ECONOMIC UPDATE

Daily Updates for Friday, October 30

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General Economics

Personal spending rose more than incomes in September, leading to a decline in the savings rate

Personal income increased 0.9 percent in September, **rebounding from the decline of 2.5 percent in August**. Personal consumption expenditures (PCE) increased 1.4 percent, **building on August's rise of 1.0 percent**.

- The personal savings rate slipped to 14.3 percent, which is **down sharply from over 33 percent in April but up from 8.3 percent in February**, prior to the pandemic.

Source: Bureau of Economic Research

Inflation and Monetary Policy

Inflation tracker PCE price index up 0.2% in September and 1.4% year-on-year

The Federal Reserve-preferred inflation indicator PCE price index increased 0.2 percent in September and 1.4 percent year-on-year.

- **Excluding food and energy**, the PCE price index increased 0.2 percent in September and 1.5 percent year-on-year.
- **Within goods**, clothing and footwear as well as motor vehicles and parts (led by new motor vehicles) were the leading contributors to the increase.
- **Within services**, the largest contributors to the increase were spending for health care (led by outpatient services) as well as recreation services (led by membership clubs, sports centers, parks, theaters, and museums).

Source: Bureau of Economic Research

Job Market

Compensation costs up 0.5% for 3Q20 and 2.4% year-on-year

Compensation costs for civilian workers increased 0.5 percent, seasonally adjusted, for the 3-month period ending in September 2020. **Wages and salaries increased 0.4 percent and benefit costs increased 0.6 percent from June 2020.**

- Compensation costs for civilian workers increased 2.4 percent for the 12-month period ending in September 2020, **down from 2.8 percent in September 2019**.
- Wages and salaries increased 2.5 percent over the year, **down from 2.9 percent for the 12-month period ending in September 2019.**
- Benefit costs increased 2.3 percent, **the same increase for the 12-month period ending in September 2019.**

Source: BLS

Consumer Confidence

Consumer sentiment edges up in October as financial expectations of Republicans and Democrats nearly equal for the first time in 4 years

Consumer sentiment remained virtually unchanged from the first half of October (+0.6 points to 81.8) and was insignificantly different from last month's figure (+1.4 points or 1.7 percent), but was still down 14.3 percent year-on-year. **Fear and loathing produced this false sense of stability**

- Fears were generated by **rising covid infection and death rates**, and loathing was generated by the **hyper-partisanship that has driven the election to ideological extremes.**
- Moreover, the impact of the covid virus and the extremes of hyper-partisanship **will continue long past next week's election**, with the potential to permanently alter the economic and political landscape.
- Importantly, for the first time in nearly four years, the financial expectations of Republicans and Democrats **were nearly equal.**
- Compared with three months ago, the Expectations Index rose by 50% among Democrats but just 7% among Republicans.

Source: University of Michigan

Housing Market

Homebuyer Demand Index up 35% from pre-pandemic levels

For the week ending October 25, the seasonally adjusted Redfin Homebuyer Demand Index was up 35% from pre-pandemic levels in January and February.

- For the 4-week period ending Oct. 25, the median home sale price increased 15% year over year to $322,375—**the highest on record**.
- Pending home sales **climbed 34% year over year** even as the number of pending sales continued a typical seasonal decline.
- New listings of homes for sale were up 9% from a year earlier—**the largest increase since the four-week period ending September 13.**
- Active listings (the number of homes listed for sale at any point during the period) fell 29% from 2019 **to a new all-time low**.
- 45% of homes that went under contract had an accepted offer within the first two weeks on the market.
- The average sale-to-list price ratio, which measures how close homes are selling to their asking prices, rose to 99.5%—**an all-time high** and 1.4 percentage points higher than a year earlier.

Source: Redfin

National apartment rents stabilize in October, but regional variations emerge

With the peak summer renting season behind us, we are now entering the time of year when fewer moves normally take place, causing a seasonal dip in rent prices. And although this year's peak season was significantly disrupted due to the COVID-19 pandemic, our national index has stabilized back to a more typical trend over the past few months.

- Although rents fell by 0.4 percent during October, **such a decline at this time of year is consistent with what we've seen in the past.**
- However, when we look past the national figures, **we find tremendous regional variation**. Expensive coastal cities such as San Francisco and New York City are continuing to see rents fall rapidly, while some affordable midsize cities such as Boise have actually seen rent growth pick up steam over the course of the pandemic.

Source: Apartment List

Share of renters making payments by Oct. 27 improves to 94.6%

94.6 percent of apartment households made **a full or partial rent payment** by October 27 in its survey of 11.4 million units of professionally managed apartment units across the country.

- This is a 1.2 percentage point, or 141,583 household decrease from the share who paid rent through October 27, 2019 and **compares to 92.2 percent that had paid by September 27, 2020**.

- These data encompass a wide variety of market-rate rental properties across the United States, which can vary by size, type and average rental price.

Source: NMHC

Commercial Real Estate

Future of Work report from ULI/EY reviews impact of pandemic over next 3 to 5 years

"Future of Work – A Global Real Estate Player's Point of View" from ULI/EY is the first global report investigating the impact of the pandemic on the Future of Work, real estate and cities **over the next three to five years**.

- Real estate players see the Future of Work (FoW) as **more remote** (96%), digital (85%), on-demand (72%) and **self-employed** (69%).
- In addition, 85% **expect artificial intelligence and business automation to increase** and make the FoW more digital.
- In particular, remote work will completely transform the execution of work: **execution tasks are likely to be performed remotely** (78%) while strategic and talent management (76%), business development (69%) and creativity (65%) are expected to remain onsite.
- Remote work is expected to grow from 20% of employees being offered 20% remote working time to at least **60% of employees spending 40%+ of their time remotely.**

Source: ULI

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