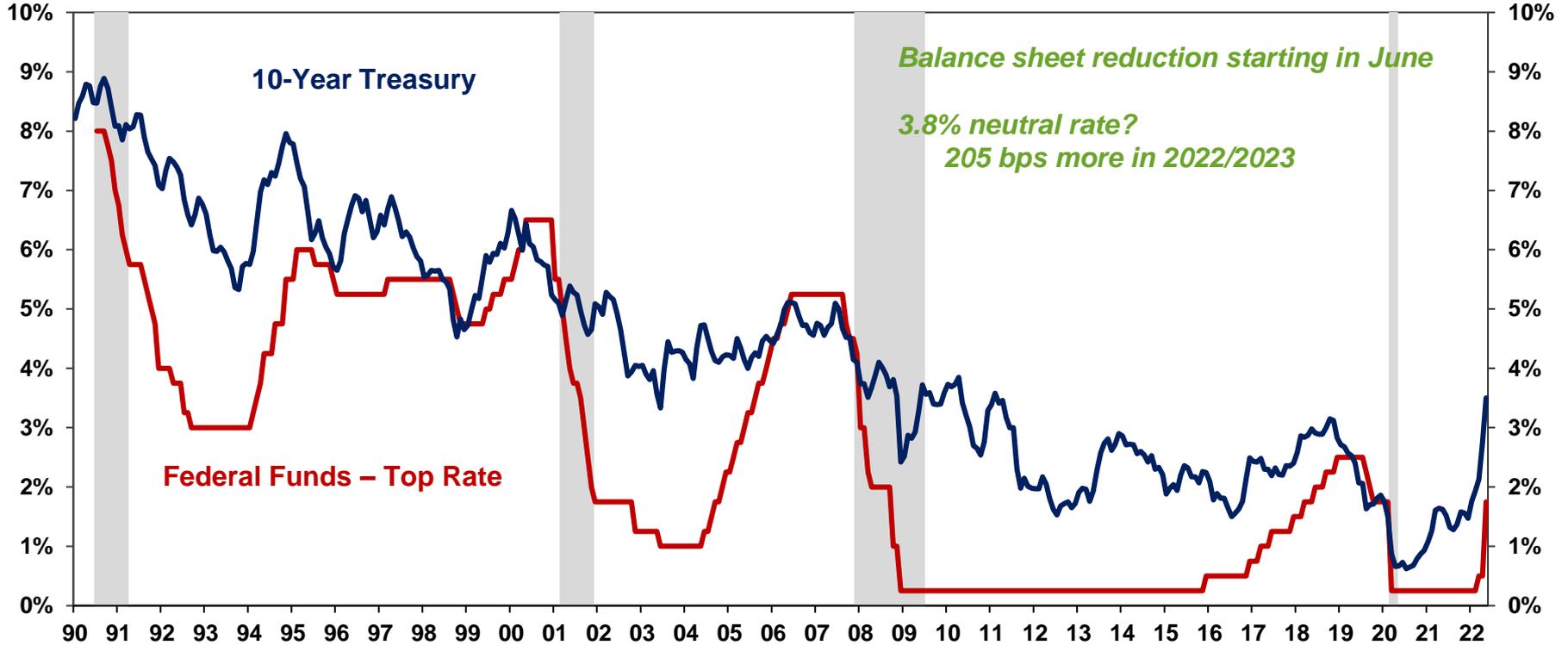
Inflationary pressure is broad-based but will ease as the economy slows



Source: U.S. Bureau of Labor Statistics (BLS), U.S. Bureau of Economic Analysis (BEA) and NAHB forecast

Monetary Policy Tightening in Response to Inflation

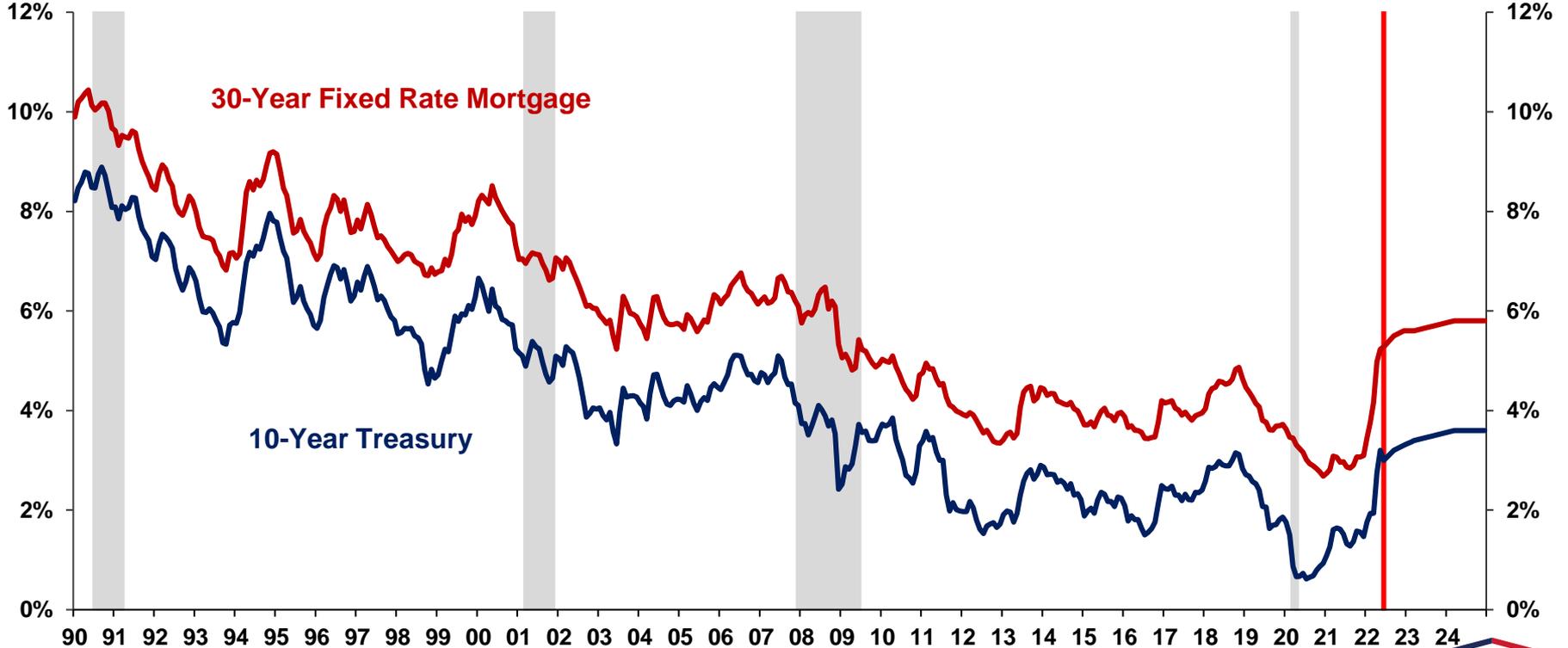
Rising federal funds rate in 2022



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

Interest Rates Trending Higher

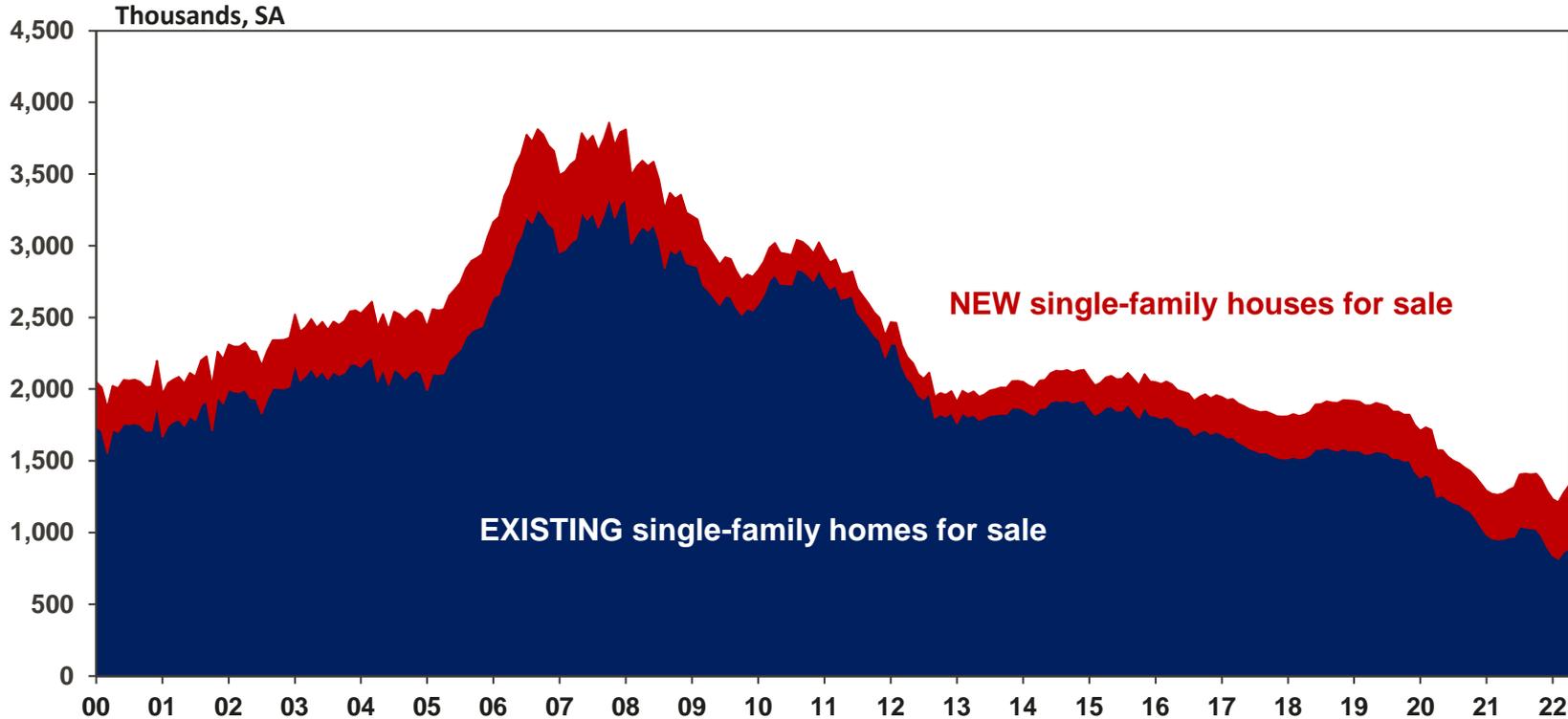
Federal Reserve is tightening monetary policy



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

Total Housing Inventory

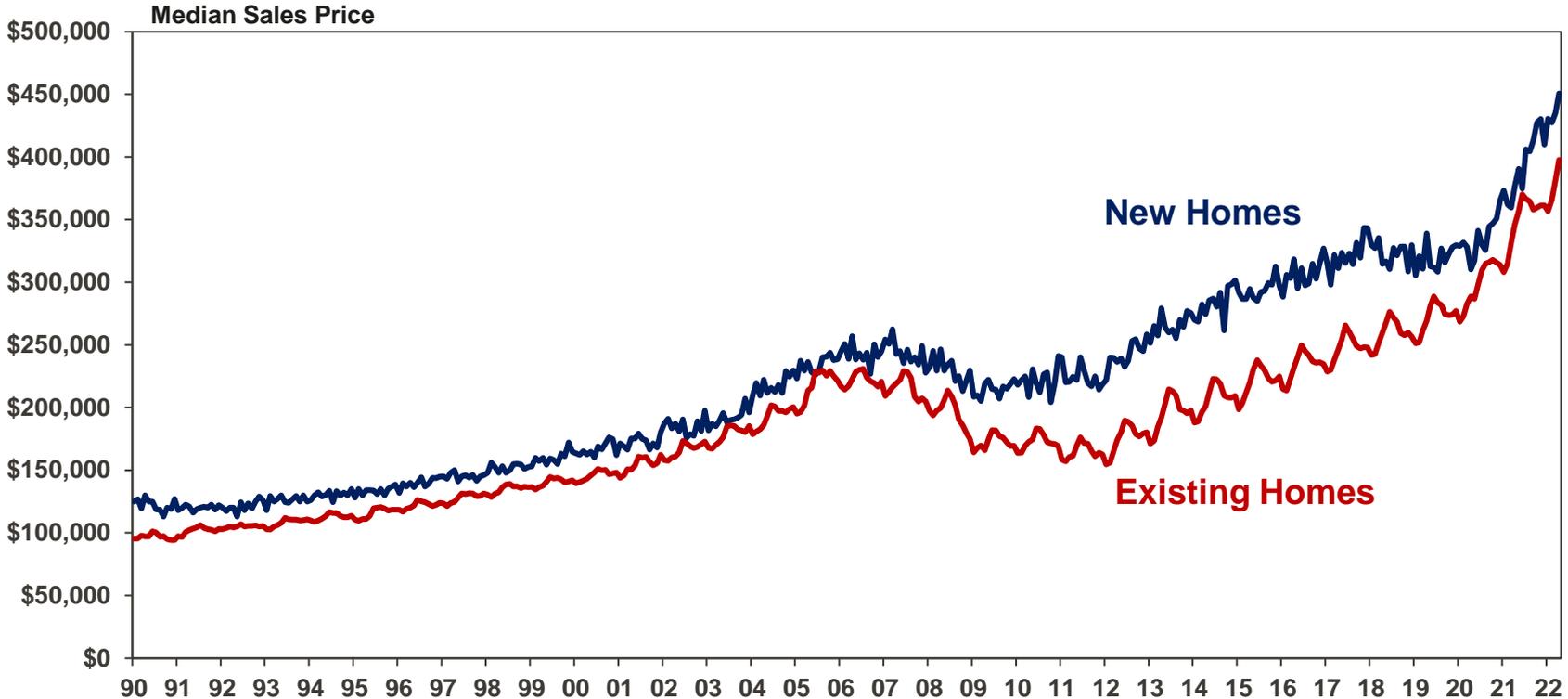
Will it rise in 2022?



Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)

Home Prices of New and Existing Homes

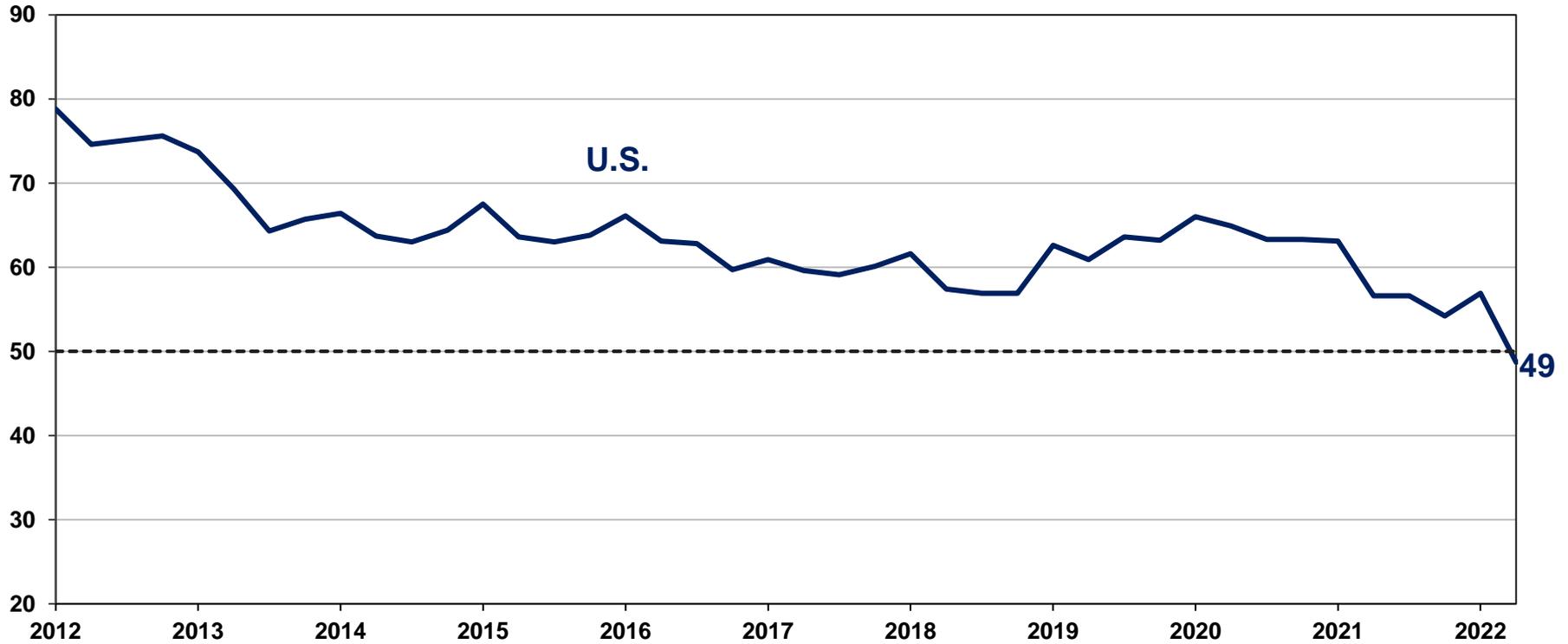
Home prices rising at unsustainable pace: 37% gain for new home prices since Jan 2020



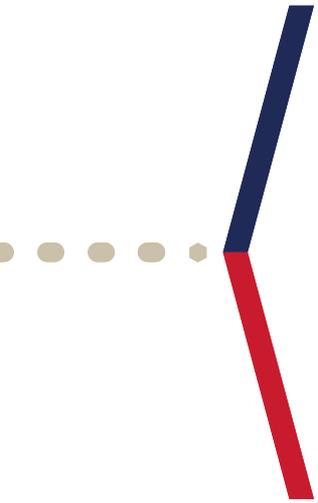
Source: U.S. Census Bureau (BOC) and National Association of Realtors (NAR)



Housing Affordability Declines -- NAHB/Wells Fargo HOI Lower



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

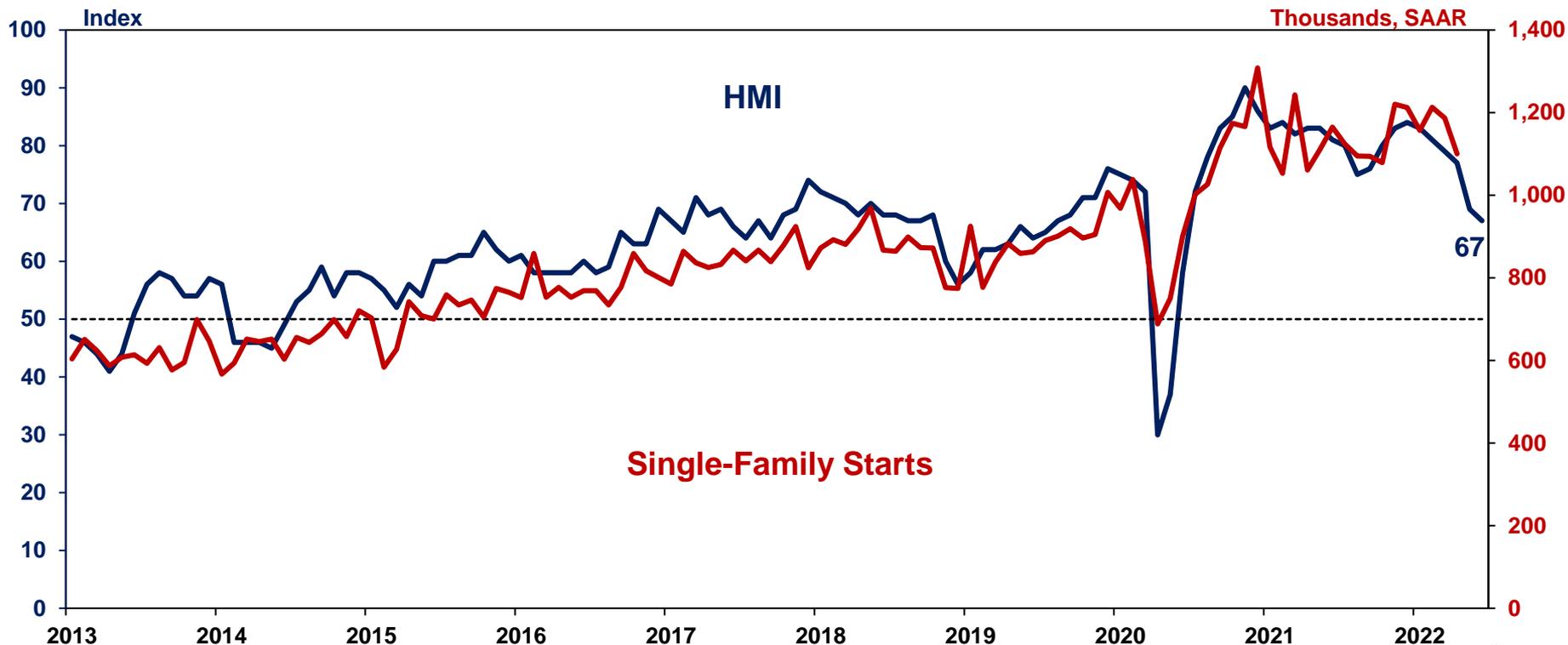


Construction Outlook



NAHB/Wells Fargo Housing Market Index (HMI)

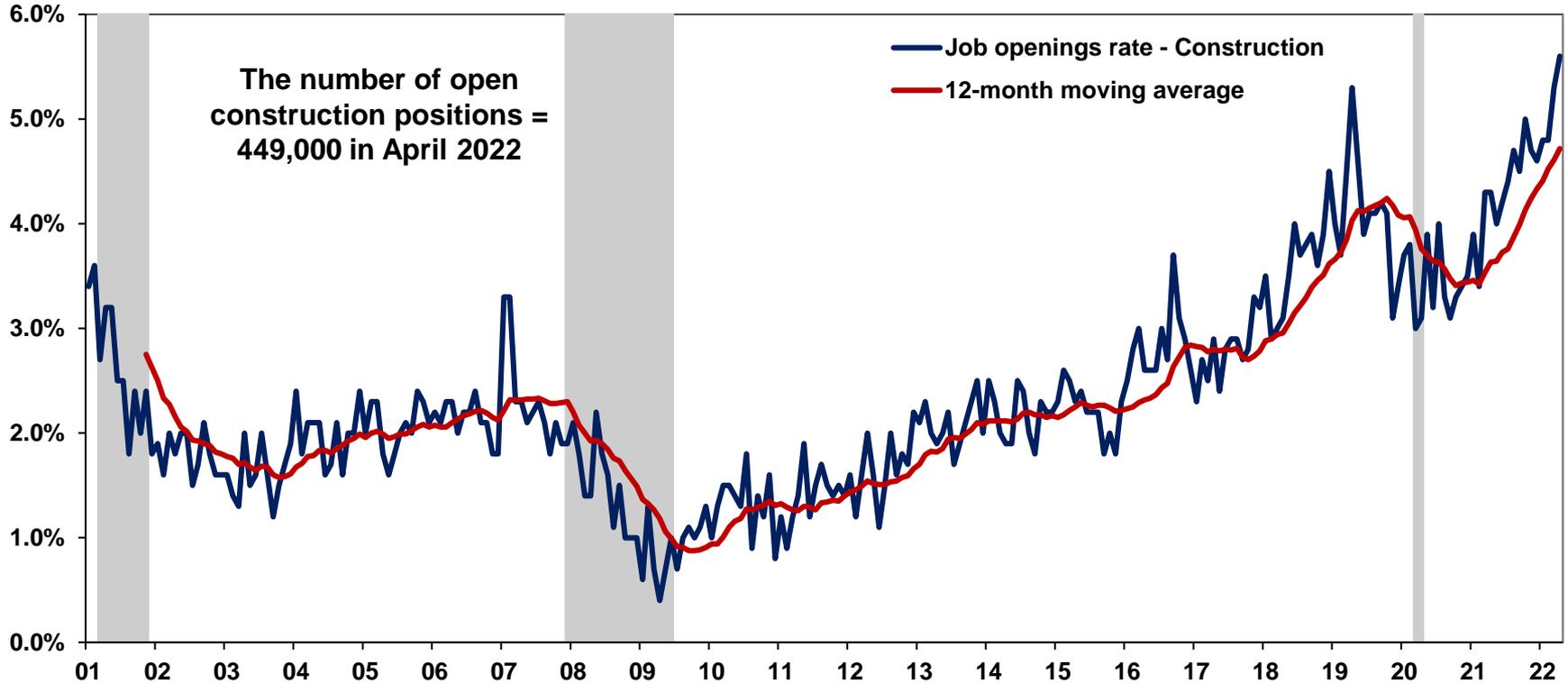
Builder confidence plunged on rising interest rates, growing affordability woes



Source: Census Bureau and NAHB/Wells Fargo HMI survey

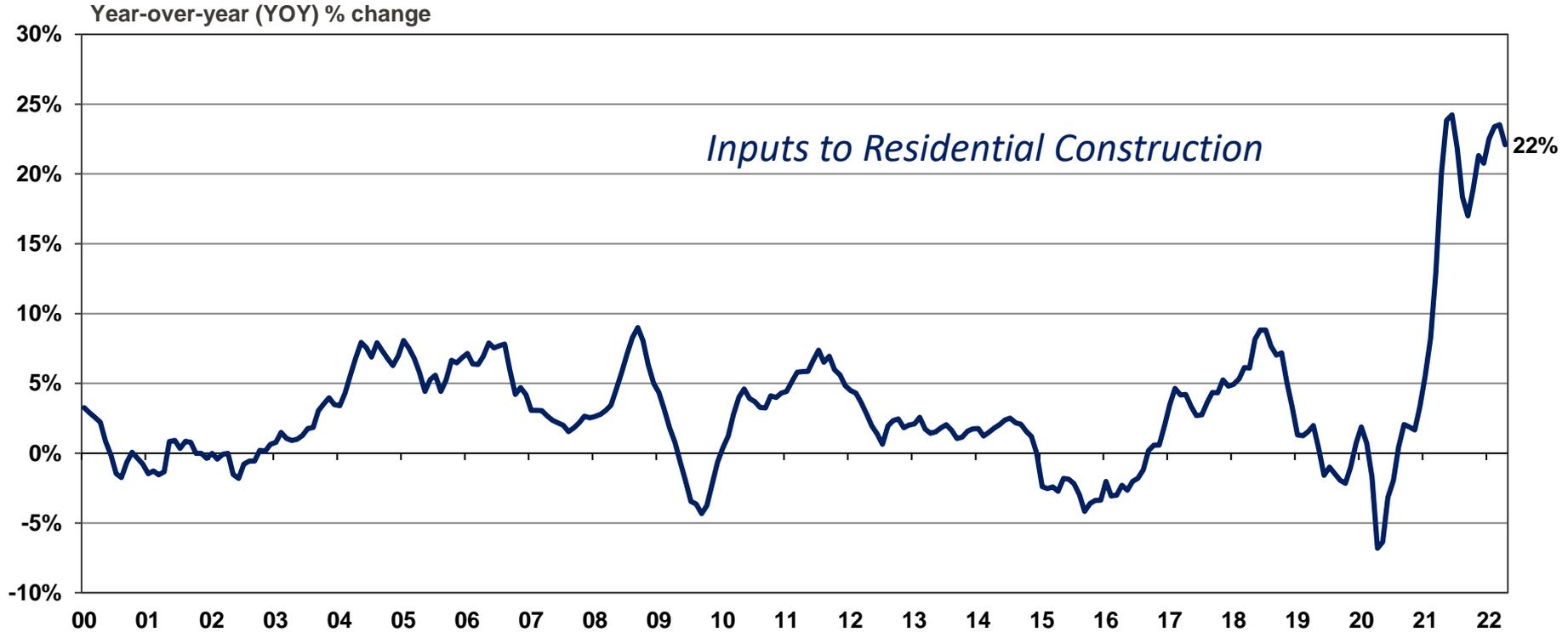
Labor – Construction Job Openings Surging

Skilled labor shortage persists; 216,100 net gain for residential construction since Jan 2020



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

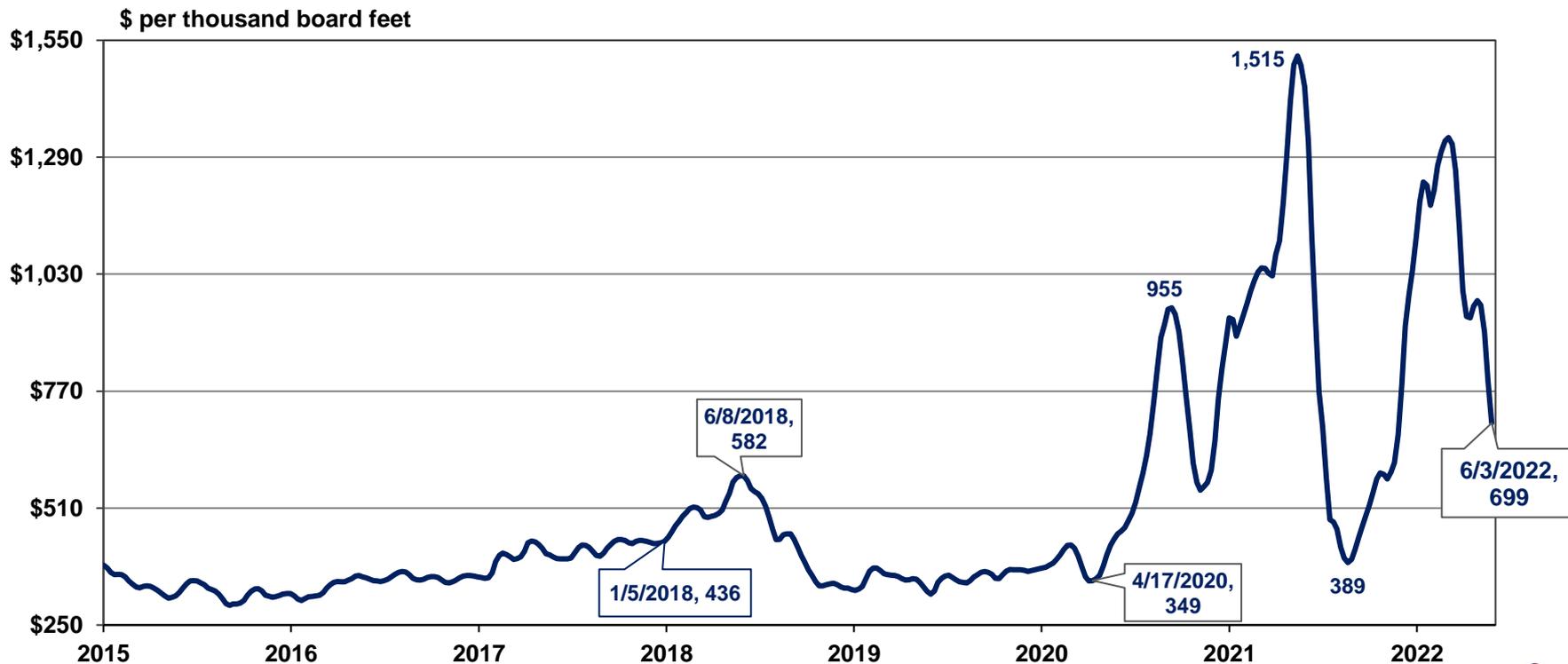
Building Materials - Residential Construction Cost



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

Lumber Prices Edged Down

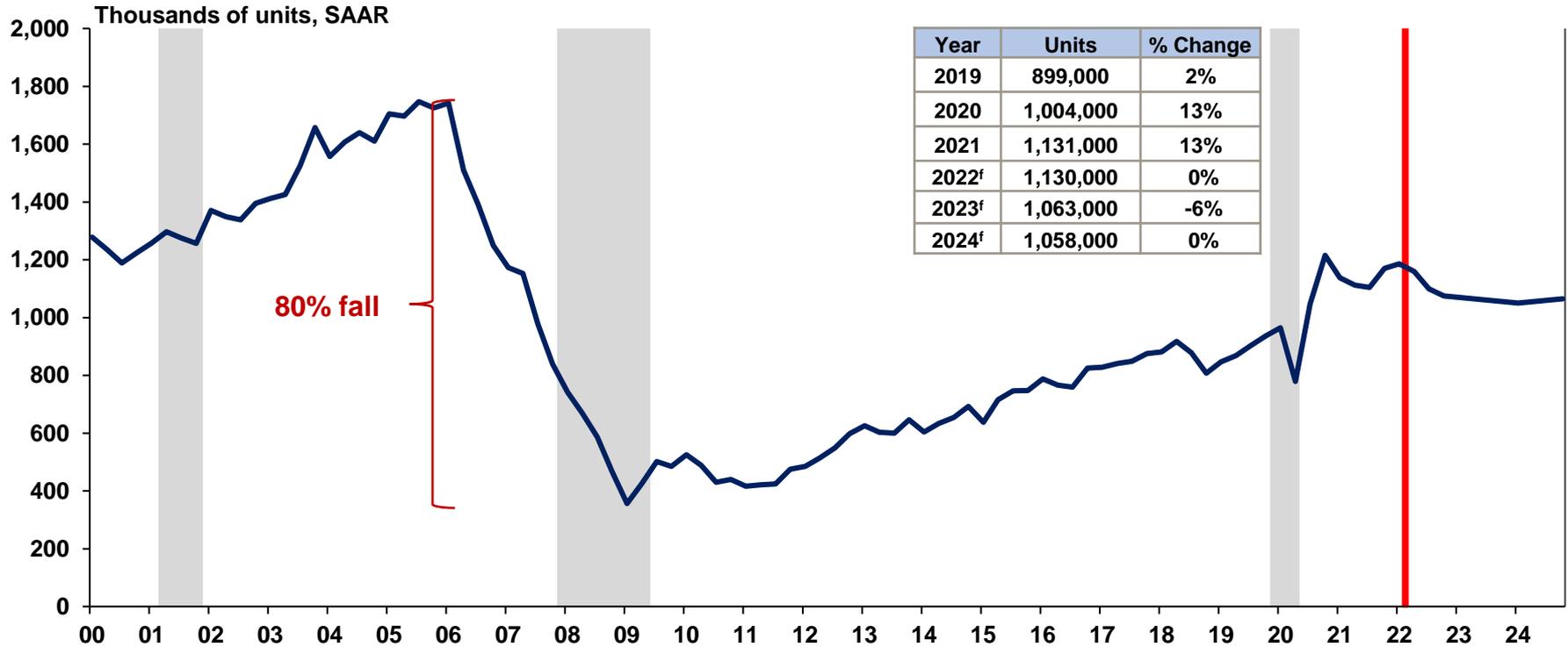
Current June price is \$699; declined 12% for two consecutive weeks



Source: NAHB Analysis; Random Lengths Composite Index

Single-Family Starts

Home building declines as interest rates increase

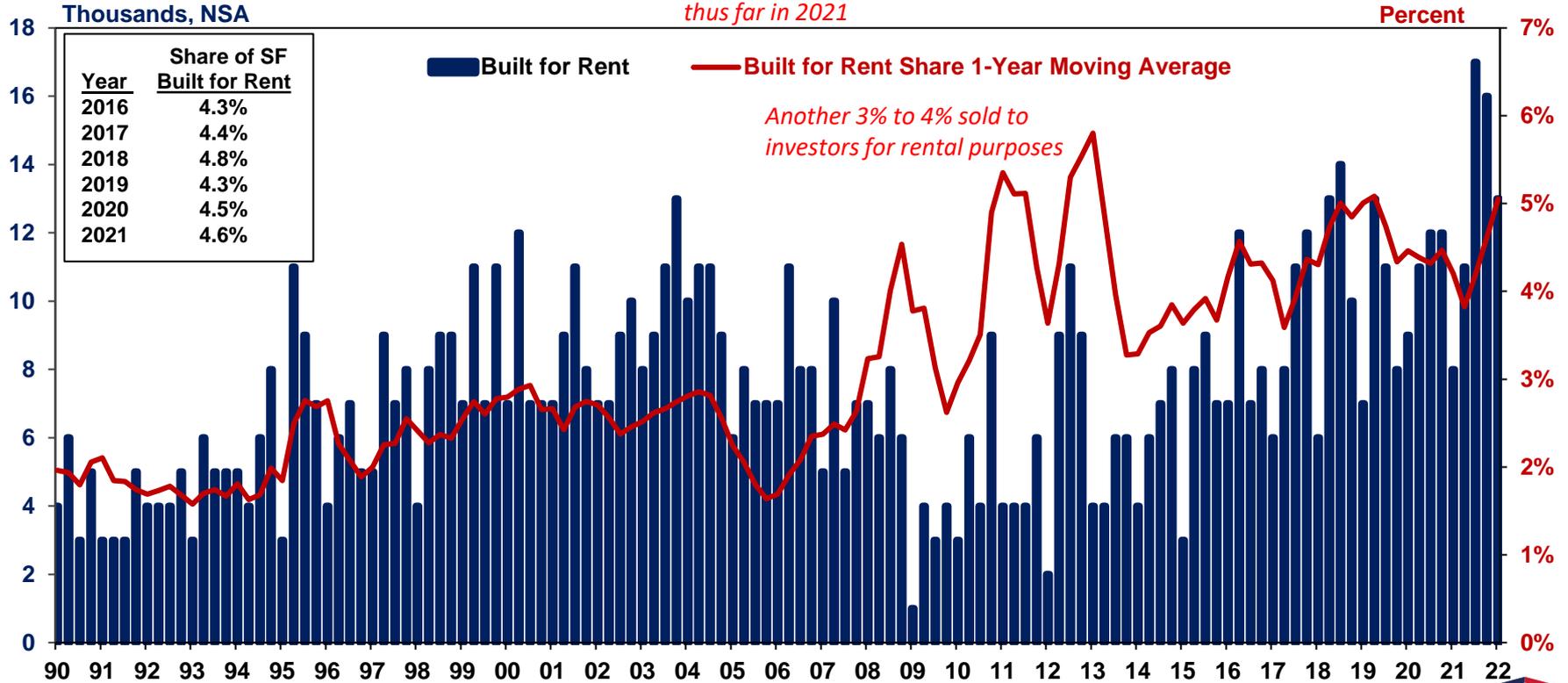


Source: U.S. Census Bureau (BOC) and NAHB forecast

Single-Family Built-for-Rent Construction

A window of opportunity

25% of builders have seen an uptick of investor buyers thus far in 2021



Source: U.S. Census Bureau (BOC)

Multifamily Construction Growing

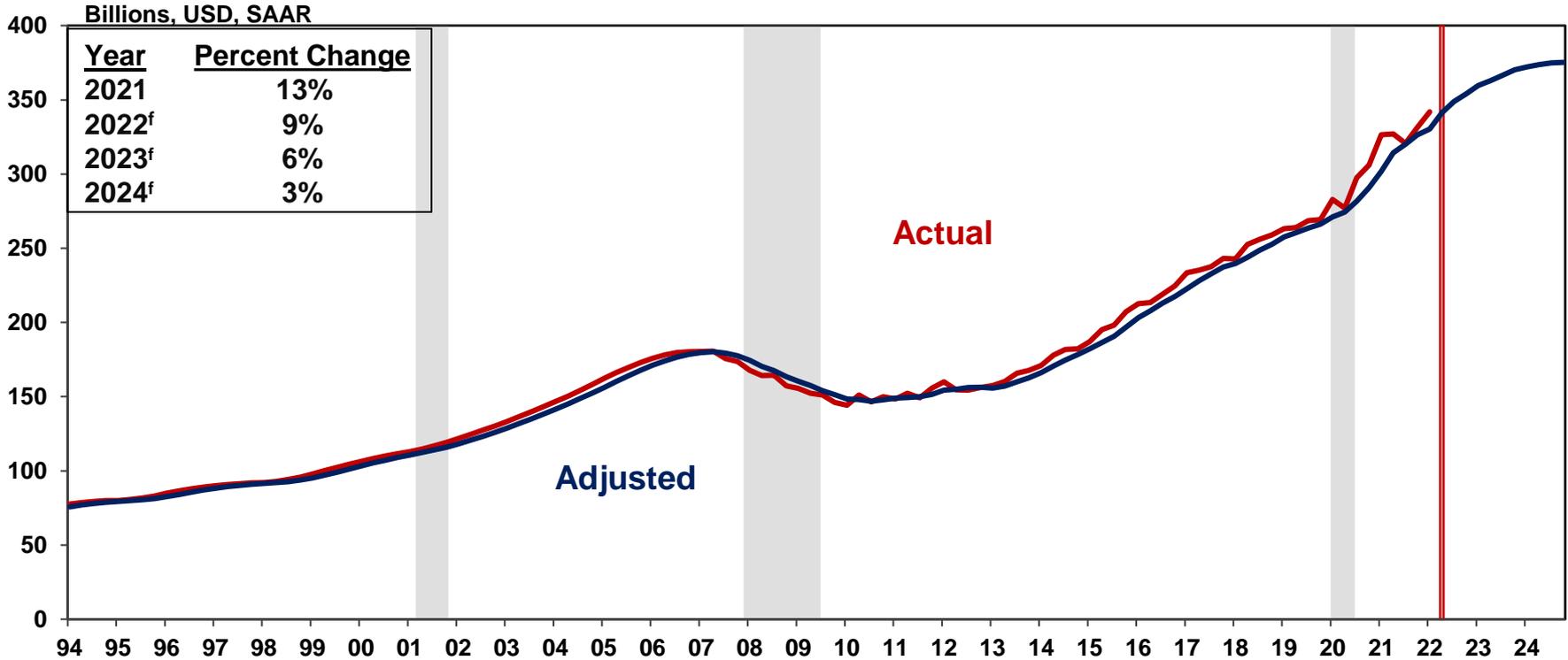
Multifamily growth rising on low vacancies and rising rents



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

Residential Remodeling

Remodeling growth boosted by home equity gains



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.

Thank you

Questions?

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Home Mortgage

eyeonhousing.org
housingeconomics.com